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Editorial Policy

Advantest's Integrated Annual Report presents information that is important to understanding our value creation initiatives, spanning our management philosophy, business model, strategy, and governance, in addition to information on our financial performance, in a format that embodies our integrated perspective on corporate value. It aims to provide content useful to a wide range of stakeholders, including shareholders and investors.

The 2022 edition of the Report is structured as follows.

Summary:

An overview of our value creation strategies, achievements, and future outlook, with a detailed focus on our Grand Design and Second Mid-Term Management Plan (MTP2), which form the basis of our strategy. This includes upward revisions to MTP2 announced in July 2022.

Value Creation:

This section describes our value creation process using both financial and non-financial capital. In depicting the value-creation power of non-financial capital, such as relationships with customers and new technology development, we have attempted to give readers the sense that they are right there on the frontline of our business.

Sustainability:

This section introduces our ESG Action Plan 2021-2023 and the progress of the initiatives we have launched within its framework. For more detail on this, please see our supplementary Sustainability Data Book (<https://www.advantest.com/sustainability/report/>).

Information:

Useful information about Advantest, including our history, business areas, and key financial data over the past 11 years.

Reporting Guidelines, etc. Consulted for This Report

- International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- GRI Standards
- TCFD Recommendations
- SASB (US Sustainability Accounting Standards Board) Standards

Reporting Period & Scope

This report covers the period of FY2021 (April 1, 2021 to March 31, 2022). However, it also refers to earlier and later dates as necessary. Unless otherwise specified, all data are drawn from consolidated financial statements.

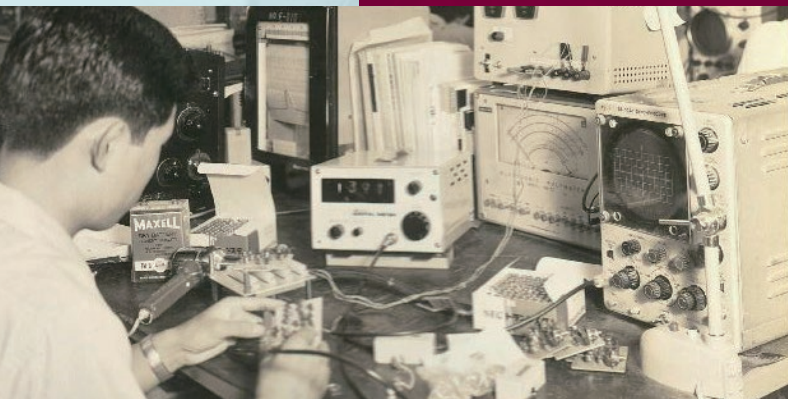
Disclaimer Regarding Forward-Looking Statements

This report contains forward-looking statements that are based on Advantest's current expectations, estimates and projections. These statements include, among other things, the discussion of Advantest's business strategy, outlook and expectations as to market and business developments, production and capacity plans. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate," "believe," "estimate," "expect," "intend," "project," "should" and similar expressions. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause Advantest's actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements.

Who We Are

Since our founding in 1954, we've been contributing to the evolution of technologies related to electronic measurement. Our technologies are most widely utilized in the field of semiconductor test.

Our products test semiconductors at high speeds, using minute voltages and currents, to confirm whether they meet design specifications.



As semiconductors take on ever more varied and crucial roles in our lives, higher performance and reliability are required. Semiconductor test has become even more important.

Advantest provides industry-leading test solutions that address challenges across the semiconductor value chain with our advanced technological capabilities and global teamwork, contributing to safety, security, comfort, and sustainability in diverse worldwide arenas.

Summary

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CEO Message



Representative Director, President and CEO
Yoshiaki Yoshida

Advantest's Value

Advantest provides products and solutions based on electronic measurement technology. At the time of our founding in 1954, the company focused on measurement instruments used in electronic and communications equipment R&D and quality assurance. We then shifted our focus to semiconductor test equipment. Our business domains have changed, but our role remains the same: We measure and test the devices developed and produced by our customers to ensure that they operate according to specification. Our purpose & mission of “enabling leading-edge technologies” expresses our commitment to supporting customer innovation with state-of-the-art measurement technology, thereby contributing to the common good.

The semiconductor test equipment market used to be an extremely competitive environment divided among numerous suppliers. Nevertheless, Advantest has maintained market leadership since the 1980s, thanks to our aggressive and continuous investment in R&D, our strong customer base, our broad product portfolio tailored to diverse customer needs, and our global support capabilities. Our close relationships with advanced customers who are also technologies and business leaders help us to stay ahead of the curve, continuously developing next-generation test technology. Today, we hold a dominant market position with a substantial technology moat that no other company can match.

In recent years, semiconductor technology has increasingly proven its power to help solve various social and environmental issues. Semiconductors have been indispensable to the trends of remote work and distance learning and to the rise of EVs and self-driving cars. As the infrastructure enabling the analysis of big data they help to improve the accuracy of

weather forecasts and traffic congestion predictions. These trends require semiconductors to have higher performance and reliability. In this context, semiconductor test that “enables leading-edge technologies,” plays an important role, and brings a significant number of new opportunities for Advantest to demonstrate and grow its corporate value.

P.23 The Value Creation Process

Our Road to Explosive Growth

In fiscal 2020, Advantest's sales exceeded ¥300 billion for the first time, and in fiscal 2021 they topped ¥400 billion. We expect sales to exceed ¥550 billion in fiscal 2022. Operating income reached the ¥100 billion level for the first time in fiscal 2021, and is expected to reach approximately ¥170 billion in fiscal 2022, with an operating income margin of over 30%. Ten years ago, in fiscal 2012, sales were just ¥132.9 billion, and operating income was only ¥80 million. Our company has grown by an order of magnitude in just one decade.

The major reason why we have been able to make such a big leap forward have been strategic positioning in a growing market. Going back to 2010, our main business was memory semiconductor test, a market that had shrunk significantly due to factors such as falling chip prices, consolidation among memory manufacturers, and lower investment in new testers due to streamlining of the test process. However, in 2011, we acquired the US company Verigy with the aim of capturing the SoC semiconductor tester market, which is three to four times as large as the memory tester market. In contrast to memory semiconductors, where the same company generally handles everything from design to manufacturing, SoC semiconductor production is increasingly spread across separate companies that handle design, wafer

	2017Results	2018~2020 Results (average values for MTP1 period)	2021 Results (1st fiscal year of MTP2)
Overall Tester Market* (Approx.)	\$3.0B	\$3.8B	\$5.6B
SoC Tester Market (Approx.)	\$2.2B	\$2.8B	\$4.3B
Memory Tester Market (Approx.)	\$0.8B	\$1.0B	\$1.3B
Advantest's Sales (fiscal year)	¥207.2B	¥290.4B	¥416.9B
Advantest's Overall Tester Market Share*	36%	50%	47%
SoC Tester Market Share	30%	47%	45%
Memory Tester Market Share	57%	56%	51%

*Source: Advantest

CEO Message

manufacturing, assembly, and chip packaging and test. To establish a strong presence in the SoC tester business, we needed an understanding of the complicated global supply chain and corresponding detailed and flexible support capabilities. After the acquisition of Verigy, we focused on developing our test business in this globally distributed SoC value chain. We steadily expanded our customer base by leveraging our test platforms for high-performance logic semiconductors such as APUs and GPUs.

I was appointed president of the company in 2017, and in April 2018, we announced a 10-year mid/long-term management policy (our Grand Design) and an initial 3-year mid-term management plan (MTP1). At the time of that announcement, I emphasized that the semiconductor tester market had changed and would continue to grow over the medium to long term, despite inevitable ups and downs. I did not know at the time how fast the semiconductor market and the related tester market was going to grow. Its expansion has outstripped our expectations, but we seized this opportunity to dramatically expand our business. I believe the biggest reason we were able to do this is that our seeds planted with efforts in the SoC tester market over several years had borne fruit, and we had already significantly increased our share of the market.

In the four years since 2018, we have actively utilized M&A to expand our business in response to the ever-changing and growing market. In fiscal 2018, we acquired the system level test division of the US company Astronics. As semiconductors become more complex and ensuring reliability becomes harder, demand for system-level tests continues to grow. This acquisition began to contribute to our business performance immediately. Similarly, semiconductor test is becoming more

complex, requiring higher performance from tester peripherals. In fiscal 2019, we acquired Essai, a leading company in high-end sockets, and in fiscal 2021, we acquired R&D Altanova, which specializes in test interface boards for high-end devices. The products handled by both of these companies are all indispensable consumable parts for semiconductor test, so the acquisition of these products has expanded and stabilized our earnings. Going forward, we will continue to consider M&A transactions that can generate synergies with our semiconductor businesses and significantly drive growth.

P.12 "Grand Design" Mid/Long-Term Management Policy

2nd Mid-Term Management Plan (MTP2) Revised Upward

In July 2022, we revised our second mid-term management plan (MTP2), announced in May 2021, in response to the high level of sales expected in fiscal 2022 following our strong performance in 2021. These revisions raised our three-year average sales target for fiscal 2021 through fiscal 2023. Our original target was ¥350 billion-¥380 billion. It is now ¥480 billion-¥520 billion.

Regarding our current situation, the global economic slowdown is becoming more pronounced due to global inflation, tighter monetary policies in major countries, economic recession in China, the COVID-19 pandemics, and geopolitical risks. It seems inevitable that the semiconductor market and the semiconductor tester market will undergo a temporary adjustment. However, customers are still strongly motivated to invest in advanced semiconductors such as HPC (High Performance Computing) devices, and the shortage of semiconductors for automobiles and industrial equipment has not yet been resolved. Despite concerns about a decline in consumer semiconductors such as devices for mobile phones, personal computers, and game consoles, Advantest has revised its sales target for fiscal 2023 to around a range of -15% to 10% above fiscal 2022, on the premise that global economic fluctuations will stay within the bounds of the normal business cycle.

In addition to raising our sales targets for MTP2, we have increased our investment budget for R&D and production equipment from our initial plan of ¥40 billion to ¥70 billion,



5 Strategies

- 1 Reinforce Core Businesses, Invest Strategically
- 2 Seek Operational Excellence
- 3 Explore Value to Reach a Higher Level
- 4 Pioneer New Business Fields
- 5 Enhance ESG Initiatives

CEO Message

to respond to the mid/long-term technological evolution of semiconductors and expand our production capacity. At the same time, the five core strategies set forth in our Grand Design remain unchanged. In August 2022, we acquired CREA, a power semiconductor test system company based in Italy to strengthen our core business solution portfolio. Demand for power semiconductor test is expected to grow significantly amidst wider adoption of EVs and needs for lower power consumption in data centers. We believe that synergies between CREA's excellent solutions and our extensive customer base and technical team will enable us to capture the growth of the power semiconductor tester market in the future.

We are also taking on the challenge of developing a test business that utilizes the cloud, software, and data analytics. As semiconductors become more sophisticated in the future, design, process development, and mass production test processes will become even more complex. A platform that collects and analyzes vast amounts of data from testers and manufacturing processes can bring significant new value to customers. Based on this perspective, we have launched a cloud service called "Advantest Cloud Solutions," a standard and open infrastructure that leverages both cloud and edge computing, and are moving toward commercialization of such services with the participation of advanced semiconductor companies and partner companies that develop and provide solutions.

P.14 Second Mid-Term Management Plan (MTP2)

Mid/Long-Term Growth & the Pursuit of Operational Excellence

Although the semiconductor market may temporarily enter an adjustment phase, I believe that it will grow steadily over the medium to long term. The Metaverse is one example of a series of new applications that will further drive the growth of the semiconductor industry. In addition, semiconductors have come to play an increasing essential role in the infrastructure that supports our lives, meaning that higher

functionality and reliability are required more than ever before. Against the backdrop of these needs, semiconductor suppliers continue to develop technologies that enables higher speeds, higher densities, and better power efficiencies. With technological breakthroughs such as EUV exposure and 3D packaging, this trend is expected to continue for some time. All of this is accompanied constant advances in the sophistication of semiconductor test, a powerful driving force for the growth of the test business.

To cite some numbers, SEMI, an international industry association for semiconductor manufacturing equipment and materials suppliers, predicts that the semiconductor market in 2030 will reach \$1 trillion, roughly double the 2021 level (as of July 2022). If the semiconductor tester market grows at the same rate as the semiconductor market, and we maintain our market share, a semiconductor market size of \$1 trillion means about \$7 billion in business for Advantest. In the past, the semiconductor tester market was greatly influenced by trends in personal computers and smartphones, but now that final demand for semiconductors has spread to various other products, we can expect not only an increase in the market's scale but also a reduction of the market's volatility.

P.10 Megatrends and Our Market

On the other hand, I am keenly aware that if we expand our business significantly in the medium to long term, our existing business processes will not be able to support our growth. Say sales double; if equipment and personnel costs also double while business processes remain unchanged, the benefits obtained from growth will be limited.

For this reason, the second of our MTP2 strategies is the pursuit of greater operational excellence. Our priority is not to reduce costs but rather to refine systems that can continue to provide valuable products to customers in a timely manner, even if the scope of our business expands. For example, the CxO system introduced in 2021 is a mechanism for delegating authority to executive officers so as to expedite management decisions. In the globally distributed semiconductor business, this system aims to leverage the power of CxOs in each region who are highly familiar with their respective fields,

CxO Roles

CEO (Chief Executive Officer)	Yoshiaki Yoshida
CPO (Chief Production Officer)	Soichi Tsukakoshi
CFO (Chief Financial Officer) CCO (Chief Compliance Officer)	Atsushi Fujita
CTO (Chief Technology Officer)	Koichi Tsukui
CSO (Chief Strategy Officer)	Douglas Lefever
CHO (Chief Human Capital Officer)	Keith Hardwick
CCRO (Chief Customer Relations Officer)	Kimiya Sakamoto
CDO (Chief Digital Officer) CIO (Chief Information Technology Officer)	Richard Junger

CEO Message

rather than making every decision at headquarters in Japan. In addition, our promotion of DX (Digital Transformation) is not just a matter of cutting labor costs. It is also a policy reviewing and optimize all process, ranging from development to manufacturing, sales, and customer support. DX is also an effective tool for integrating the internal processes of companies that have joined our group through M&A.

Further Enhancement of ESG Initiatives

The fifth strategy of our Grand Design is “Further Enhancement of ESG Initiatives.” I believe that an ESG perspective leads one to consider the value of a company’s existence. Companies all aim to grow while interacting with various stakeholders through the businesses in which they excel. However, if a company’s business rests on the burdens and sacrifices of some stakeholders and the global environment, growth cannot be long-lasting. A sustainable global environment and society is the prerequisite for a sustainable business. I believe our ESG initiatives in the areas of development of products with reduced environmental impact, fair trade, and transparent governance will help our stakeholders, including customers, suppliers, and shareholders, to recognize our value, leading to sustainable growth.

In last year’s integrated report, we noted that one of our ESG issues was obtaining individual employee buy-in. One year later, I am proud to say that we have launched a task force on global warming and human rights issues based on our ESG Action Plan. I feel that we are gradually approaching a situation in which employees share a well-rounded ESG perspective, with business divisions taking the lead in making proposals regarding the environmental impact of products. A active participation by women at Advantest is also steadily increasing, and the ratio of women in management positions, which is one of our KPIs, is increasing (8.3% in fiscal 2020 to increase 9.6% in fiscal 2021). Regarding governance, last year we introduced an executive compensation system that takes into account ESG evaluation scores as one of the KPIs. By continuing these activities, we hope to link the promotion of ESG to the improvement of corporate value.

P.39 Further Enhancement of ESG Initiatives

Corporate Culture & Our INTEGRITY Core Values

Whether we are talking about the pursuit of operational excellence or the enhancement of ESG initiatives, it is individual employees who actually take action. Although our company was born in Japan, we now provide products and services to customers in the complex, highly networked semiconductor value chain around the world. Advantest Group employees are also internationally diverse. Development, production,



and support are distributed all over the world, and a ratio of Japanese employees is about 40% of our total headcount. In order for our employees around the world to take pride in our business and achieve maximum results as an organization, it is essential to foster an attractive corporate culture at each and every Group company.

After announcing our Grand Design, we established our “INTEGRITY” Core Values as a mindset for all employees around the world to share, to help them work together to serve our colleagues, customers, and the common good. Each letter of INTEGRITY stands for a Core Value. These values are positioned as Group-wide guidelines for individuals to rely on in carrying out their duties and make decisions.

P.21 The Advantest Way

In order to build a corporate culture suitable for Advantest, we started by holding INTEGRITY workshops for all employees, followed by “Leading with INTEGRITY” leadership training workshops for all managers, which help to embody INTEGRITY in each department. We have also appointed INTEGRITY Ambassadors as role models, and hold activities to further inculcate our Core Values at each location.

Once an organization is created, it is resistant to change, but in fact the business environment changes from moment to moment. Employees who are members of an organization sometimes need to think and act in the big picture beyond their own organization. In this context, we cannot fully support the global semiconductor value chain unless we identify the essence of our business, communicate based on trust, and demonstrate teamwork. Over the past few years, despite COVID-19 and other difficulties, Advantest has been able to achieve strong results as a result of the efforts of all Group employees who acted with a correct understanding of our INTEGRITY Core Values. I am prouder of them than I can say in word.

Megatrends and Our Market

The accelerating digitization of society is spurring growth and innovation in the semiconductor industry to new heights. Faster semiconductor evolution has caused a major shift in the role of semiconductor test, leading to a growth in the test market.

■ The Accelerating Digitization of Society & the Data Explosion

Semiconductors are now embedded in every part of our lives. They are indispensable components not only of personal computers and smartphones, but also domestic appliances, automobiles, and industrial equipment. What's more, we now live in a world where everything is connected to the internet. Day by day, our world and our daily lives are getting "smarter."

As the number of networked devices connected to the network increases, the amount of data in the world is expected to increase every year. Information about our locations, our viewing and consumption habits, and more is accumulated as "big data" and used for new services and problem solving. In addition, M2M (Machine to Machine) technologies such as autonomous driving and remote facility management systems, which exchange information without human intervention, support our comfort and safety, and are expected to turbocharge the "data explosion."

The ongoing digitization of society and increase in data volumes have been further accelerated, shaping trends that will continue into the future. As we progress along the road to a completely digitized world, the demand for semiconductors as infrastructure will continue to spread to every corner of the globe, and the number of semiconductors on the market will increase dramatically.

■ Data Centers: A Key Semiconductor Demand Driver

The flood of data generated by smartphones and automobiles is sent to data centers for processing and storage by the servers and networking equipment at each facility. It is no exaggeration to say that it is thanks to data centers that we can store our important data and enjoy all the multitudinous conveniences of the internet. And since data volumes will continue to grow exponentially in the future, investment in data centers is expected to go on expanding.

In data centers, semiconductors are used for all the functions that control data transmission, processing, and storage.

Various semiconductor device types are in demand, and sophisticated functions are needed to process large amounts of data at high speed. Demand for semiconductors used in data centers is growing robustly due to increasing use of cloud services and other factors, and they are seen as a key driver of semiconductor demand going forward.

■ Semiconductors Contribute to Global Sustainability

Semiconductors are becoming smaller and more sophisticated as the technology evolves, achieving energy savings for the semiconductors themselves as well as the end products in which they are used. For example, although the processing power of data centers and the volumes of data they handle have increased dramatically in the last few years, thanks to significant semiconductor performance gains, growth of their energy consumption has been restrained. In this way, semiconductors contribute significantly to reducing the environmental burden of data centers, supporting both the evolution of DX and the sustainability of our planet.

The COVID-19 pandemic has significantly changed the way people communicate. Many things we used to do in real life are increasingly moving online. Semiconductors are helping to make us more efficient, and are supporting Net Zero, by enabling people to connect online with others all over the world without having to travel by car or airplane.

Power semiconductors also play an indispensable role in energy saving by efficiently controlling electric power. They are widely used in domestic appliances, electric vehicles (EVs), data centers, and other applications. Improving the performance of power semiconductors also contributes significantly to CO₂ emissions reduction.

■ Semiconductor Evolution Accelerates Test Demand

The test process is the first time that semiconductors "go live," by having electricity passed through them, after the long and complex manufacturing process. Only those judged to be non-defective are shipped and installed in final products.

Megatrends and Our Market

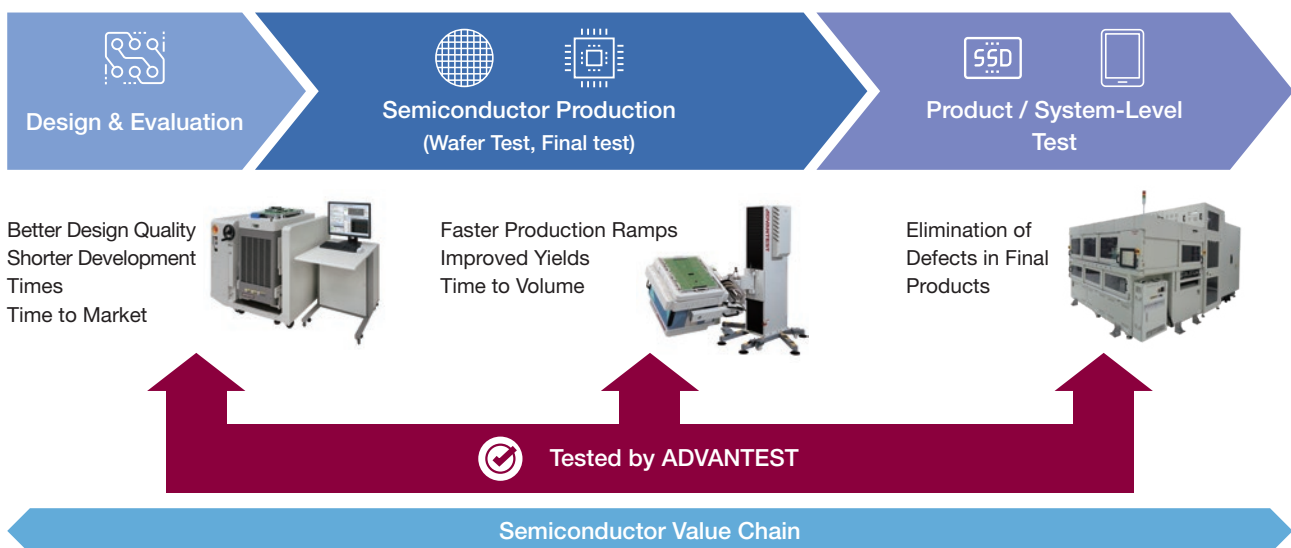
It is thanks to semiconductor test that the home appliances and smartphones we use every day work properly, and we can drive our cars with peace of mind.

The markets for cutting-edge semiconductors such as processors for smartphones and HPC devices used in servers, etc., are fiercely competitive due to their sheer scale and the high potential for growth. To prevail in this environment, the companies that make these semiconductors - our customers - must develop products quickly, launch mass production promptly, and secure markets for their products. However, ensuring the design quality and yield of these advanced semiconductors is far from easy. Our test solutions play a major role in helping customers bring them to market successfully.

When customers are designing advanced semiconductors, they need new, advanced test systems for verification and quality improvement. By introducing more test systems at the design stage, it is possible to shorten the development period and thus the time to market, and to introduce new products ahead of other companies. Then, when ramping up production lines, many new test systems are installed to quickly identify defects, raising yields quickly and shortening time to volume, until the target production volume is reached. When mass production finally settles into a groove, it is time start development on the next new semiconductor device, and many new test systems are installed for design verification and mass production ramps.

Moreover, as a result of recent advances in the complexity and density of advanced semiconductors, defects sometimes occur when devices are installed in final products, even though the devices worked well alone. To eliminate such defects in advance, customers test the devices in the same environment where they will ultimately be used. This is called system-level test. Again, our system-level test systems help our customers solve their challenges. The highly competitive semiconductor market environment is driving the early development and introduction of new semiconductors, creating greater test demand. Trends such as the evolution of semiconductor performance due to the digital transformation, increasing needs for reliability, and the diversification of applications all bring new technical challenges to design and mass production processes, further accelerating the expansion of test demand. There was a time when test was just a cost that chipmakers had to bear, and tester market growth lagged the growth of the semiconductor market. However, today, semiconductor test is an investment that helps chipmakers beat their competitors by shortening time to market and time to volume, and contributes to cost control over the entire product life cycle. The increasingly vital role of semiconductor test ensures that the semiconductor test market will follow a growth trajectory in step with the technological evolution of semiconductors.

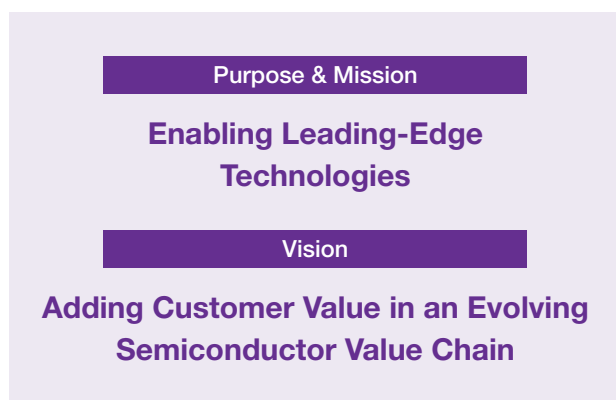
Competition in the Semiconductor Market Fuels Investment in Test



“Grand Design” Mid/Long-Term Management Policy

In FY2018, Advantest formulated a 10-year mid/long-term management policy, our “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, we articulated our corporate vision as “adding customer value in an evolving semiconductor value chain.” Since then, we have been working to grow corporate value under this policy.

Grand Design (10 Years) (FY2018-2027) Overview & Where We Are Now



Background to Formulation of the Grand Design

In the past, the semiconductor test equipment market was subject to wide fluctuations in demand due to changes in semiconductor production volumes and cycles of technological evolution influenced by trends in final products such as personal computers. However, due to structural demand changes, such as the ongoing digital transformation, data explosion, and expansion of semiconductor applications, by 2018 the semiconductor test equipment market had shifted onto a more stable growth trajectory than in the past.

In addition, as a result of Advantest's acquisitions of companies outside Japan, and the expansion of our global business base in line with the growth of the global semiconductor market, our percentage of overseas sales has consistently exceeded 90% since the mid-2010s, and the company had already transformed itself into a diverse international organization with a diverse talent pool. Amidst these internal and external structural changes, we established our Grand Design and Vision as common management goals for employees

around the world, to help them work together to create customer value and improve corporate value.

In FY2021, three years after the formulation of our Grand Design, we updated it to reflect progress made to date and changes in the company's external environment. The entire company is working as one to achieve our updated targets.

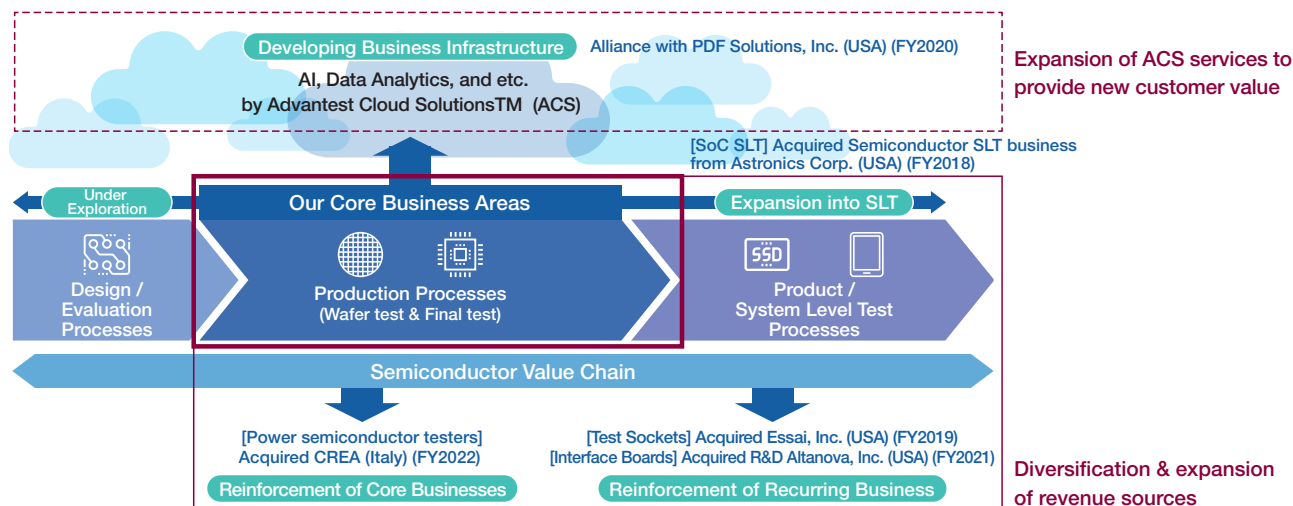
Early Achievement of Long-Term Management Metrics

Our Grand Design initially set a long-term target of ¥300-400 billion in net annual sales. In 2021, we revised this target to “early achievement of ¥400 billion in sales.” However, due to factors such as the continued strong expansion of the semiconductor test equipment market, we were able to achieve this goal in FY2021, rather than in FY2027 as originally foreseen.

Amid the ongoing changes in the market and society, such as the mid/long-term expansion of semiconductor demand, which were foreseen under our Grand Design, we will leverage the early achievement of our sales target to promote various growth strategies, aiming to realize our vision and further improve corporate value.

Corporate Vision: Adding Customer Value in an Evolving Semiconductor Value Chain

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

Vision Statement: Adding Customer Value in an Evolving Semiconductor Value Chain

The chart above shows the progress, as of the first half of FY2022, of our efforts to reinforce and grow our business domains, starting from our core businesses, with the aim of realizing our mid/long-term vision.

Following the acquisition of the system level test (SLT) business of the US company Astronics, Inc. in FY2018, we strengthened our system level test business and related recurring businesses with the acquisition of two more US companies, Essai, Inc. and R&D Altanova. In addition, we have recently complemented our organic efforts to reinforce our core businesses with the acquisition of Italian company CREA in preparation for future growth in the test market for high-power analog ICs such as SiC/GaN, which contribute to improved energy efficiency. Apart from these efforts to reinforce our hardware business, we are also building a solution platform called “Advantest Cloud Solutions” for cloud services and data analytics.

Supported by broad-based demand drivers such as the ongoing digital transformation and carbon-neutral policies, the semiconductor market is expected to grow over the mid/long-term despite short-term demand fluctuations. In addition, increases in semiconductor complexity and integration, which have driven the expansion of the semiconductor tester market in recent years, are expected to actively advance in the future. Against this backdrop, customers hold ever higher expectations for Advantest to deliver total test solutions that cover the entire semiconductor value chain. Based on these

mid/long-term industry trends, we will continue to reinforce our core businesses and expand our business domains.

At the same time, in keeping with the ROIC-based business evaluation system that was introduced when we formulated our Grand Design, we will continue to review our business and product portfolios from the perspectives of capital efficiency, mid/long-term business earnings outlook, and the “best owner” principle.

Commitments and Strategies

In order to achieve our corporate vision, our Grand Design sets forth 6 commitments supported by 5 strategies. Above all, ⑤, the further enhancement of ESG initiatives, will help us to strengthen our ability to respond to risks and opportunities and strengthen our resilience amidst high uncertainty and rapidly changing factors such as the COVID-19 pandemic and economic security trends. We added this fifth strategy in FY2021 based on a recognition that the enhancement of our ESG initiatives will lead us to a better future.

We have also positioned these five long-term strategies at the core of our successive three-year mid-term management plans. Our first medium-term management plan (FY2018-2020) was successfully completed with financial results and market share growth that exceeded initial expectations. Currently, we are working on executing our second mid-term management plan (FY2021-2023), which started in FY2021, aiming to make further strides towards our Grand Design goals.

Commitments

- 1 Be the No.1 provider of test & measurement solutions
- 2 Partner with leading-edge customers
- 3 Develop leading-edge technologies
- 4 Attract and retain the best talent in the industry
- 5 Learning organization
- 6 Improve financial KPI and increase corporate value

Strategies

- 1 Reinforce Core Businesses, Invest Strategically
- 2 Seek Operational Excellence
- 3 Explore Value to Reach a Higher Level
- 4 Pioneer New Business Fields
- 5 Enhance ESG Initiatives

Second Mid-Term Management Plan (MTP2)

Aiming to further solidify our route to achievement of our Grand Design goals, MTP2 promotes initiatives to reinforce businesses for further growth, while expanding both growth investments and shareholder returns to improve corporate value.

MTP2: A Plan Based on the Latest Business Environment Trends (May 2021)

At the end of our first mid-term management plan (MTP1, FY2018-2020), we reviewed the social megatrends and semiconductor market outlook that inform our strategy. We recognized that the semiconductor market, which is the source of Advantest's growth, is expected to continue expanding in line with the progress of digital transformation, suggesting that our business environment would continue to be favorable for the time being. Based on this medium-term business environment forecast, in May 2021, we formulated our second mid-term management plan (MTP2, FY2021-2023) to further progress the company towards achievement of our Grand Design goals, and launched initiatives aimed at accelerating our progress. Under MTP2, while following the course of MTP1, which ended successfully, we are

aggressively promoting growth measures that will contribute to business expansion in our core business and related markets from a mid/long-term perspective, aiming for sustainable growth whilst strengthening our business foundations.

MTP2 Growth Strategy & Progress During First Year

The core of MTP2 is the promotion of the 5 Strategies set out in our Grand Design. Throughout fiscal 2021, securing parts to respond to expanding customer demands was our highest priority. In addition, due to the prolonged COVID-19 pandemic, business remained restricted by regulations on the movement of people and logistical difficulties. However, even in these circumstances, we were able to make progress during the year, as a united global group, on the mid/long-term initiatives described below.

Strategies	Key 1st-Year Achievements
1 Reinforce Core Businesses, Invest Strategically	● In order to further enhance our mid/long-term presence in the tester market, we reinforced the lineup of modules for our V93000 EXA Scale SoC tester, and introduced two new memory testers.
2 Seek Operational Excellence	● We executed R&D based on a long-term roadmap aligned with semiconductor technology trends. At the same time, by hiring more sales / support personnel, we expanded our tailored solutions for diverse customers and applications.
3 Explore Value to Reach a Higher Level	● To expand our system level test business, we cultivated HPC and smartphone-related demand and focused on sales to the automotive market.
4 Pioneer New Business Fields	● We acquired the US company R&D Altanova, strengthening our test interface business. ● We expanded our Advantest Cloud Solutions™ (ACS) services, and implemented hiring with a view to future business expansion.
5 Enhance ESG Initiatives	● The TechInsights Customer Satisfaction Survey named Advantest the SPE industry leader for the third consecutive year. ● We reviewed our global executive system to strengthen earning power, and introduced a CxO system. ● We formulated an ESG Action Plan to promote ESG understanding company-wide.

Future Focus of MTP2

Looking ahead to the future of Advantest's market environment, demand for semiconductor test equipment is expected to grow in the mid/long-term due to further expansion of semiconductor demand, the increasing sophistication of semiconductors, increasing needs for reliability, and the increasing importance of energy-saving technologies. These facts give rise to our recognition that we will enjoy various mid/long-term growth opportunities. We will promote measures to solidify our foundation for growth in order to make even greater strides forward in the future.

Company-Wide Policies

Amid expectations for long-term growth in the semiconductor market, we will strengthen our company-wide growth foundations such as supply chain management, DX/AI investment, capital investment, and investment in human resources with the goal of securing our growth potential and reinforcing our business. In addition, by strengthening our partnerships with leading customers in the semiconductor value chain, we will enhance our ability to respond quickly to technological evolution.

Semiconductor & Component Test System Segment

For SoC testers, we see major business opportunities due to technological advances in semiconductors, such as advances in miniaturization, the adoption of advanced packages, and growth in 5G millimeter-wave devices. In addition, many other sectors are poised for growth, such as power semiconductors and silicon photonics devices. We will promote design-in activities for leading companies in each sector and refine processes that ensures we can capture future demand opportunities.

In memory testers, we will continue to leverage our position as the only tester vendor that can provide solutions to all players and for all test processes, aiming to secure a market share of 50% or more.

Key Measures for Success

- Capture the expanding demand for test equipment for SoC semiconductors, including HPC (high performance computing) devices, a sector which is expected to grow robustly over the mid/long-term, by leveraging the strengths of the new V93000 EXA Scale.
- Establish a leading position in test for millimeter-wave related devices, a sector that will commence full-scale growth during the period of MTP2.
- Capture demand in emerging markets such as power semiconductors and silicon photonics devices.
- Maintain a strong business foundation for DRAM and non-volatile memory device test.

Mechatronics System Segment

Utilizing technological resources cultivated over many years, such as high-precision temperature control and signal transmission technologies, we will promote sales of test cells that lead to improved test quality.

- Expand sales opportunities by providing test cell environments that deliver better test quality.

Services, Support, and Others Segment

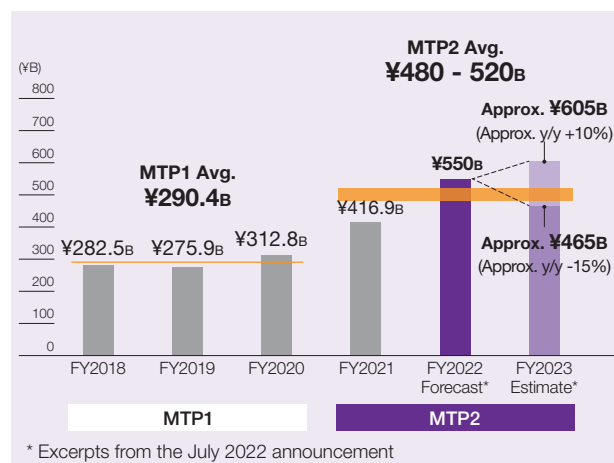
As the number of applications requiring SLT continues to increase amidst higher quality assurance requirements, we will work to expand our SLT customer base and the types of products that we support. In the area of data analytics, we will work with customers to develop innovative solutions that integrate hardware and software through ACS (Advantest Cloud Solutions).

- As demand for system level testing (SLT) increases, win more customers in mobile, HPC, automotive, memory / storage, etc. In addition, actively promote expansion of recurring business for consumables.
- Invest to refine our business model in the data analytics field and further develop infrastructure for this business.

MTP2 Sales Progress & Outlook

In FY2021, the first year of MTP2, we achieved a record-high performance amidst strong growth in the semiconductor market. In FY2022, demand for semiconductor test equipment will continue to be strong, and we expect to set new performance records once again. As of July 2022, we forecast net sales for FY2022 of ¥550 billion, an increase of 31.9% year on year.

With regard to the outlook for FY2023, we consider it necessary to anticipate some degree of softening demand for final products and weaker growth in the semiconductor market as recession risks affect the global economy. On the other hand, the diversification of semiconductor applications in recent years has created a higher support level in the semiconductor test equipment market. Additionally, the ongoing trend of greater difficulties around testing high-end devices, the strong motivation of major chip makers to invest in advanced technologies, the future sales outlook for Advantest's products, and foreign exchange rate trends all contribute to the possibility that our sales will not decline significantly during the MTP2 period. Based on the assumption that the current slowdown in the global economy will remain within moderate bounds, we expect FY2023 sales growth to be in the range of approximately -15% to +10% year-on-year, as of July 2022.



MTP2 Update (July 2022)

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). In order to evaluate the progress of the plan from a mid-/long-term perspective, Advantest uses three-year averages to minimize the impact of single-year performance fluctuations.

As mentioned above, based on our FY2021 sales performance and future outlook, it now appears that the company is more likely than before to exceed each of the numerical targets set forth at the time MTP2 was formulated. Thus, we have revised MTP2 as follows.

Trends in Advantest's mid-term management plan metrics

Grand Design [FY2018~FY2027]				
First Mid-Term Management Plan (MTP1, FY2018~FY2020)		Second Mid-Term Management Plan (MTP2, FY2021~FY2023)		
MTP1 Targets Avg. of FY2018-20	MTP1 Results Avg. of FY2018-20	Previous MTP2 Targets* ² (announced May 2021) Avg. of FY2021-23	FY2021 Results	MTP2 Targets* ³ (revised July 2022) Avg. of FY2021-23
Sales	¥250B	¥350-380B	416.9B	¥480-520B
Operating Margin	17%	23-25%	27.5%	27-30%
Net Income	—	¥62-70B	87.3B	¥98-120B
ROE	18%	20% or more	30.4%	30-35%
EPS	¥170	¥320-370	¥450	¥510-630

*1. In MTP1 period, Advantest recorded one-off profit of approximately ¥12 billion

*2. The exchange rates used in the previous announcement were 1 USD = 105 JPY and 1 euro = 130 JPY.

*3 The revised targets use exchange rates for FY2022 2Q-4Q and FY2023: 1 USD = 130 JPY and 1 euro = 140 JPY (Actual rates in FY2021 were 1 USD = 112 JPY and 1 euro = 130 JPY, and FY2022 1Q rates were 1USD = 124 JPY and 1euro = 134 JPY).

Risk Management

Each of Advantest's locations around the world has diverse functions. To perform appropriate risk management within this structure, each unit of responsibility (individual divisions, business units, and six overseas locations) engages in risk management autonomously in normal times, while We also have a top-down risk response structure to be activated in the event of an emergency.

Our Basic Risk Management Philosophy

It is essential to identify present and future risks, prepare for them, and take appropriate countermeasures so as to seize business opportunities and tackle challenges amidst the upheavals affecting our business environment, such as the data explosion, the progress of the digital revolution, and accelerating social change. By linking management strategy with risk management, we aim to comprehensively identify existing and anticipated risks. All business units, functional units, and regional units take a bird's-eye view to identify risks, meaning factors that may hinder the achievement of management strategies, and takes appropriate countermeasures according to the magnitude of the risks.

In addition, we have prioritized the creation of a system that can promptly respond to these risks if and when they materialize. Each unit strives to coordinate with what we call the "second line" (administration department) and "third line" (internal audit division) of defense so as to be fully prepared to respond to risks.

Thus, autonomous risk management by each unit, combined with management oversight, forms the basis of our risk management system.

Risk Management Structure

1 Organization

Under the risk management policy set by the Internal Control Committee, each unit manages its own risks while the Internal Control Committee supervises and evaluates the situation and provides feedback.

Compliance-related risks are collected by the Chief Compliance Officer (CCO). In addition, certain types of risk information are reported directly to the Board of Directors, Audit and Supervisory committee and the Executive Management Committee.

A Risk Management Group, headed by the President, has also been set up to act promptly in the event of an emergency.

2 Process

Each unit incorporates the management plan formulated by the Board of Directors and the Executive Management Committee into its own priority measures.

The Internal Control Committee defines the factors (risks) that may hinder the achievement of these priority measures, and requests individual units to identify risks and report on their risk responses. In this manner, the Internal Control Committee oversees and supports the risk analyses of individual units as well as information sharing between units from a company-wide perspective. Each unit reports its risk management status to the Internal Control Committee twice a year. The Internal Control Committee then checks the risk management status of individual units and provides feedback. The Secretariat of the Internal Control Committee also supports each unit in various manners as appropriate, such as providing proposals for risk analysis and countermeasures, and providing necessary information.

Compliance-related risks are collected by the CCO, and then the CCO report them to the Board of Directors, Audit and Supervisory committee and the Executive Management Committee. Depending on the nature of the risk, risk information may be reported directly to the Board of Directors or the Executive Management Committee. The Board of Directors or the Executive Management Committee handles risks at the corporate level by making timely decisions and giving instructions to related units.

In the event of an emergency, a quicker response is possible under the direction of the Risk Management Group.

Key Risks and Countermeasures

In fiscal 2021, approximately 350 risks were identified by divisions, business units, and overseas locations. Below is a list of the major ones organized by materiality.

Our Definition of Materiality

Product strength, technical strength, customer base, human resources, financial base, and risk management are only a few of the many important management topics we must tackle. However, the achievement of our Grand Design goals is our immediate priority, and for that purpose, we must thoroughly refine and execute the strategies set forth in Second Mid-Term Management Plan(MTP2). With this in mind, we decided to make our materiality items the five strategies of our Grand Design, themselves. We decided that it would be most practical to clarify and tackle specific issues at each of strategy execution level after having broken our key strategies down further.

Materiality Items

- 1 Reinforce Core Business, Invest Strategically
- 2 Seek Operational Excellence
- 3 Explore Value to Reach a Higher Level
- 4 Pioneer New Business Fields
- 5 Enhance ESG Initiatives

	Key risks	Materiality addressed	Priority measures	Executive in charge*
1	Significant demand fluctuations in the semiconductor industry	1 2	- Expansion of our peripherals business - Outsourced production, diversification of suppliers - Strengthen services and other businesses, including recurring businesses and new businesses - Collect accurate information by strengthening communication with customers and overseas locations	CSO Co-CSO
2	Market share losses due to failure to deliver new products in a timely manner as a result of delays in development and design, failure to achieve performance targets	1 2 3	- Strengthen relationships with leading customers, collect information - Consider lean ways to develop our products by thorough analysis during the early phases of development and design reviews at each phase - New product research using data analysis	CTO CDO
3	Market share losses due to failure to procure parts and deliver products in a timely manner	1 2	- Establish a system that does not rely excessively on specific suppliers, such as selection of alternative parts and use of standardized products - Constant assessment and review of suppliers	CPO CDO
4	Intense competition may impact market share	1	- Understand customer needs even better - Provide unique functions and high value-added solutions	CCRO CTO
5	Consequences of significant damage to the company's or our suppliers' major facilities	1 2 5	- Refinement of BCP, obtain punctual information - Diversification of production bases and external suppliers	CFO CPO
6	Potential lack of highly specialized human resources	2 3 5	- Coordinate and replenish human resources between divisions - Formulate a mid/long-term hiring plan, improving our working environment, increase engagement, and provide opportunities to improve skills through education and training programs - Pursue automation and train multi-skilled engineers	CHO Co-CHO
7	Impact of global economic and political trends on global business development	2	- Collect risk information promptly - Strengthen relationships with customers and suppliers - Establish new shipping processes and alternative supply sources to continue to make our procurement routes and production bases more flexible - Establish basic procurement policy, encourage suppliers to understand and ensure human rights and occupational safety	CFO CSO CPO Co-CSO
8	Impact on corporate value due to delays in developing new business areas	4	- Continual searching and exploration of new businesses - Monitor ongoing projects and conduct regular reviews	Co-CSO
9	Risks associated with violation of laws and company rules	5	- Promptly obtain information on revisions to laws and regulations - Appropriately set up and monitor internal processes - Educate and train our employees	CCO
10	Impact of failure to transfer technology	5	Formulate plans for the smooth transfer of technology, and hold study session and opinion exchange meetings	CTO CHO

*CCO: Chief Compliance Officer
CCRO: Chief Customer Relations Officer
CFO: Chief Financial Officer
CHO: Chief Human Capital Officer
CPO: Chief Production Officer

CSO: Chief Strategy Officer
CTO: Chief Technology Officer
CDO: Chief Digital Officer
(Please refer to P.8 for CxO roles)

Consolidated Financial and Non-Financial Highlights

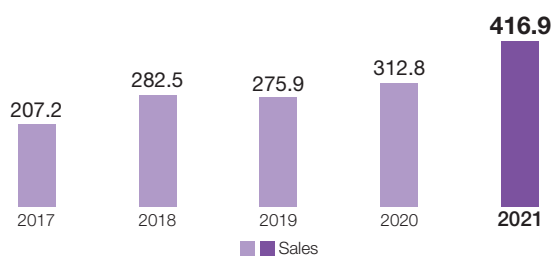
Each fiscal year starts on April 1st

Financial Highlights

Sales

(Billion yen)

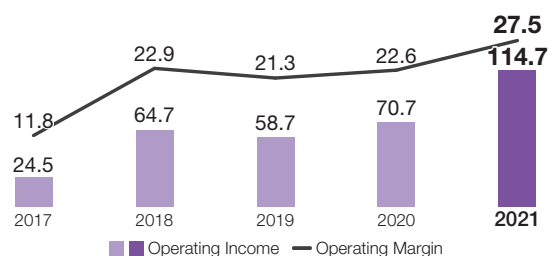
Achieved our FY2027 sales target of ¥400 billion earlier than expected



Operating Income / Operating Margin

(Billion yen / %)

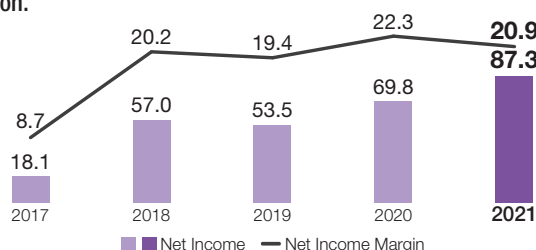
Operating income set a record for the first time since FY1997, and exceeded ¥100 billion for the first time



Net Income / Net Income Margin

(Billion yen / %)

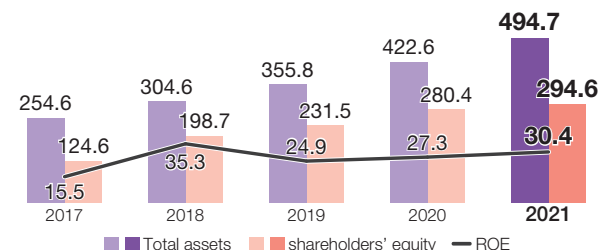
Net income reached a new record high, topping FY2020 net income, which included a one-time profit of approximately ¥10 billion.



Total assets / shareholders' equity / ROE

(Billion yen / %)

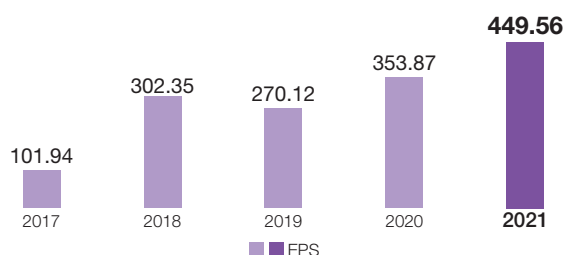
ROE exceeded 30%



EPS

(Yen)

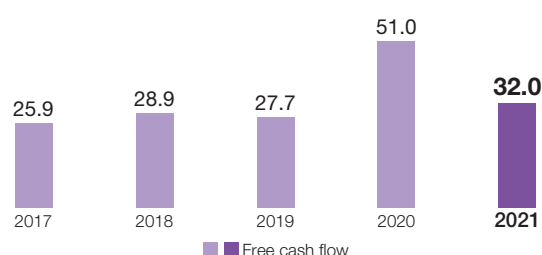
EPS increased by ¥96 year-on-year due to the purchase of treasury stock



Free cash flow

(Billion yen)

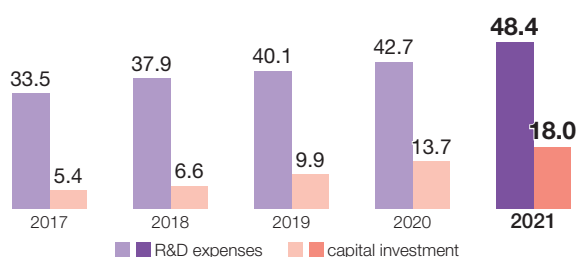
Free cash flow decreased by ¥19 billion year-on-year due to an acquisition that cost ¥29 billion



R&D expenses / capital expenditure

(Billion yen)

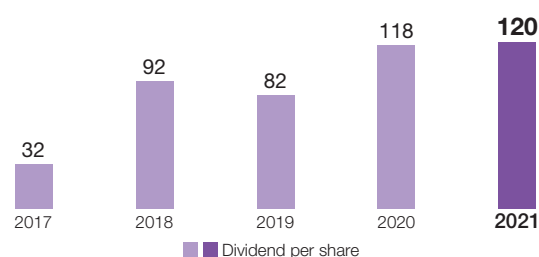
R&D expenses increased by ¥5.7 billion and capital expenditure increased by ¥4.3 billion year-on-year



Dividend per share

(Yen)

Dividend increased by ¥2 from the previous fiscal year, when we also issued a commemorative dividend of ¥10



Consolidated Financial and Non-Financial Highlights

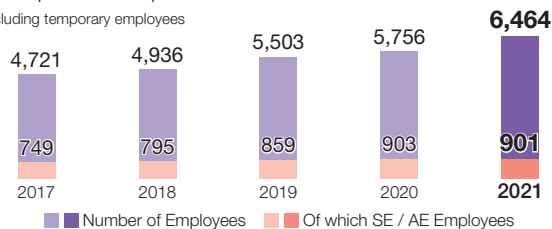
Non-financial highlights

Number of employees* / Number of SE / AE employees

(Number)

We are striving to recruit human resources that will support sustainable improvement of our corporate value. In particular, we are promoting measures to hire more talented engineers, a category where worldwide hiring competition is heating up, as well as to retain them and help them to improve their skills.

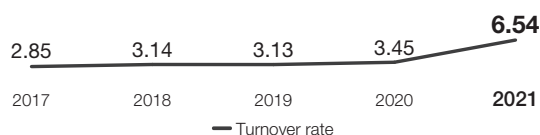
* Including temporary employees



Turnover rate

(%)

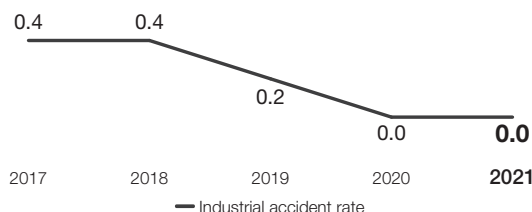
Amidst the global shortage of human resources affecting semiconductor-related industries, we are striving to create a work environment where everyone can work comfortably and expanding access to workstyles that help individuals to continue to maximize their abilities.



Industrial accident rate (Japan)

(Frequency)

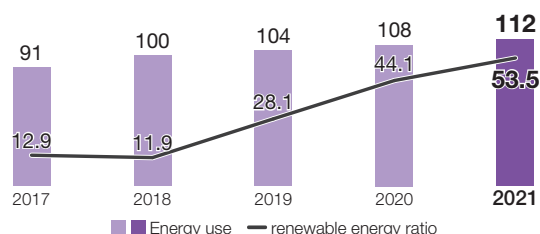
We are working to ensure the safety and health of our employees and raise their safety awareness in carrying out our business activities.



Energy usage / renewable energy ratio

(TJ / %)

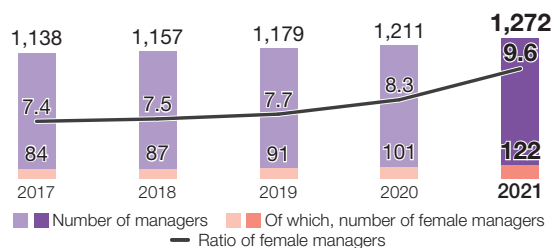
We actively work to reduce greenhouse gas emissions by efficiently using energy and introducing renewable energy sources.



Number of managers / Ratio of female managers

(Number / %)

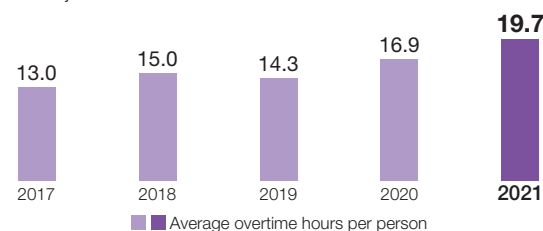
Advantest values diverse perspectives and promotes a corporate culture that allows any individual to play an active role, regardless of race, gender, age, nationality, etc.



Average overtime hours per person (Japan, China, South Korea)

(Hours / Month)

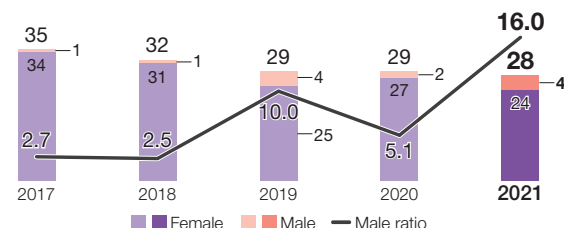
While overtime is rising due to the growth of our business, we are working to optimize working hours so that employees can best balance their jobs with their home lives and maintain their health.



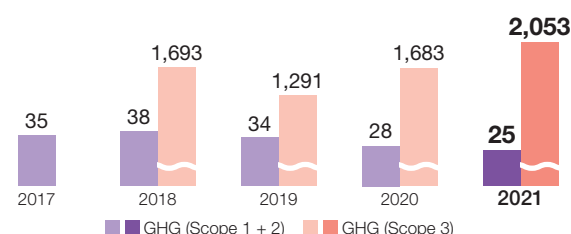
Number of employees taking maternity or childcare leave (Japan)

(Number / %)

Recognizing that employees have varying responsibilities depending on their stage of life, we are striving to enhance our work-life balance support system so that employees can work flexibly in consideration of their family obligations.

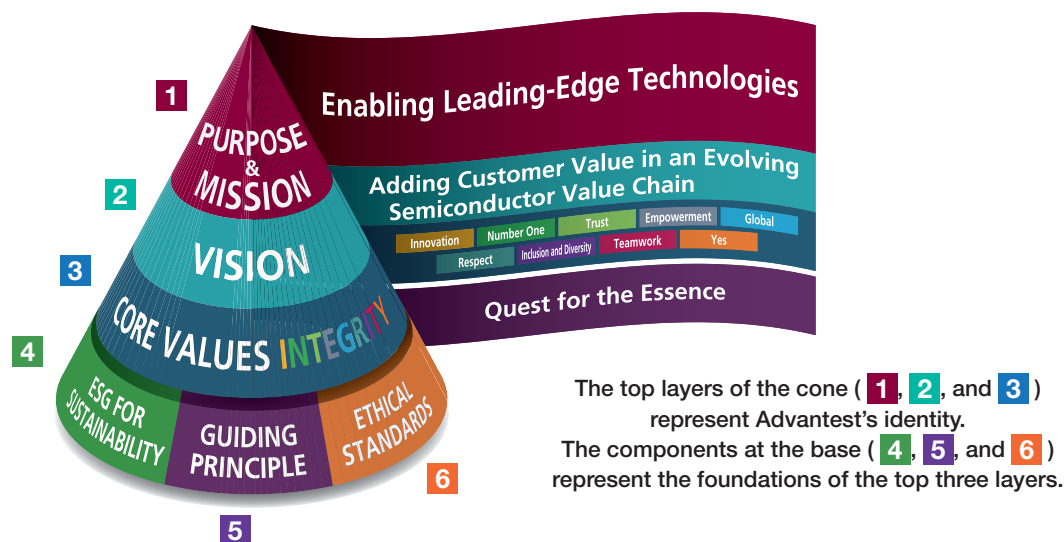
GHG (Scope 1 + 2, and Scope 3) CO₂ emissions(kt-CO₂)

We are working to mitigate climate change by quantifying greenhouse gases indirectly emitted in our value chain and promoting greenhouse gas emission reduction activities.

* The CO₂ emission factors have been revised and recalculated in the past.

The Advantest Way

The Advantest Way is a corporate culture that optimizes performance by bringing together as a single team the approximately 6,500 members of the Advantest Group, who have various cultures, languages, customs, and values. We practice The Advantest Way in our daily work to achieve the goals of our Grand Design and 2nd mid-term management plan, and to further improve our corporate value.



1 Purpose & Mission: Enabling Leading-Edge Technologies

We will continuously improve ourselves so that we can offer products and services that will satisfy our customers worldwide, and contribute to the development of our society through the development of the most advanced technologies.

Since 1990, Advantest has upheld this management philosophy as a concise expression of the company's raison d'être: contributing to global innovation through cutting-edge measurement technology.

2 Vision: Adding Customer Value in an Evolving Semiconductor Value Chain

Advantest will further contribute to the semiconductor industry by enriching, expanding, and integrating our test and measurement solutions throughout the entire semiconductor value chain.

This vision was articulated in 2018 to encapsulate the concept of our Grand Design launched in that year. The vision also conveys our commitment to the growth of the semiconductor industry, which supports the digital transformation.

3 Core Values: INTEGRITY

The values of INTEGRITY can serve as a common thread uniting people of diverse cultures, religions, and viewpoints, and express Advantest's core values globally. INTEGRITY was established in 2019 as a set of core values shared by all employees, which form the basis for achieving our Grand Design. INTEGRITY is an acronym for nine values we cherish:

Innovation is our Lifeblood
Number one is our Aspiration
Trust is our Foundation
Empowerment is our Motivation
Global is our Reach

Respect is our Heart
Inclusion and Diversity is our Commitment
Teamwork is our Approach
Yes is our Attitude

4 ESG for Sustainability

With the aim of contributing to global sustainability while improving corporate value over the medium to long term, we are working on seven issues related to the environment (E), society (S), and governance (G).

5 Guiding Principle : Quest for the Essence

We will invariably pursue the sources of phenomena and seek their essence, so that we can find the correct solutions.

6 Ethical Standards

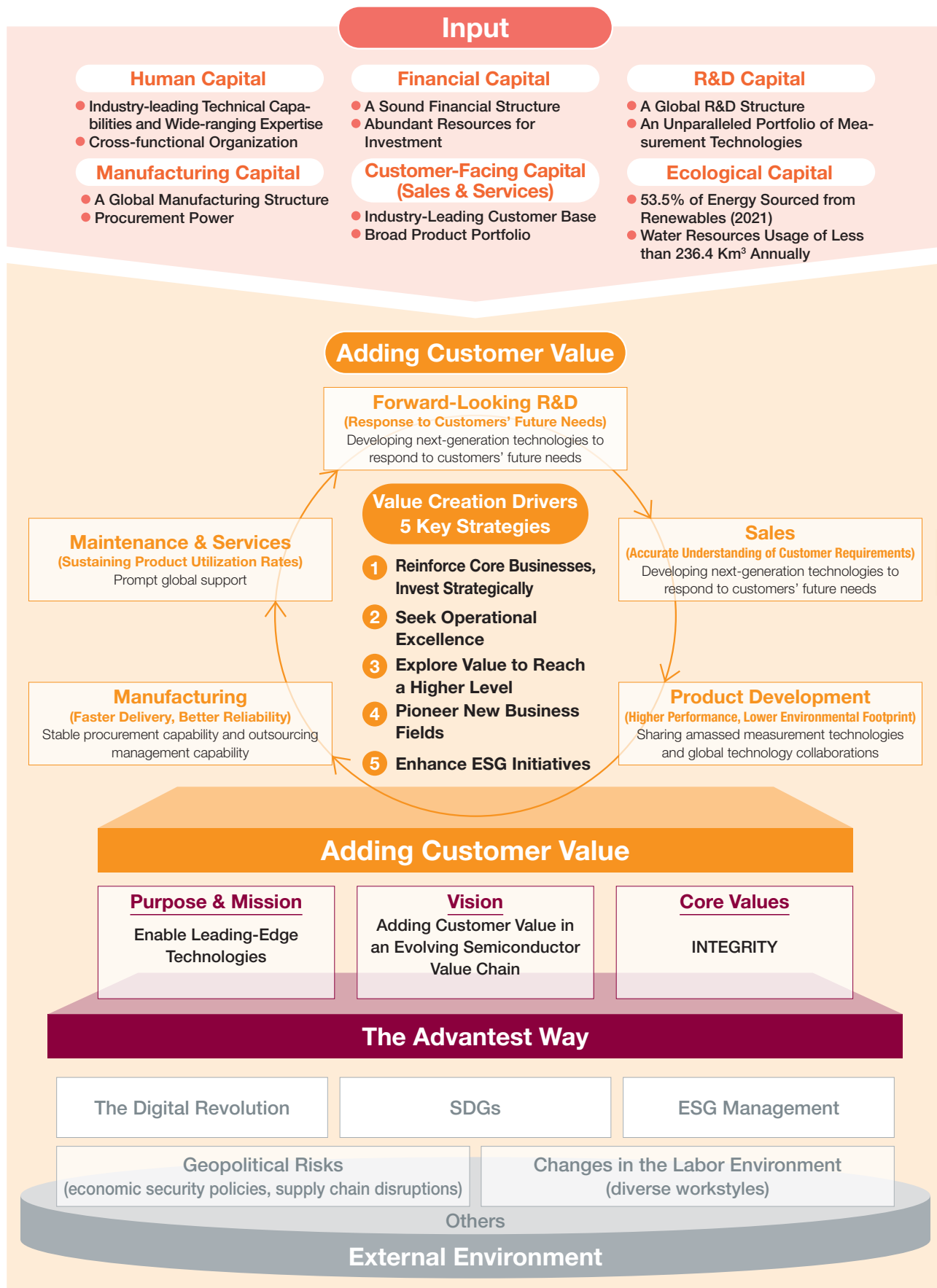
All executives and employees consent to 17 stipulations regarding the laws, norms, and morals to be observed as individuals and businesspersons.

Value Creation

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Value Creation Process



Value Creation Drivers

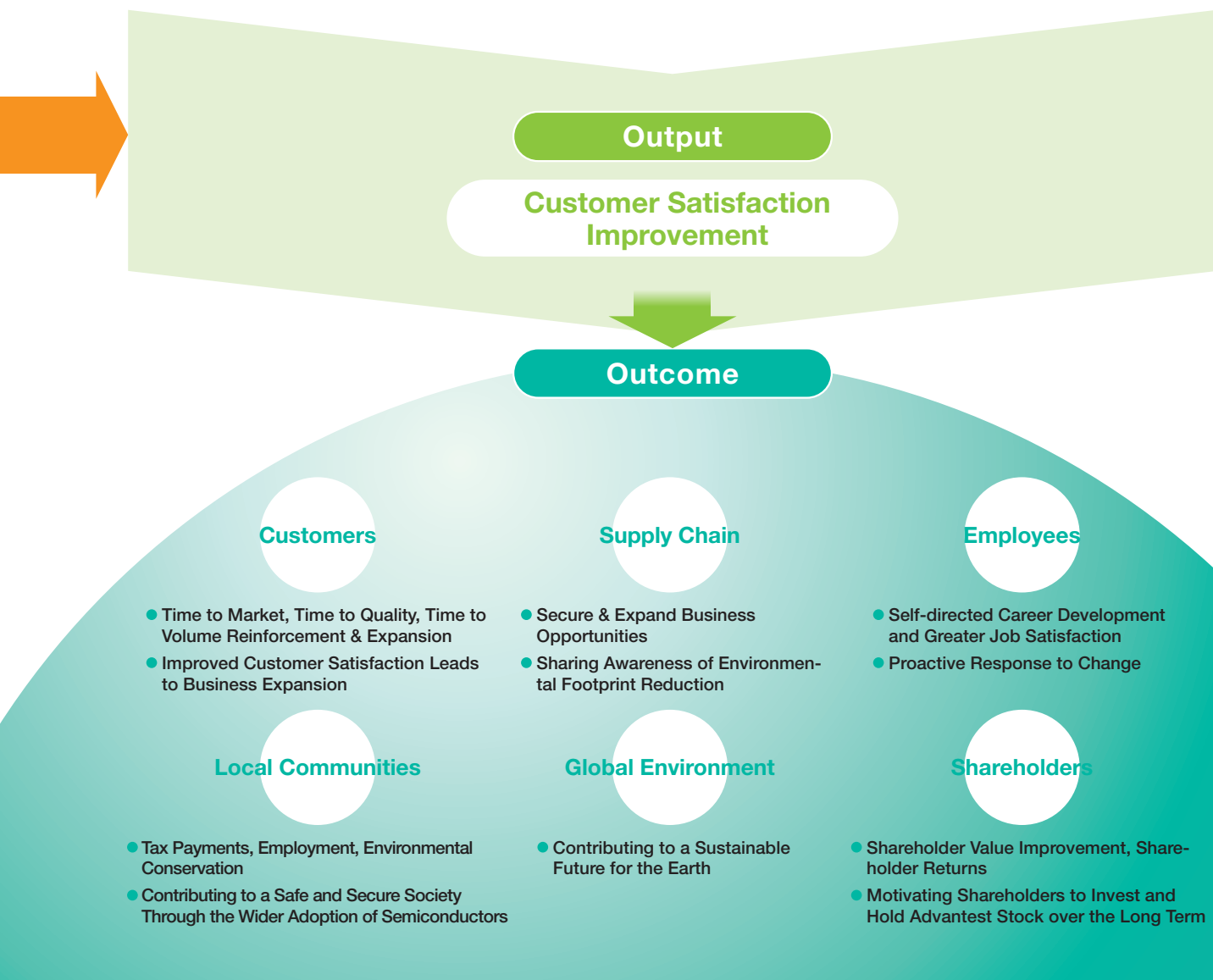
Anticipating significant mid/long-term growth in the semiconductor test market amidst the ongoing digital transformation, we have positioned our Grand Design and Mid/Long-Term Management Plan as our core management policies. This framework identifies five management focus areas as strategies, and we are working to improve corporate value by intensively investing financial and non-financial capital in these areas.

Corporate Culture: the Foundation of the Value Creation Process

The Advantest Way specifies the purpose and mission, vision, and core values that all Group employees should share. This is the basis of our corporate culture. It provides the context for our employees to maximize their abilities and achieve our Grand Design targets.

Solutions for Customer Challenges: the Output of the Value Creation Process

We provide test systems and other products, software, support and services, but these are just means to an end. Our ultimate goal is to help solve customer challenges and issues, and to deliver value in the form of future outcomes, through solutions that enable leading-edge technologies.



Financial Capital: CFO Message

We will aim to improve corporate value by further enhancing growth investments and shareholder returns.

In this short essay, I'll explain the thinking behind our upward revisions to the metrics of our second mid-term management plan, announced in July 2022, as well as potential risks that lie ahead, and our policies regarding debt and cancelling treasury stock.



Our MTP2 Updates

In FY2021, our initial earnings forecast in April 2021 called for sales of ¥350 billion and operating income of ¥85 billion (an operating margin of 24.3%), but due to extremely strong demand for semiconductors, actual results far exceeded our forecast, with sales coming in at ¥416.9 billion and operating profit at ¥114.7 billion (an operating margin of 27.5%). Demand for semiconductors continues to be strong in FY2022,

and in April 2022 we announced a forecast for sales of ¥510 billion and operating income of ¥150 billion (an operating margin of 29.4%) but after factoring in about 60% of the expected effect of yen depreciation due to exchange rate fluctuations, we revised our forecast upwards in July 2022 to ¥550 billion in sales and operating profit of ¥170 billion (operating margin 30.9%). Also in July 2022, we revised upward the target metrics of our second mid-term management plan (MTP2), which was announced in May 2021 and covers the three years from fiscal 2021 to fiscal 2023. Our average sales target for the plan period was revised upward from ¥480 billion to ¥520 billion,

Revised Management Metrics

	MTP1 Results Avg. of FY2018-20	Previous MTP2 Targets* ² (announced May 2021) Avg. of FY2021-23	MTP2 Targets* ³ (revised July 2022) Avg. of FY2021-23
Sales	¥290.4B	¥350-380B	¥480-520B
Operating Margin	22.3% ^{*1}	23-25%	27-30%
Net Income	¥60.1B	¥62-70B	¥98-120B
ROE	29.1%	20% or more	30-35%
EPS	¥309	¥320-370	¥510-630

* 1. In MTP1 period, Advantest recorded one-off profit of approximately 12 billion yen.

* 2. The exchange rates used in the previous announcement were 1 USD = 105 JPY and 1 euro = 130 JPY.

* 3. The revised targets use exchange rates for FY2022 2Q-4Q and FY2023: 1 USD = 130 JPY and 1 euro = 140 JPY (actual rates in FY2021 were 1 USD = 112 JPY and 1 euro = 130 JPY, FY2022 1Q rates were 1 USD = 124 JPY and 1 euro = 134 JPY).

Revised Cost / Profit Model

Aiming for further profitability improvements while reinforcing our business

- We will further strengthen our R&D investments, human capital, and material procurement capabilities to create long-term sustainable corporate value.
- We will focus especially on maintaining a high level of R&D investment, which is key to increasing added value and maintaining sustainable competitiveness.
Our revised MTP2 targets call for a cumulative total R&D investment of approximately ¥170B during the MTP2 period (total cumulative investment in MTP1: approximately ¥120B, previous MTP2 cumulative forecast: approximately ¥150B).
- We will respond flexibly to external changes amid considerable uncertainty in the global economy and our business environment.

	MTP1 Results (FY2018-20 Avg.)	Previous MTP2 Targets (announced May 2021) (FY2021-23 Avg.)	MTP2 Targets (revised July 2022) (FY2021-23 Avg.)
Sales	¥290.4B	¥350-380B	¥480-520B
Cost of Goods Sold	45%	45-46%	42-43%
SG&A as % of Sales	33%	30-31%	28-30%
Operating Margin	22%	23-25%	27-30%

a 37% increase from the initial MTP2 target, and we also significantly raised our net income, operating margin, ROE, and EPS targets. The plan originally set a target for ROE of 20% or more, but now we are aiming for an even higher figure of 30% to 35%.

Average sales during the MTP2 period so far have already exceeded the target of ¥400 billion in sales we expected to achieve in FY2027 under our Grand Design. The progress envisaged in our Grand Design is happening as predicted, but faster. In order to stay abreast of the growth opportunities accompanying the progress of society's over all digitalization, we have maintained our strategic growth investment budget, including potential M&A transactions, at ¥100 billion for the three years of the plan, but our capital investment budget for production capacity expansion and customer acquisition has been raised from ¥40 billion to ¥70 billion, reflecting our commitment to resolutely capitalize on the abundant business opportunities around and ahead of us. Our R&D investment budget, which is the cornerstone of our competitiveness, was ¥120 billion during MTP1, and we have raised this to ¥170 billion during MTP2.

In addition, we have raised our expected shareholder returns from ¥150 billion or more to ¥210 billion or more, as we expect our operating cash flow to grow during MTP2, while seeking an optimal balance between shareholder returns and strategic investments. Our policy is to continue stable dividends, which are direct returns, and to also buy back our own stock as appropriate. In FY2021, we paid an annual dividend

of ¥120 per share, totaling ¥23.1 billion, and purchased ¥70 billion of treasury stock, thus returning ¥93.1 billion in total to shareholders, a sum that exceeded our FY2021 net income of ¥87.3 billion. We have announced a ¥50 billion share buyback for 2022 as well, but in the current favorable business environment we do not believe it is necessary to hold a large capital balance against the risk of asset loss. Therefore, to avoid holding excess cash on hand, we anticipate continuing to implement share buybacks, albeit over a longer timeframe. Such share buybacks are in balance with our growth investments, but if our growth investment budget does not end up getting entirely spent, we will consider transferring the unspent portion to shareholder returns. In any case, we will not keep surplus funds idle, and will hold a minimum cash reserve of ¥100 billion to be used as the scale of our business expands.

These MTP2 updates included a significant upward revision of our three-year average sales target based on actual results for FY2021 and our forecast for FY2022, but we are aware of the risk that annual sales in FY2023 may fall year-on-year. Although tester demand is currently solid, it is possible that the semiconductor industry may be entering an adjustment phase due to growing concerns about recession. However, even if sales decline year-on-year in FY2023, considering the mid/long-term growth prospects of semiconductors, we will be unlikely to implement cost reductions based on a single year's profit and loss. If sales declines are within our forecasted range, our profit margin may decline, but we estimate that we will be able to post a certain level of profit for the year.

Revised Capital Policy & Capital Allocation Outlook

Allocate cash flow to investments and shareholder returns, while maintaining financial soundness, to improve capital efficiency

Operating cash flow outlook

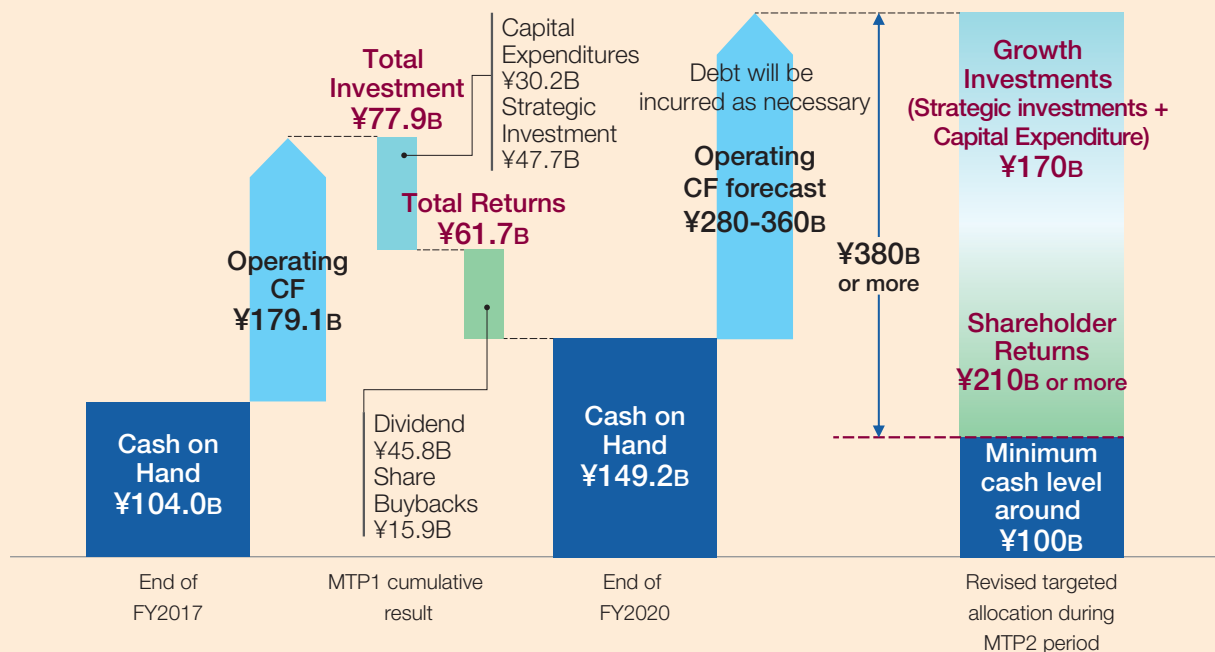
- Expected to total ¥280-360B cumulatively during MTP2 period (previously announced value: ¥220B or more)

Minimum cash reserves

- Expected to be around ¥100B under normal business conditions
- Increased from the previously announced value of about ¥80B due to business expansion

Balance sheet KPI: Foundation for further growth and shareholder returns

- Financial soundness: Seek appropriate capital level with shareholder equity ratio of 50% or more
- Capital efficiency: ROE 30-35% (previously announced value: 20% or more)
- ROIC-based business / investment management



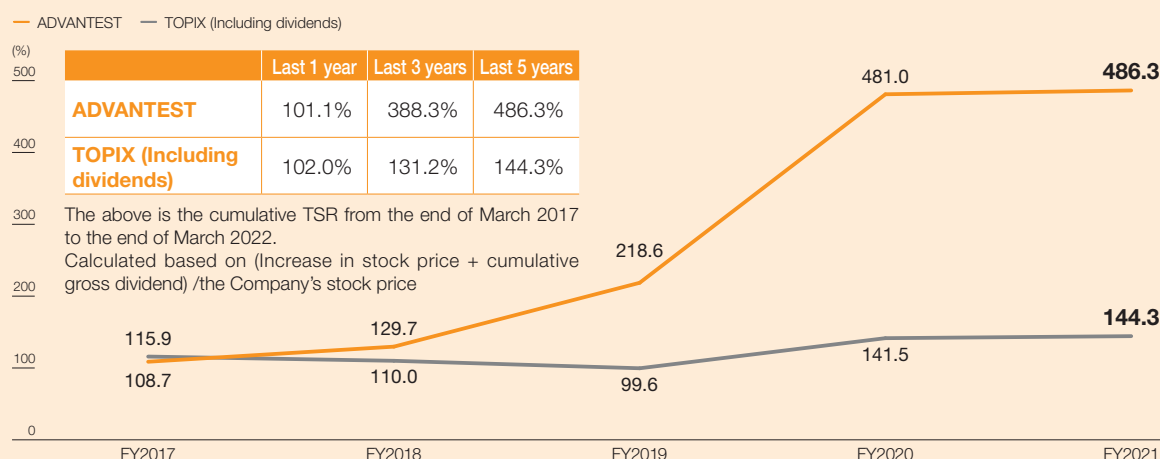
Focus on Parts Procurement, Not Efficiency, as a Priority

While maintaining our financial model of maximizing cash flow by increasing profitability and efficiency, we have set a 100-day cash flow conversion cycle ("CCC") as a benchmark for efficiency. However, for the moment, this is a lower priority. With respect to the CCC target, the number of days in which receivables and payables are turned over does not fluctuate greatly, as in many cases we have basic contracts with business partners such as customers and suppliers. The most variable factor is inventory turnover days, but given the current shortage of semiconductors, Advantest is having difficulties procuring key parts and other materials for our products.

In this situation, rather than speeding up turnover by reducing inventory as much as possible, we are focusing on ensuring supply so that parts procurement difficulties do not cause delivery delays that would have a major impact on our trust relationships with customers. For this reason, at present we are aiming to hold as many parts as possible. Currently, product supply lead times are longer than previously, but if lead times return to normal as the shortage of parts is resolved, we will once again promote inventory management to meet our CCC target. However, although we expect that the current shortage of components will ease somewhat from the second half of this fiscal year, we believe it will take longer than that to return to normal.

Our sales have continued to grow by more than 30% year-on-year, and we have repeatedly revised our initial forecasts

Total shareholder return (TSR)



upwards. This is in part a result of the rapid growth of the semiconductor market, which is greater than we had expected—a good thing for Advantest. However, it is also true that we need to establish a system that can support the rapid expansion of our business. The median of our updated sales range target for MTP2 is ¥500 billion, and as the semiconductor industry is expected to continue growing in the medium to long term, we recognize that continued efforts to optimize our resource and cost structure accordingly are an important issue for Advantest.

Loans

In FY2021, we raised about ¥30 billion by borrowing from banks. This was mainly on account of our acquisition of R&D Altanova in November 2021. At the time of this acquisition, we were also in the process of purchasing ¥70 billion of treasury stock. We do not fund acquisitions with borrowed money, but rather borrow the minimum necessary to cover any timing gap between cash flow earned from operating activities, growth investments including M&A, and shareholder returns based on optimal utilization of capital. If our balance of cash and deposits is set to fall below our set minimum level, we borrow from banks and/or issue corporate bonds. However, this does not mean actively increasing interest-bearing debt from financial institutions. While setting a shareholder's equity ratio of 50% or more as a KPI for financial soundness, taking into consideration the major demand fluctuations that have characterized the semiconductor industry in the past, we are careful not to keep a large amount of debt on our balance sheet for a long time. Our policy is to maintain a proper balance between liabilities and equity.

Share Cancellation

We announced in July 2022 that we will cancel 8 million shares of treasury stock. We purchased ¥13.1 billion and ¥70 billion of treasury stock in FY2020 and FY2021, respectively, and as of the end of June 2022, we held approximately 9 million shares of treasury stock. In the past, treasury stock we had acquired was returned to the market through the exercise of convertible bonds or stock options. However, we believe that it is undesirable for shares acquired as shareholder returns to return to the market, so we have decided to cancel the treasury stock we currently hold, excluding the number of shares needed for our stock compensation plan, such as unexercised stock options. We intend to continue to purchase treasury stock in order to acquire shares to enhance shareholder returns and for stock compensation, but our basic policy is to cancel treasury stock once it is purchased to further improve shareholder returns.



Human Capital: CHO Message

Advantest's Human Capital Management Strategies Are Closely Linked to Our Management Strategy

Individual and organizational strengths are the two “wheels” that drive human capital management. We aim to increase engagement and reinforce the “comprehensive strength” of our human capital, which is what generates sustainable value over time.



The Importance of Human Capital Management

The term “human capital management” has gained currency recently, pointing up an important refinement to the traditional concept of “human resources.” The word “resource” implies that people are something a company uses. That suggests a management focus on ways to manage its use and cost of these “resources.” However, we must remember that people grow, improve themselves, and become the sources of future value creation. At the same time, necessary human capital can also come from outside the company.

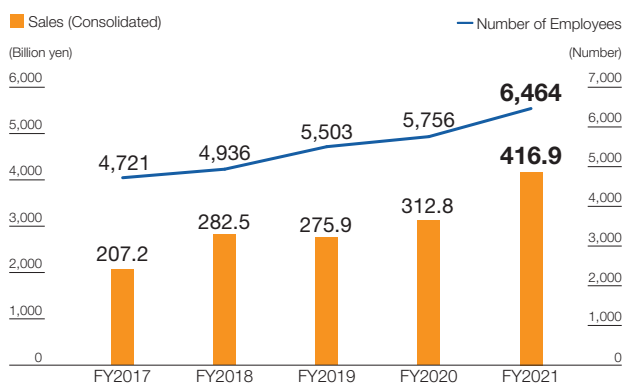
The new understanding of “human capital” represents a shift from thinking about people as something the company

“uses” to thinking about them as something we invest in. We must secure the necessary human capital in response to changes in our business environment, and invest in it to create additional value. Obviously, human capital management strategy is closely linked to management strategy.

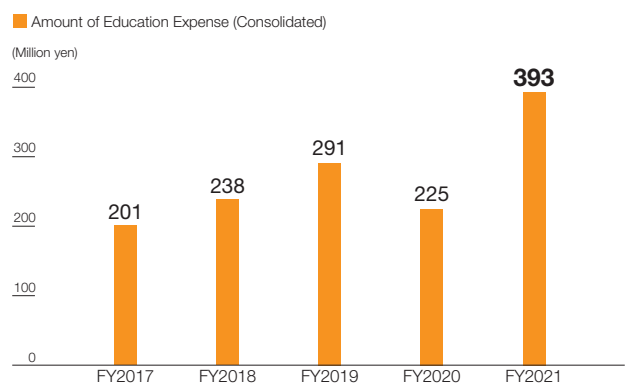
Under Advantest's Grand Design, semiconductors are expected to play an increasingly important role as semiconductor production volumes increase, and semiconductor test also takes on greater importance. In addition, Advantest has defined its vision as “Adding customer value in an evolving semiconductor value chain,” and clarified initiatives to expand our business domains.

In fact, during the Grand Design period so far, net sales have more than doubled from ¥207.2 billion in FY2017, before the formulation of the Grand Design, to ¥416.9 billion in

Sales / Number of Employees



Investment in Education



Human Capital: CHO Message

FY2021. As a further step towards achievement of our vision, we have also expanded our peripherals business by acquiring system level test business from Astronics. Essai, R&D Altanova, and CREA.

Furthermore, global headcount has increased significantly from 4,721 (as of the end of March 2018) to 6,464 (as of the end of March 2022), highlighting our commitment to secure essential human capital in anticipation of future business expansion. Needless to say, human capital management will become increasingly important for Advantest.

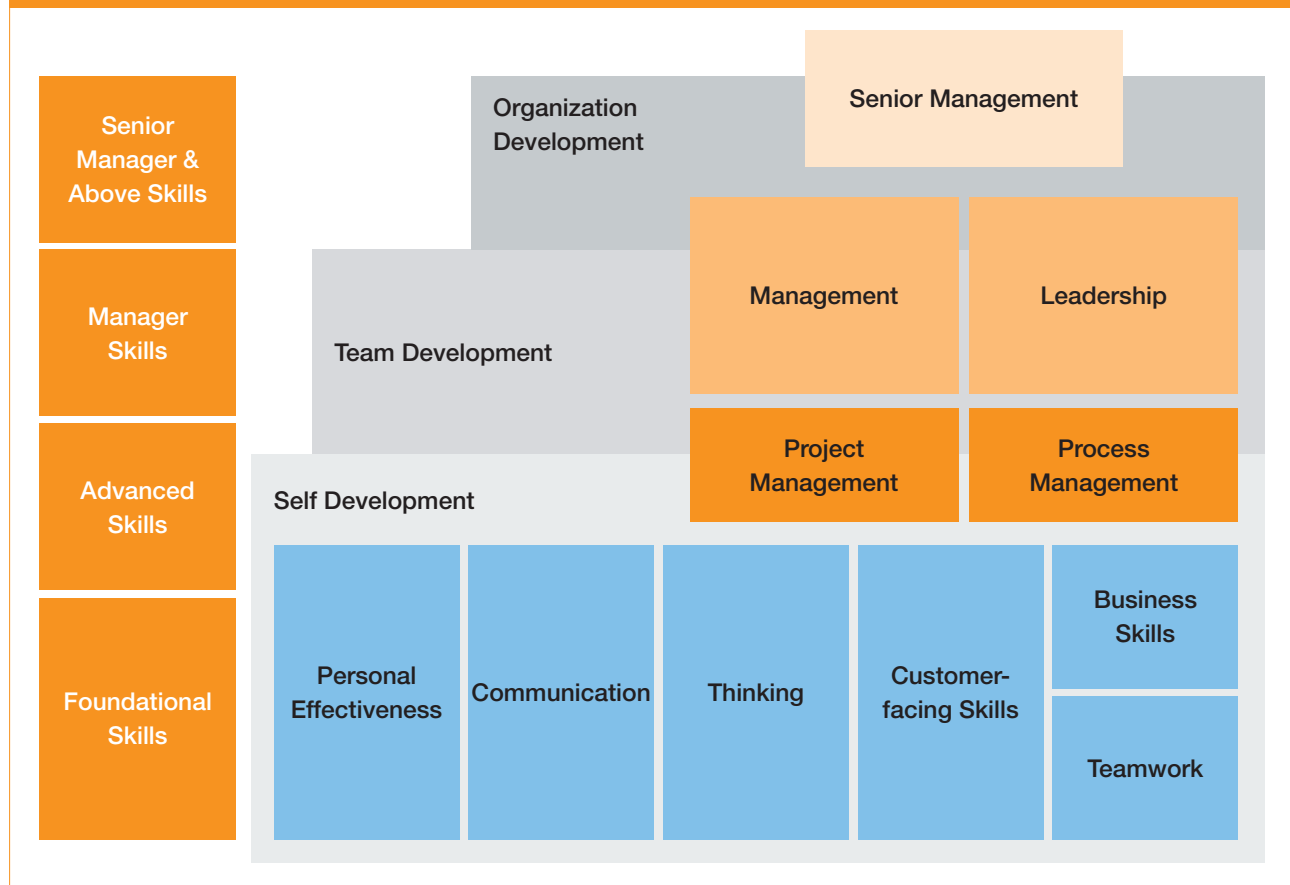
Boosting Individual Strength

Both individual strength and organizational strength are needed to enhance the comprehensive strength of human capital. Initiatives that rest on these two “pillars of strength” will increase employee engagement, helping personnel to develop into the human capital that will ultimately support Advantest’s future growth.

First, in terms of individual strength, we will pay even greater attention to skills development. The Advantest Development Framework defines the fundamental skills, advanced skills, manager skills, and senior management skills that Advantest seeks for employees to acquire. In conjunction with the introduction of the Development Framework, we also introduced three online learning platforms, LinkedIn, Franklin Covey and Udemy, to support employee self-development. In addition to various types of employee training, we will also strengthen selective training in order to cultivate the next generation of managers.

We are continuing to enhance our hiring processes by taking a panoramic view of the world so as to secure human capital where and when they are needed. Advantest Japan (ATJ) actively recruits not only new graduates but also mid-career workers. Furthermore, we plan to enhance our stock compensation system to encourage employee retention, so that talented employees, especially excellent engineers, will remain with us for many years.

Advantest Development Framework



*The implementation will be adapted to local rules and practices

Boosting Organizational Strength

Our INTEGRITY Core Values shape our organizational strength. After our revision of The Advantest Way in 2019, we held workshops for all employees around the world, at all our locations, to deepen employees' understanding of The Advantest Way, including the new INTEGRITY Core Values. All executives and employees from all over the world participated in the workshops, despite a temporary pause owing to COVID-19 restrictions. In FY2021, our efforts focused on leadership, and we encouraged all Advantest leaders to take a personal journey of leadership growth using a customized Leading with INTEGRITY Workshop. Now that INTEGRITY has become more pervasive through these efforts, we have begun promoting initiatives that concretely demonstrate what it means to be "living with INTEGRITY" and further the establishment of INTEGRITY as a deeply-rooted corporate culture. In addition to introducing "The INTEGRITY Awards," a peer-to-peer recommendation program that enables Advantest employees to recognize and express their appreciation for colleagues who have demonstrated INTEGRITY in exceptional ways with the CEO taking the lead, we have placed 32 INTEGRITY Ambassadors at each location, to promote the revitalization of our corporate culture.

Strengthening and Revising Our Personnel System

As a link between these two "pillars of strength," we are committed to strengthening and revising our personnel system. Rather than be blinded by pressing, immediate issues, we will aim to build the personnel system that is necessary now in order to achieve Advantest's corporate vision five or ten years from now, based on our management strategies. For example, while many employees are expected to retire in the near future, based on the current age distribution of our workforce, we will consider adopting a mid/long-term perspective and developing a system that allows capable human resources of all generations to play active roles.

These strategies are expected to not only increase individual and organizational strength, but also reinforce the foundations of employee engagement. Employee engagement is one of the essential elements of Advantest's earning power. Increasing the comprehensive strength of our human capital is therefore directly linked to creating value over the mid/long-term.



Excerpted from internal materials related to the Integrity Awards

Customer Relationship Capital

Through our close partnerships with a wide range of customers and advanced technical consultation capabilities, we continuously provide solutions that increase customer value.

Trust-Building is the Starting Point for All Our Activities

Our sales department sells hardware and software, creates device test programs, installs products, and arranges troubleshooting. The role of sales is to optimize customer satisfaction through this whole series of processes. Gaining the trust of customers and colleagues is a major premise for their activities. Furthermore, the trust relationships forged by individuals multiply with each other to create trust in Advantest.

In order to win customer confidence, we build relationships of trust at all levels, from sales representatives to top executives. There are times when multiple customers are involved in a single business negotiation, but even in such cases, we aim to build relationships of trust with all of them. Also, orders cannot be obtained through sales alone. It requires communication and teamwork among all relevant departments within the company, with the Sales Group bringing them all together. Therefore, it is very important to have relationships of trust within our own company, too. We are committed to ensuring that each and every salesperson is a trustworthy individual so as to build a trustworthy organization.

Human Resources Development Leads to Enhanced Competitiveness

Our wide variety of training and skill-enhancement courses help sales personnel grow into trusted, talented, and proactive human resources. At the same time, rather than rely on individual skills, we aim to boost our “selling power” by sharing the expertise the sales division has acquired over the years. For example, a salesperson working in tester sales must have three main strengths: (1) the ability to correctly understand customer requirements and provide feedback within the company; (2) the ability to put together the most valuable solutions for customers while consulting with customers and internal stakeholders; (3) the ability to accurately understand and communicate the customer value that our solutions bring to our customers. Within our sales division, we have a marketing team that collects and analyzes market trends and test trends, a team that promotes sales of a wide range of our products, and a team that talks directly with customers. While exchanging information, we provide solutions aimed at improving customer value.

Global Exchanges of Information

In response to the global expansion of the semiconductor value chain, it is crucial for account managers to be able to overcome language barriers and cultural differences and communicate with our overseas locations and customers in other regions. The semiconductor value chain is increasingly complex. In addition to traditional vertically integrated IDMs (Integrated Device Manufacturers), our mainstream customers are horizontally specialized fabless companies, which design devices, and OSATs (Outsourced Assembly and Test companies), which carry out semiconductor back-end processes such as assembly and test. In order to support this horizontally specialized ecosystem, it is necessary to share information effectively between account sales representatives in charge of fabless and those in charge of OSATs so as to seamlessly connect the upstream (fabless) and downstream (OSAT, etc.) processes.

In terms of sharing information within the company, we have established a system that clarifies reporting lines and facilitates distribution of information to all concerned parties around the world. Likewise, we hold regular global conferences to leverage our information-sharing network. There, along with the sales representatives from all over the world, R&D and SE personnel (system engineers, who develop test programs and application software tailored for each customer) dig deeper and share customer-related and product-related information. The fruits of these in-depth discussions are very useful in our daily business activities.

Proposing Comprehensive Solutions

The whole company's comprehensive strength is critical to maintaining a competitive edge, and the sales force, at the forefront of business, must possess especially keen abilities to collect even the smallest scraps of information. In addition, we frequently share information collected with related parties and globally work out countermeasures, transcending regions and departments.

We have strong core capabilities that satisfy the needs of our customers, including the high quality and reliability of our products, our broad portfolio, and our worldwide support system. Our comprehensive strength, which enables us to propose solutions that give customers real added value, rather

Customer Relationship Capital

than just selling products, is a big advantage allowing us to escape the price competition trap.

Passing on the “Secret Sauce”

Advantest tops the ratings chart of the TechInsights (formerly VLSIresearch) Customer Satisfaction Survey, having captured the No. 1 spot on the annual survey of global semiconductor companies for the third consecutive year, as announced in May 2022. In addition, Advantest was placed on the 10 BEST list for large suppliers of chip making equipment for the 34th consecutive year. Advantest achieved high ratings from

customers in categories including Recommended Supplier, Trust in Supplier, Technical Leadership, Partnering, and Field Engineering Support, and was the only automated test equipment supplier to receive a 5 VLSI Star designation. This recognition validates our commitment to customer engagement.

In order to pass on our achievements to the next generation and transform tacit knowledge into explicit knowledge, we formulated “The Advantest Way” summarizing our mission, vision, and Core Values. We are currently working on inculcating them throughout the entire Group. We use the Ambassador system to carry out in-house dissemination activities and announce their results in our in-house newsletter and meetings so that our employees are receptive to making our Core Values their own.

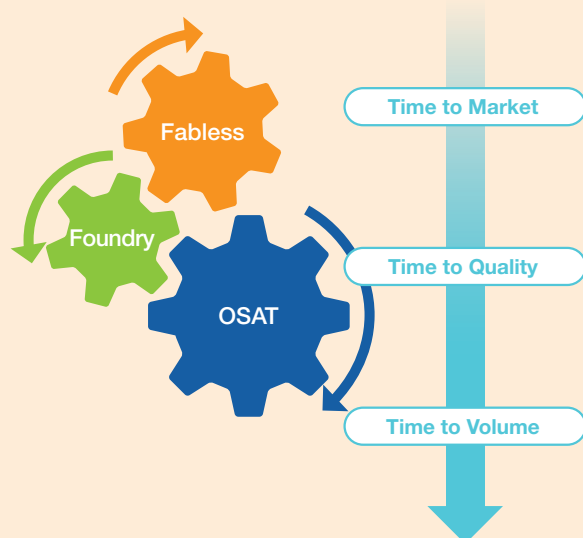
Engineering Consultations Support Semiconductor Market Growth

More than 600 test engineers support our customers’ business worldwide

As the evolution of semiconductors increases the difficulty of test, we provide consultations on appropriate test methods and environments for the latest semiconductors.

- Seamless technical support from design / evaluation to volume production fabs
- Integrated solutions that include peripherals, leading the industry in measurement reliability and efficiency

Test trend data is fed back to the R&D teams developing next-generation testers to benefit customers



Close partnerships with a broad range of customers drive mutual growth

R&D Capital

Advanced development of technology and Group-wide information-sharing to develop competitive products

Advantest's Human Resource Development System & Corporate Culture are the Source of Our Technical Strength

Leading-edge semiconductor test systems cannot be developed with theories and expertise alone. Our R&D is rooted in our long history of exchanging information with customers and exploring the essence of solutions that customers truly want. In addition, it is rooted in the development of human resources who support this ongoing project. While learning from the wisdom of our predecessors is important, that alone would not enable us to catch up to and overtake the speed of technological evolution. To encourage our engineers around the world to further educate themselves, Advantest has implemented basic education programs, OJT, and other training appropriate for each individual's level. Furthermore, to continuously improve design quality, we have established a "Design Review Meister System" where experts in each specialty participate in various design reviews. In addition, although it is not so easily visible, we also have a corporate culture where employees can discuss issues freely regardless of seniority,

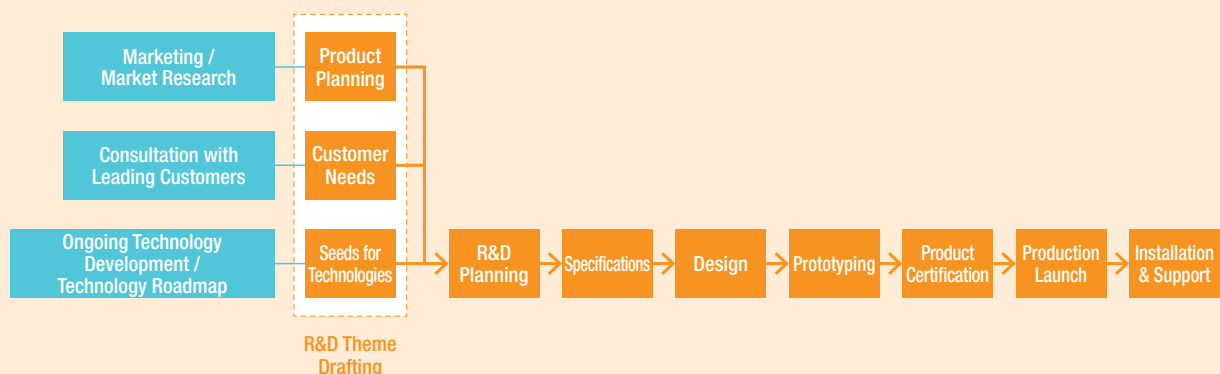
empowering young employees to take on challenges, where even if they fail, they will not be blamed. Instead, their failures will be leveraged to improve their chances of future success. This unique system and corporate culture nurture our employees, who in turn generate Advantest's unique strength.

Our major semiconductor test system R&D facilities are located in Boeblingen, Germany, and Gunma, Japan. In order to develop products incorporating new ideas, we regularly hold technology exchange meetings between these two locations, which often throw up clues for development. R&D synergies through such technology exchanges are not limited to these two locations, but also exist among our locations in the United States and other countries. Apart from our Gunma R&D Center, Advantest also has research laboratories in Sendai, Japan, to carry out fundamental research—the preliminary stage of product development—and also sponsors endowed programs at various universities around the world, including Germany and Japan. Some of the fundamental research carried out at these laboratories translates into the development of advanced elemental technologies for testers, which enhances the competitiveness of our products.

R&D Processes & Design Reviews

The diagram below shows the R&D process from product planning to completion of development and transfer to the production department. At the planning stage, we refer to information and advice from marketing and customer service departments, and work with the Quality Assurance Department for product certification, the Production Department for manufacturing start-up, and the Service Department for installation and support. At the design stage, we collect opinions from a wide range of departments in order to address various aspects such as availability

of parts, suitability for mass production, and post-sales maintainability. Due to the nature of advanced technology, the research and development process may not proceed smoothly and engineers may sometimes have to back-track. In order to minimize these productivity losses, we conduct design reviews at every important step from development planning to prototyping. The reviews cover a wide range of topics, including specifications, circuit/block diagrams, and verification methods, so that quality is built in from the upstream stages of development.



Communication with Customers Strengthens Our Technical Capabilities

Advantest has a track record of leadership in the semiconductor test market for nearly 40 years. Additionally, we have an extensive product portfolio, a global support system, and long-standing relationships of trust with many customers, including industry-leading companies. Our in-depth technical discussions based on these trust relationships and their accumulated fruits have become a great asset for our product R&D. Product specifications are often determined by gestalts of multiple factors such as function, performance, delivery time, and cost. However, at Advantest, we communicate with our customers constantly, shunning one-sided judgment calls, and seek the true solutions – the “essence” – that lie behind superficial criticisms. A cycle of mutual technological capabilities and trust relationships facilitates deeper communication that ultimately leads to true solution development, which strengthens both Advantest’s and the customer’s technological capabilities and enhances our trust relationship, is one of the underpinnings of our solid business platform.

A Shared, Global Technology Roadmap

We think ahead of where technology and business are at any given moment, to preemptively provide the test solutions that our customers truly need. To begin developing necessary technology only when it is needed is a recipe for failure. As a guideline for the development of next-generation test solutions, we have formulated a technology roadmap that covers the elemental technologies that will be needed in the future.

Semiconductor test systems themselves use a great number of semiconductors, and many next-generation test technologies require the development of new semiconductors.

Our technology roadmap is also shared at in-house technology conferences, so that the technical requirements of multiple product development projects can be incorporated, contributing to better development efficiency through parts standardization and other measures.

A System That Emphasizes Failure Analysis Creates Competitive Products

For a product to have high reliability, it must naturally be designed for reliability right from the start, but feedback from the market is also imperative. If a defective product is found in the market, just repairing it will not lead to quality improvement. At Advantest, we thoroughly analyze the cause of the defect after carrying out repairs, even taking apart the components used in the product, to find the true cause – again, the “essence” – of the defect. We have even introduced high-performance equipment solely for our analysis environment. Failure analyses, in the short term, are an expense with no economic return. But although we do have the option to outsource failure analysis, we always conduct a thorough failure analysis on our own, which is then fed back into the design. This is because in the long run, proper analysis will lead to higher product quality and profitability. Since our founding, our corporate culture of thoroughly investigating the causes of defects and taking appropriate countermeasures has taken root not only in our R&D operation but also through our entire Group. This is another thing that makes Advantest unique.



Manufacturing Capital

Our superlative product supply system appropriately combines in-house production and outsourcing.

Advantest's Manufacturing Strengths

The greatest strength of Advantest's manufacturing system is that we are able to effectively combine three different production methods: all-in-house production, EMS production by a company that handles the entire supply chain, and outsourcing to partners that handle only the manufacturing of products. Each method has advantages and disadvantages, but we constantly compare them and strive to optimize its advantages, enabling us to rapidly expand production capacity on short timescales. In the past, Advantest manufactured almost 100% of its products in-house, but with the acquisition of Verigy in 2011, we also adopted the EMS production method that Verigy had used, and switched some manufacturing from in-house to outsourced production. That percentage is now more than 80%, and the role of our Japanese production division, which had previously handled in-house production, has changed significantly. The Gunma Factory, our in-house production facility, is evolving into a "mother factory" that operates the entire manufacturing process in collaboration with our outsourcing partners.

Strengthening Production Transfer Capabilities to Support Business Expansion

Our sales in fiscal 2016 were ¥155.9 billion. Five years later, in fiscal 2021, sales increased sharply by about 2.7 times to ¥416.9 billion and are expected to reach ¥550 billion in fiscal 2022. Under these circumstances, our greatest challenge in terms of manufacturing is to expand our supply capacity on short timescales. When a demand bubble occurred in the memory market in 2017 and 2018, we were not able to ramp up production quickly enough to meet customer needs. Learning from this experience, we analyzed how we could optimize our production transfer capabilities in order to boost outsourcing within short timeframes. We formed a dedicated team to review our parts supply system and logistics, optimize our manufacturing process, automate manual work, reduce labor in the adjustment process, simplify and digitize documents, and make other improvements. This enabled us to prepare for the next demand peak.

Three Parts Procurement Strategies that Form the Foundation of Our Supply Strategy

1 Supplier contracts and a flexible design change system

For parts that are purchased in large quantities, we sign long-term purchase agreements with suppliers to secure the necessary quantities. In the past, the tester business was highly susceptible to economic fluctuations, so long-term contracts were risky. However, in light of the tester market's recent trend towards stable expansion, our policy is now to sign longterm contracts after carefully analyzing future demand and projects. On the other hand, for special parts that are used only in some of our products and standard parts that are frequently used, we work closely with the R&D department to procure general-purpose parts that are readily available in the market from multiple suppliers.

2 Stronger partnerships with strategic suppliers

In emergency situations when the supply of parts is extremely tight, it is crucial to communicate and build relationships of trust with suppliers and with the end suppliers who provide parts to our suppliers. To help them fully understand Advantest's needs, we assign procurement managers to the global regions where supplier executives are located in order to strengthen relationships and mutual understanding at the executive level. Regular opportunities for face-to-face communication to deepen understanding are essential. In addition, we are focusing on deeper cooperation with the procurement teams of major global EMS companies, aiming to utilize their wide-ranging networks, massively multi-supplier procurement management systems, and buying power.

3 Rapid decision-making powered by IT

In the dynamic environment of the semiconductor business, where demand can fluctuate wildly, real-time, end-to-end visualization of the entire supply chain helps us to respond to large demand fluctuations in the shortest possible time. At the same time, these visualizations also play an important role in monitoring impacts on our business several months out and in taking proactive measures.

Based on the lessons we learned from our supply system difficulties in 2017-2018, we have been implementing simulation tool and procurement strategies that can aid in the visualization of real-time supply chain data. Now, by inputting business plan data for several years ahead, it is now possible to derive future production capacity, the number of necessary parts, and the number of facilities in short supply in real time.

A Multi-Sourced, Location-Agnostic Product Supply System

In order to keep up with market growth that has already outpaced the predictions of our Grand Design, we must further expand our outsourced production capacity. Also, in order to make sure we can fulfill our responsibilities to supply products without interruption, even in the event of a major earthquake or flood, we need to build a multi-sourced, multi-product supply system. In the future, we plan to introduce a shared IT environment for the supply chains of our outsourcing partners and companies that have joined the Advantest Group through acquisitions, with the goal of managing and operating a global supply chain that can work around regional disruptions. We also plan to implement more advanced DX methods while augmenting our workforce of excellent IT professionals through in-house recruitment or outside hiring.

Manufacturing For the Environment, Manufacturing For Everyone

Awareness of environmental conservation has gained prominence in the semiconductor value chain in recent years. Customers tend to emphasize environmental impact in their product selection, while subcontractors act as pioneers in introducing renewable energy. Advantest has also made contributions such as achieving 100% renewable energy at the Gunma Factory, but there is still room for improvement, including in product design. Our ESG Promotion Office will continue to exchange information with customers, while learning about customer requirements related to environmental protection, and evaluating their application to manufacturing. Recently, human rights in the supply chain have also become a high-profile issue. When selecting subcontractors, we carefully consider human rights and strive to prevent fraud and harassment by exchanging information with subcontractors on a daily basis.



Sustainability

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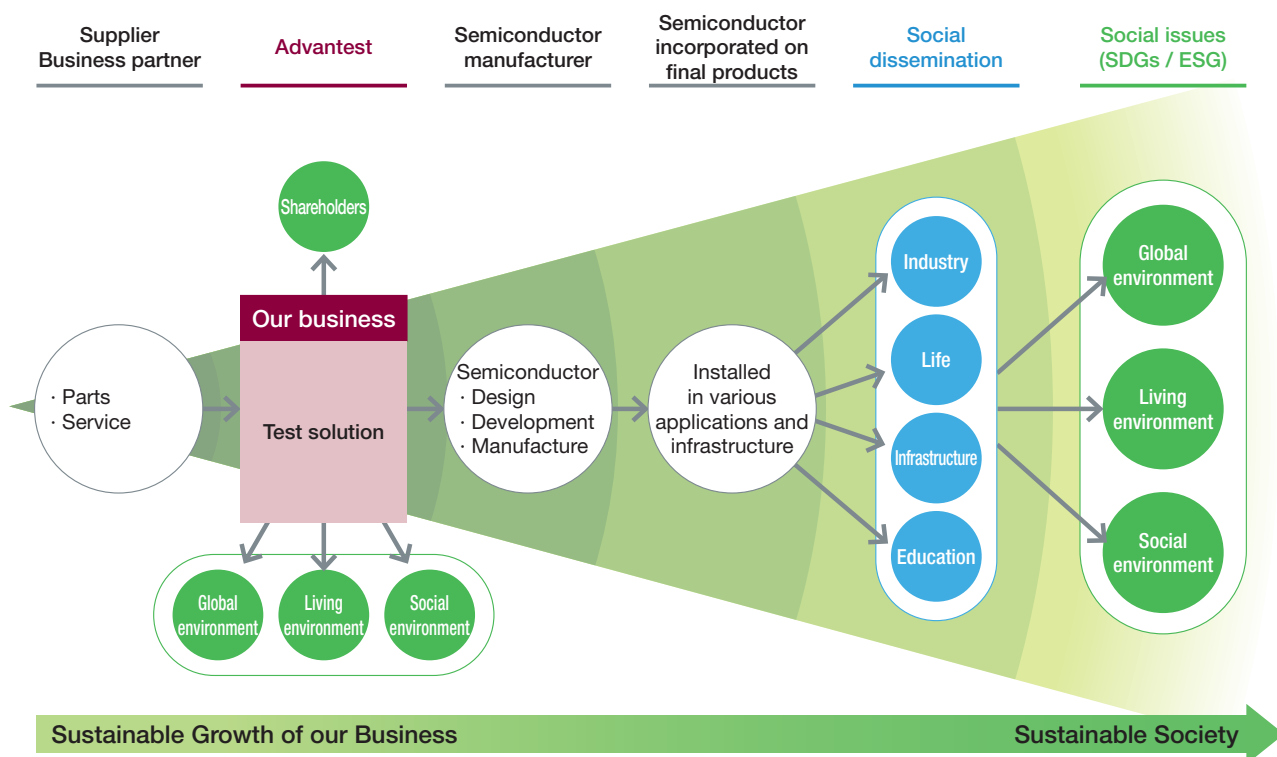
Further Enhancement of ESG Initiatives

The Advantest Way, which defines our management philosophy, sets *Sustainability through ESG Promotion* as one of our management guidelines. Under our second mid-term management plan (MTP2), which started in FY2021, we aim to further advance our ESG initiatives through the formulation and implementation of the ESG Action Plan 2021 to 2023.

Our Approach to Sustainability Issues

One key to the sustainable growth of our core business, semiconductor test, is widespread recognition and acceptance of its value. We have various stakeholders, but our business will not grow sustainably unless we provide value that society needs, nor will we be able to produce results that satisfy other stakeholders. The public value of semiconductor test is hard to perceive for many people, because we deliver value in an indirect way. Semiconductors whose performance and reliability are guaranteed by our leading-edge test technology are incorporated into final products and used throughout our society and daily lives, contributing to global safety, security, and comfort. Moreover, aside from the social value derived from technological aspects of semiconductors such as their

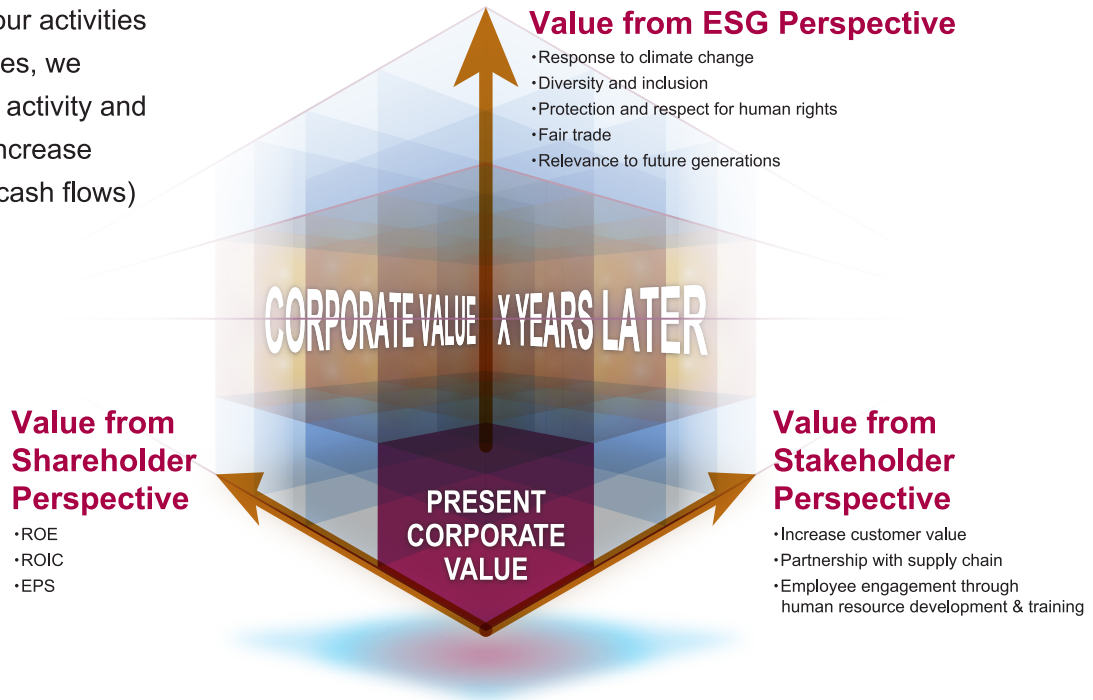
functions and performance, highly efficient devices that consume less power can also help to combat climate change. Successful semiconductor manufacturers of the present and future will provide devices that deliver public value on this and other fronts, and we will continue to support them with our testing expertise. In other words, semiconductor test, our core business, plays a leading role in sustainability-related global initiatives such as the battle against climate change, and when this and other values of semiconductor test are recognized by society, that can also contribute to the sustainability of our business. It is all interconnected. Ultimately, who is sustainability for? It is for everyone, including us. It is a global responsibility we are honored to share.



ESG Action Plan 2021 to 2023

Sustainable expansion of future profits

By balancing our activities along three axes, we enhance each activity and continuously increase future profits (cash flows)



Contributing to the Realization of Social Value

For us to meet the expectations of society and contribute to humanity's sustainable future, we believe that (1) shareholder value, (2) stakeholder value, and (3) ESG value are indispensable axes of value. As shown in the figure above, the improvement of corporate value that we aim for is the sustainable development of future earnings through the growth on all three axes of matrix in a well-balanced manner. In particular, the growth of ESG value is positioned as an important value that promotes the growth of the other two axes.

ESG Promotional Structure and ESG Action Plan 2021 to 2023

We have established our ESG Basic Policy* as our basic philosophy on ESG activities. Under this policy, we have set mid/long-term goals and KPIs to address environmental, social, and corporate governance priority issues, and are promoting initiatives aimed at business growth that help foster our sustainable future. Specifically, in order to develop ESG activities on a global scale, we have established a company-wide Sustainable Management Promotion Working Group (SMPWG), led by the leaders of all business units, functional units, and regional units, and we are committed to developing ESG action plans.



*ESG Initiatives Basic Policy:

<https://www.advantest.com/sustainability/advantest-sustainability/ESGpolicy.html>



Further Enhancement of ESG Initiatives

ESG Action Plan 2021-2023

ESG	Key Issue	Executive in charge*	Goal	KPI	Target Value				
					2021	Results	2022	2023	2030
E (Environment)    	Climate Change (Scope 1+2)	Co-CSO	Reduce GHG emissions from business activities by 60% by 2030 (vs. FY2018)	GHG emissions reduction amount/rate	35%	34%	38%	40%	60%
			Raise renewable energy usage to 70% by 2030, Group-wide	Coverage rate by renewable energy	50%	54%	53%	55%	70%
	Value Chain (Scope 3)	CPO	Reduce production times 30% through production process reviews (vs. FY2020)	Production time reduction rate for target models (vs. FY2020)	15%	21%	25%	30%	TBD*1
		CPO	Promote the use of renewable energy by suppliers and contractors	Number of suppliers who have introduced renewable energy	10	12	20	40	TBD*2
		CTO	Reduce CO ₂ -equivalent emissions (basic unit) per test by 50% by 2030	Reduction rate in basic units (vs. FY2018)	Set basic unit calculation definition		→	20%	50%
	Green Products	CTO	Develop products that are free from polluting substances	Total elimination of PFAS in coolant	New methodology in development plan			Announce release plan	Total elimination of PFAS in next-generation models
	Resource Recycling	CFO	Improve in-house recycling rate by promoting the 3Rs	Waste recycling rate (Japan/overseas)	JPN: 90% Other regions: 73% or more	JPN: 64% Other regions: 77%	→	→	JPN: 90% Other region: 73% or more
			Maintain Group-wide water usage at FY2016 levels	Water resource usage	288,000 m ³ /year	236,405 m ³ /year	→	→	288,000 m ³ /year
	Biodiversity	Co-CSO	Promote nature conservation activities (protection of endangered species in biotope, tree planting, beach clean-up, etc.)	Planning and implementation rate of nature conservation activities	10 activities planned, 80% implemented	11 activities planned, 73%	14 activities planned, 80% implemented	18 activities planned, 80% implemented	20 activities planned, 80% implemented
S (Social)  	ESG management at Supply Chain	CPO	Share and solve/mitigate ESG issues (risk management, human rights/occupational safety, environment, fair trade, compliance, etc.)	Due diligence implementation rate for major suppliers	90%	100%	95%	100%	100%
	Diversity, protection, and respect for human rights	CHO	Fair treatment in gender	Female manager ratio	9.0%	9.6%	10.0%	10.5%	17.0%
			Edification and practice of human rights	Participation rate of educational training	100%	99.5%	→	→	100%
			Work-life balance	Return-to-work rate after maternity leave (JPN)	100%	100%	100%	100%	100%
				Exercise rate of childcare leave by males (JPN)	12%	16%	20%	25%	50%
		CPO	Conflict minerals elimination	Percentage of suppliers confirmed to be free of conflict minerals*3	100%	63.4%	100%	100%	100%

*1: Set products and target values considering future product lifecycles

*2: Set target values based on investigation of future major suppliers

*3: KPIs are changed according to actual activities

Further Enhancement of ESG Initiatives

ESG Action Plan 2021-2023

ESG	Key Issue	Executive in charge*	Goal	KPI	Target Value				
					2021	Results	2022	2023	2030
S (Social)  	Customer satisfaction, employee engagement	CCRO	Raise customer satisfaction under New Normal circumstances	Ranking of TechInsights customer satisfaction survey	1st	1st	→		1st
		CHO	Edification and improvement of attractive corporate culture	Score of Gallup survey	3.5	3.64	→	3.75	4.1
	Investing in human resources	CFO	Maintaining and enhancing occupational safety and health	Occupational accident rate (frequency rate)	0	0.35	→		0
			Promotion of health management	To be selected in White 500 (JPN)	In Process	On Track	→		Goal continuation
		CHO	Employee capacity building	Education and training expenses (100MY)	—	3.9	5.0	6.0	10.0
G (Governance)  	Board Effectiveness	CEO	Provide outside directors with updates on business and management issues	3 times/year	In Process	On Track	→		Goal continuation
			Intensify discussion through Off-site meetings by board members	2 times/year	In Process	On Track	→		Goal continuation
			Succession planning	Policy/process making, planning, updates	In Process	On Track	→		Goal continuation
			Diversity of board members	Outside directors must include female representation (>40%)	In Process	On Track	→		Goal continuation
			Add ESG performance assessment to compensation	Start from FY2021	In Process	On Track	→		Goal continuation
	Corporate culture and Code of Conduct, compliance, risk management	CFO	Work Shop/training for all employees (The Advantest Way, Law, Regulations, Information securities, etc.)	Participation rate for e-learning (100%)	100%	97.6%	→		100%
			Strengthening Internal Control	Regularly discuss internal control issues	In Process	On Track	→		Goal continuation
	Promotion & support of ESG management (Sustainable Management Working Group)	Co-CSO	Support & Report group-wide Policy, Strategy, Plan and implementation	Report to Executive Management Committee and BoD (once a year)	In Process	On Track	→		Goal continuation
			Timely and appropriate disclosure (Integrated Annual Report, Sustainability Databook)	Issuance every year	In Process	On Track	→		Goal continuation

*CEO: Chief Executive Officer
 CPO: Chief Production Officer
 CFO: Chief Financial Officer
 CTO: Chief Technology Officer
 CHO: Chief Human Capital Officer
 CCRO: Chief Customer Relations Officer
 Co-CSO: Co-Chief Strategy Officer

Environmental Initiatives

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. We also analyze and disclose information regarding business risks and opportunities related to climate change in alignment with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures).

ESG Action Plan: “E (Environment)”

With the implementation of our ESG Basic Policy, Advantest formulated our Environmental Action Plan under the “E (Environment)” category of the ESG Action Plan and launched it in fiscal 2021. Advantest continuously makes efforts to set long-term goals for environmental priority issues through our business. We have clarified KPIs for the three-year period of our second mid-term management plan (MTP2) (2021 to 2023), with the goal of contributing to climate change mitigation and society-wide CO₂ emissions reduction.

Climate Change Initiatives

Advantest actively engages in international initiatives on climate change. As a global company, we have set goals linked to international norms and are implementing climate change mitigation measures.

Key Issue	Executive in charge	Goal	KPI	Target Value				
				2021	Results	2022	2023	2030
Climate Change (Scope 1+2)	Co-CSO	Reduce GHG emissions from business activities by 60% by 2030 (vs. FY2018)	GHG emissions reduction amount/rate	35%	34%	38%	40%	60%
		Raise renewable energy usage to 70% by 2030, Group-wide	Coverage rate by renewable energy	50%	54%	53%	55%	70%
	CPO	Reduce production times 30% through production process reviews (vs. FY2020)	Production time reduction rate for target models (vs. FY2020)	15%	21%	25%	30%	TBD*1
Value Chain (Scope 3)	CPO	Promote the use of renewable energy by suppliers and contractors	Number of suppliers who have introduced renewable energy	10	12	20	40	TBD*2
	CTO	Reduce CO ₂ -equivalent emissions (basic unit) per test by 50% by 2030	Reduction rate in basic units (vs. FY2018)	Set basic unit calculation definition		→	20%	50%
Green Products	CTO	Develop products that are free from polluting substances	Total elimination of PFAS in coolant	New methodology in development plan			Announce release plan	Total elimination of PFAS in next-generation models
Resource Recycling	CFO	Improve in-house recycling rate by promoting the 3Rs	Waste recycling rate (Japan/overseas)	JPN: 90% Other regions: 73% or more	JPN: 64% Other regions: 77%	→	→	JPN: 90% Other region: 73% or more
		Maintain Group-wide water usage at FY2016 levels	Water resource usage	288,000 m ³ /year	236,405 m ³ /year	→	→	288,000 m ³ /year
Biodiversity	Co-CSO	Promote nature conservation activities (protection of endangered species in biotope, tree planting, beach clean-up, etc.)	Planning and implementation rate of nature conservation activities	10 activities planned, 80% implemented	11 activities planned, 73%	14 activities planned, 80% implemented	18 activities planned, 80% implemented	20 activities planned, 80% implemented

*1: Set products and target values considering future product lifecycles

*2: Set target values based on investigation of future major suppliers

Outline of International Initiatives and Advantest Initiatives on Climate Change	
Institution	Advantest's Initiatives
 TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	Based on the IPCC scenario for global temperature increase, Advantest will continue to analyze management risks and opportunities related to our business activities stemming from climate change, together with the relevant laws and regulations, and will enhance our information disclosure
 SCIENCE BASED TARGETS	With respect to the temperature goal stipulated under the Paris Agreement, we have established a CO ₂ emissions reduction target based on scientific knowledge and are working to implement the reduction.
 RE100	We have formulated a plan to shift the electricity used in business operations to renewable sources and have begun implementing it.
 CDP DISCLOSE WHAT MATTERS	We are actively disclosing information on our initiatives addressing risks caused by climate change based on the recommendations by the TCFD, SBTi, and RE100.

TCFD-based Climate Change-related Information Disclosure

Efforts Supporting the Recommendations of TCFD

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

Governance

Advantest newly established the Sustainable Management Promotion Working Group (hereinafter 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 that promotes specific activities. The SMWG reports on the implementation status of the ESG Action Plan to the Executive Management Committee and the Board of Directors twice a year for discussion and assessment. In addition, the SMWG shares information with related company-wide committees in the company's corporate governance system in a timely and appropriate manner, manages the progress of the entire Group, and performs risk management.

Strategy

Advantest has conducted scenario analysis to consider strategies for adapting to future events stemming from climate change. We began by referring to global warming emissions scenarios such as the Representative Concentration Pathways (RCP) 8.5, RCP6.0, and RCP2.6 of the United Nations Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report and SDS of the International Energy Agency (IEA). We identified the risks that are expected to arise by

2050, that will have a particularly large financial impact on our business, including in the upstream and downstream of the value chain, and considered the well below 2-degrees Celsius and the 4-degrees Celsius warming frameworks.

2-degrees Celsius warming framework:

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. Meanwhile, in a low-carbon economy, the demand for semiconductors will increase substantially, leading to an anticipated expansion of business opportunities.

4-degrees Celsius warming framework:

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.

Business Risks and Opportunities Brought About by Climate Change

Based on the guidance and classification for TCFD, Advantest has identified and considered environmental risks and opportunities relating to the Advantest Group's business activities that may be brought about by climate change. These risks and opportunities are evaluated according to "importance" and "impact," and classified under the following three temporal axes: "short-term (from now to 2027)," "mid-term (from now to 2030)," and "long-term (by 2050)."

Major Risks Brought About by Climate Change

Advantest analyzed impacts of climate-change risks and business opportunities using the following two scenarios in line with the TCFD classification: (1) "risks related to the transition to a low-carbon economy" that arise mainly in the 2-degrees Celsius or lower scenario, and (2) "risks related to the physical impacts of climate change" that arise when the 4-degrees Celsius scenario is reached due to failure to reduce global CO₂ emissions.

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

Environmental Initiatives

■ Opportunities Related to Climate Change

Semiconductors will contribute to achieving a low-carbon economy by contributing to efficient methods for users to cope when stringent climate change countermeasures are imposed. We can assume that the quantity of manufactured semiconductors will continue to grow due to factors such as the expansion in semiconductor demand accompanying the digital revolution. Meanwhile, the quality and quantity of semiconductor test will increase in step with the sophistication and technological evolution of semiconductors. It is thought that demand for semiconductor test will increase due to the two factors of enhanced test content per chip and the increase in the semiconductor production volumes, and so Advantest recognizes this shift to a low-carbon economy to be an opportunity related to 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 capital, as part of our efforts to contribute to the future low-carbon economy through semiconductor test and development of new semiconductor technologies.

■ Risk Management

At Advantest, we consider 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 task forces consolidating efforts from related departments into full-scale 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 through the ESG Action Plan. The achievement status of the ESG Action Plan is reported twice a year to the Executive Management Committee and Board of Directors for discussion and evaluation. Based on the results, the SMWG will review and update the indicators and targets of the ESG Action Plan. Advantest has set a target of zero greenhouse gas emissions by 2050. In addition, as mid/long-term climate change countermeasure 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 targets 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.

Climate change-related opportunities

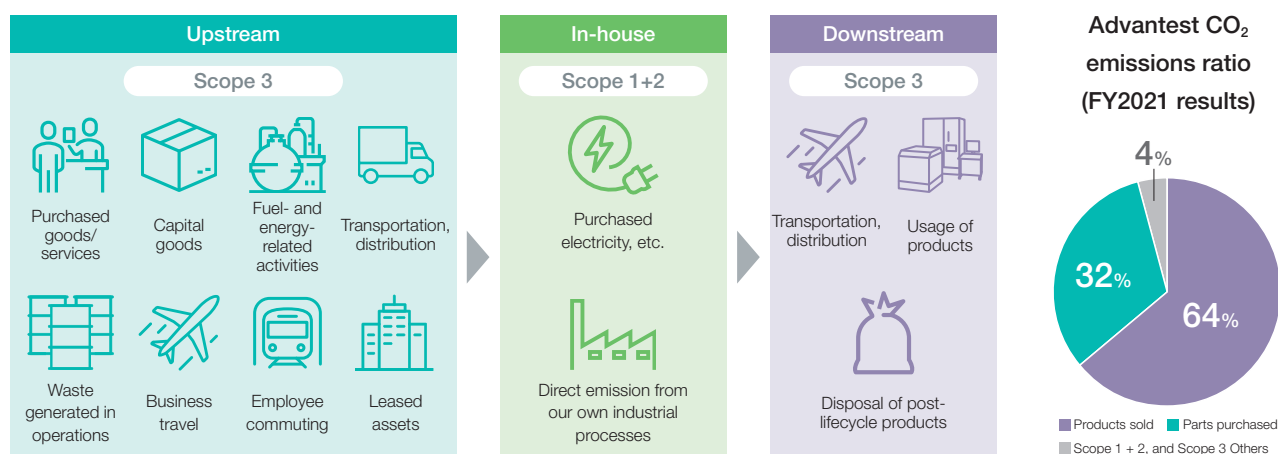
Category	Major opportunities	Response/strategy	Time axis
Products & services/market	Growth in test demand outpacing market growth for core semiconductors where energy efficiency is important	● Further energy-saving performance (low power and compact sizes) alongside improvements in testing performance ● Development of new testing methods and testing devices	Short- to mid-term
	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
	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

Advantest's Global CO₂ Emissions

When addressing climate change, the efforts of individual companies alone may be of limited benefit. Activities that involve entire supply chains or industry groups are necessary. The Advantest Group will proactively deploy measures to reduce our environmental footprint in the medium to long term throughout the value chain in order to achieve our CO₂ emission reduction targets. In our entire value chain, Scope 3 “Category 1: Purchased goods/services” and “Category

11: Usage of products” account for the majority of CO₂ emissions. In addition to CO₂ (Scope 1+2) emissions reduction, CO₂ emissions reduction in categories 1 and 11 is promoted as a priority item for the environmental targets in the ESG Action Plan. In terms of measures related to these priority items, we have launched a task force to promote CO₂ emissions reduction activities from FY2021. We are accelerating CO₂ emissions reduction activities throughout our value chain, aiming to achieve the SBTi certification targets for Scope 1+2 and Scope 3.

CO₂ Emissions in Advantest's Supply Chain



Task Force to Promote CO₂ Emissions Reduction Activities

Task Force	What it affects	Details of Activities
TF1	 Scope3 C11 Usage of products	CO ₂ emissions reduction in product development
TF2	 Scope3 C1 Purchased products /services	CO ₂ emissions reduction through cooperation with our business partners
TF3	 Scope3 C11 Usage of products	CO ₂ emissions reduction through cooperation with our customers
TF4	  Scope1+2 Direct emissions from our industrial processes such as purchased electricity	Reduction of CO ₂ emissions from business activities through the introduction of energy-saving equipment and renewable energy

Environmental Initiatives

Task Force 1: CO₂ Emissions Reduction in Product Development (Scope 3 Category 11)

Task Force 1 will collaborate with our R&D departments worldwide to promote the reduction of CO₂ emissions through the development of next-generation products with low power consumption and high efficiency. Specifically, we aim to reduce CO₂ emissions per test (basic unit) from our products during utilization at our customers' sites by 50% by

FY2030. Our Scope 3 "Category 11: Use of products" accounts for the largest amount of CO₂ emissions, accounting for 64% of the entire value chain. Reducing these individual CO₂ emissions is essential for reducing CO₂ emissions throughout our value chain. The amount of CO₂ emissions from the use of our products is significantly affected by market fluctuations such as sales. We will contribute to reducing CO₂ emissions through our products by setting targets for reducing emissions per unit of production that are linked to our mid/long-term business plans, and reviewing them annually.

Key Issue	Goal	KPI	Target Value				
			2021	Results	2022	2023	2030
Value chain (Scope 3)	Reduction of CO ₂ -equivalent emissions (basic unit) per test	Intensity reduction rate (Compared to FY2018)	Calculation of emission basic unit				
			Defined decision			20%	50%

Task Force 2: CO₂ Emissions Reduction Through Cooperation with Business Partners (Scope 3 Category 1)

Task Force 2 collaborates with procurement departments to promote the use of renewable energy by suppliers aiming to reduce their CO₂ emissions. Specifically, we intend to increase the number of suppliers who have introduced renewable energy to 40 by FY2023. We ask our key suppliers to respond to our "Supply Chain CSR Questionnaire"

once a year. From FY2021, we added questions on renewable energy sourcing status and greenhouse gas emissions, enhancing our questionnaires to gather more information on suppliers' efforts to address climate change. This enables us to not only grasp our suppliers' renewable energy sourcing rates, but also obtain an understanding of the necessity and importance of reducing greenhouse gas emissions through individual feedback based on the analysis and evaluation of the questionnaire results. We will continue to promote the use of renewable energy by our suppliers and contribute to the reduction of CO₂ throughout the supply chain.

Key Issue	Goal	KPI	2021		2022	2023	2030
			Target Value	Results	Target Value		
Value chain (Scope 3)	Promote the use of renewable energy by suppliers and contractors	Number of suppliers who have introduced renewable energy	10	12	20	40	(*)

(*) Targets for key future suppliers based on research

Task Force 3: CO₂ Emissions Reduction Through Collaboration with Customers (Scope 3 Category 11)

Task Force 3 works along with our sales departments to promote the reduction of CO₂ emissions through the collaboration with our customers. We ask our customers to respond to a questionnaire on their policies and goals regarding climate

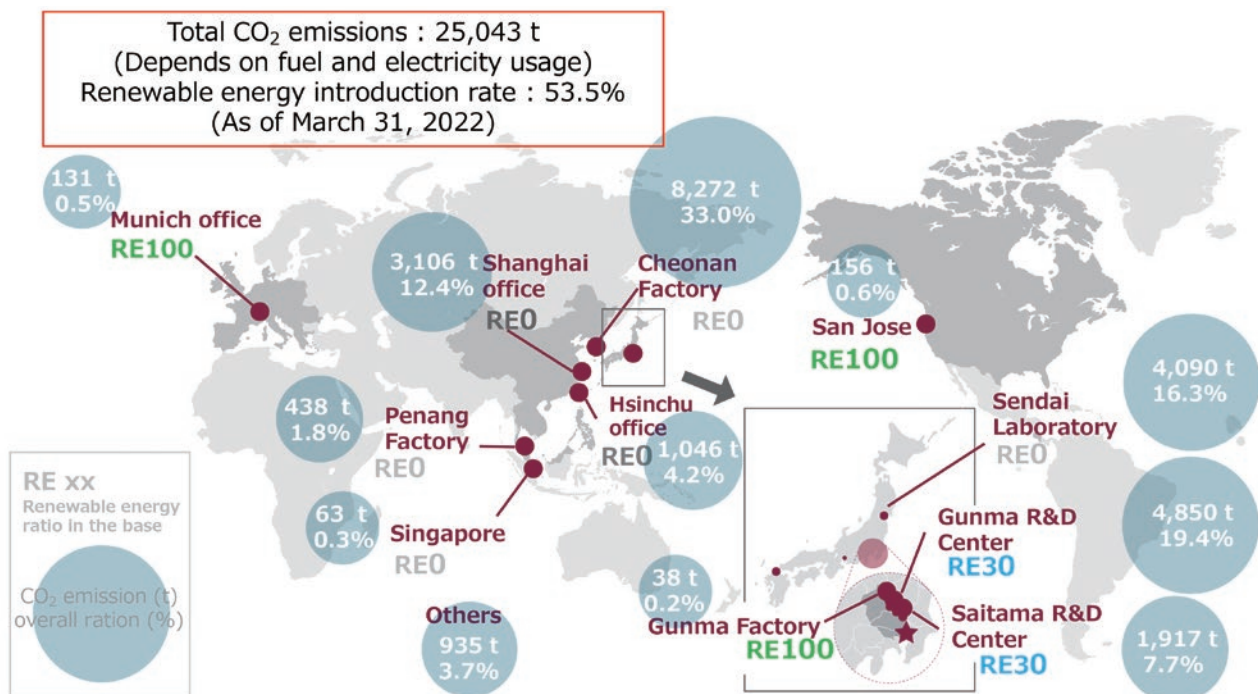
change once a year, including their requests and expectations towards Advantest as their supplier. Based on this information, we will clarify the role that we should play and the issues that should be addressed in our strategies, and reflect them in our ESG activities. We aim to understand our customers' response to climate change and contribute to the achievement of their goals as a member of the supply chain.

Task Force 4: Reduction of CO₂ Emissions in Business Activities Through Adoption of Energy-Saving Equipment and Renewable Energy (Scope 1+2)

Task Force 4 will promote a 60% reduction in CO₂ emissions from the Advantest Group's business activities by FY2030 (compared to FY2018) through the adoption of energy-saving equipment and renewable energy. We aim to increase our

renewable energy sourcing rate to 70% by FY2030. As of FY2021, we achieved 100% renewable energy sourcing in Europe, the U.S.A., and at Gunma Factory, our production facility in Japan. Regarding our Asian locations, we are investigating regulatory systems for the adoption of renewable energy in each country and promoting its adoption. In FY2022, we expect to introduce new sources of renewable energy at our Sendai Factory and Laboratory in Japan, and at our Taiwan office.

Key Issue	Goal	KPI	Target Value				
			2021	Results	2022	2023	2030
Climate change (Scope 1+2)	Reducing GHG emissions from business activities	GHG emissions reduction rate	35%	34%	38%	40%	60%
	Renewable energy introduction rate	Renewable energy introduction rate	50%	54%	53%	55%	70%



ESG Education

The Advantest Group provides a general environmental education program globally with the aim of encouraging all of our employees to continuously engage in environmentally conscious activities. In addition, we offer our in-house social networking platform, "My LIFE.ON.," to provide a place for sharing individual employees' efforts.

General Environmental Education

The course materials for the general environmental educational program explain five initiatives of our environmental policies and their environmental impact. The final section of the materials includes multiple questions on the learning content that are designed to assess employees' understanding. We achieved a 97.0% attendance rate in FY2021.

FY2021 General Environmental Education Attendance Status

	Targeted number of employees	Number of participants	Attendance rate
Domestic	2,741	2,741	100
Overseas bases	2,802	2,638	94.1
Group Total	5,543	5,379	97.0

Videos for Better Understanding

From FY2022, we have created ESG educational videos to further enhance environmental education as part of our ESG education. The video is divided into three dedicated parts: "Part 1 ESG Basics," "Part 2 Climate Change and Human Rights," and "Part 3 Sustainability Initiatives." Using easy-to-understand narrated animation makes ESG an approachable subject for employees.

ESG Training in 3 Chapter

ESG Basics

What is ESG?



We will explain "What is ESG?" from the basics to specific initiatives.

A screenshot of the educational video

Global Educational Activities on Our Internal Social Networking Platform "My LIFE.ON."

The Advantest Group runs an internal social networking platform, "My LIFE.ON.," This social networking platform enables our employees to enjoy contributing to the SDGs by posting activities that are beneficial for people, the environment, and society and "liking" and commenting on each other's posts to demonstrate their support for such activities.

In FY2021, the ESG Promotion Office launched an Environmental Painting / Photo Contest to commemorate "World Environment Day" on June 5. A total of 353 environmental-themed paintings and photographs were submitted by Advantest employees and their families around the world. These artworks were posted on "My LIFE.ON." and shared among the entire Group. This event helped not only to raise the environmental awareness of our employees, but also to improve communication among peers.

As a result of our active support for employee contribution activities through "My LIFE.ON.," employees around the world have posted many activities related to their environmental and social contributions.



Artworks submitted for the Environmental Painting / Photo Contest by employees' children



Activity Report on My LIFE.ON. of an Employee Aiming to Make 100 Blood Donations

Since 2020, one employee has continuously posted on "My LIFE.ON." about his goal to make 100 blood donations. This activity has received a great response, with about 400 views and more than 50 likes, bringing together many friends who are also conscious of the SDGs.



My LIFE.ON. post/comment screen

Social Initiatives

Advantest proactively implements measures to solve social issues throughout our business, based on The Advantest Way and our corporate mission statement, “Enabling Leading-edge Technologies.”

Our ESG Basic Policy, formulated in 2021, sets forth our social responsibility as a global company and our commitments to our stakeholders. Meanwhile, our ESG Action Plan describes specific themes, goals, and KPIs to support and promote company-wide activities and to disclose information.

Please refer to our Sustainability Data Book for details of the above activities.

Key Issue	Executive in charge	Goal	KPI	Target Value				
				2021	Results	2022	2023	2030
ESG management at Supply Chain	CPO	Share and solve/mitigate ESG issues (risk management, human rights/occupational safety, environment, fair trade, compliance, etc.)	Due diligence implementation rate for major customers	90%	100%	95%	100%	100%
Diversity, protection, and respect for human rights	CHO	Fair treatment in gender	Female manager ratio	9.0%	9.6%	10.0%	10.5%	17.0%
		Edification and practice of human rights	Participation rate of educational training	100%	99.5%			100%
		Work-life balance	Return-to-work rate after maternity leave (JPN)	100%	100%	100%	100%	100%
			Exercise rate of childcare leave by males (JPN)	12%	16%	20%	25%	50%
	CPO	Conflict minerals elimination	Percentage of suppliers confirmed to be free of conflict minerals*	100%	63.4%	100%	100%	100%
Customer satisfaction, employee engagement	CCRO	Raise customer satisfaction under New Normal circumstances	Ranking of TechInsights customer satisfaction survey	1st	1st			1st
	CHO	Edification and improvement of attractive corporate culture	Score of Gallup survey	3.5	3.64		3.75	4.1
Investing in human resources	CFO	Maintaining and enhancing occupational safety and health	Occupational accident rate (frequency rate)	0	0.35			0
		Promotion of health management	To be selected in White 500 (JPN)	In Process	On Track			Goal continuation
	CHO	Employee capacity building	Education and training expenses (100MY)	—	3.9	5.0	6.0	10.0

* KPIs are changed according to actual activities

Investment in Human Capital

Our understanding of “human capital” represents a shift from thinking about people as something we use as a resource to thinking about them as something we invest in. We must secure the necessary human capital in response to changes in our business environment, and invest in it so as to help our employees become the sources of future value creation.

We place particular emphasis on education and training, which are important elements of investing in human capital, as they are directly linked to individual strengths.

The Advantest Development Framework defines the fundamental skills, advanced skills, manager skills, and senior management skills that Advantest seeks for employees

to acquire. We provide educational programs and training courses to support the development of the required abilities based on this Framework.

P.29 Human Capital: CHO Message

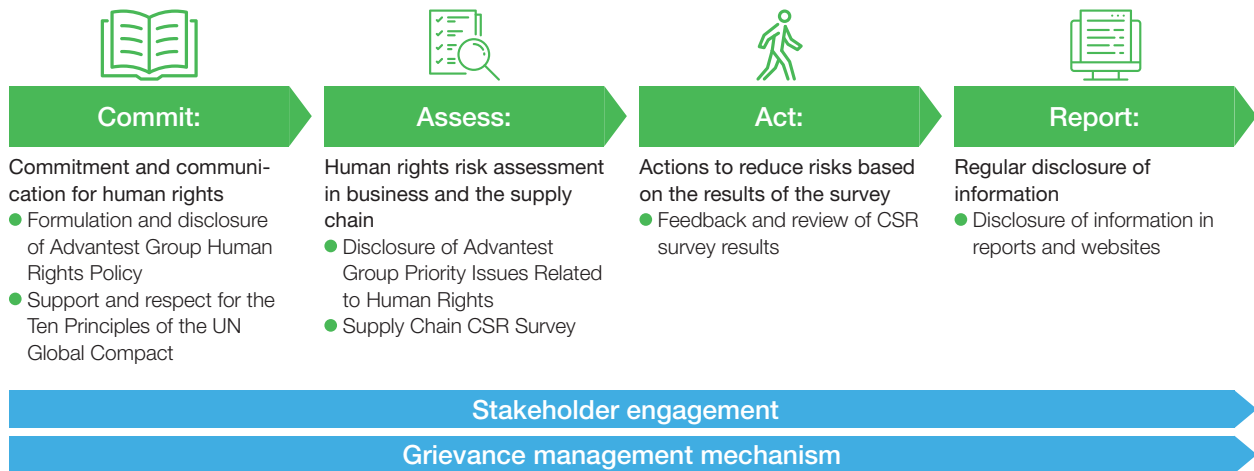
Accessible Training System

We have also introduced easily accessible online learning platforms across the Group, offering multiple courses rich in content recommended by the company with various difficulty levels. Contents range from Microsoft Office tools tutorials to time management, coaching, communication, and determining team vision and strategies. Employees can immediately put this hands-on training into use in their work.

Human Rights Initiatives

Advantest has participated in the United Nations Global Compact since 2019, which commits us to supporting the Ten Principles of the UN Global Compact, covering human rights, labor, the environment, and anti-corruption, and promoting efforts to recognize and improve issues within the company and in our supply chain.

In 2021, we broadly set forth our approach to human rights and awareness of top-priority issues in the Advantest Group Human Rights Policy and the Advantest Group Priority Issues Related to Human Rights document. We have identified risks from the perspectives of human rights due diligence with respect to Advantest's own well-being and in our supply chain, as part of our efforts to promote and resolve these issues.



Global Initiatives (TF5)

In June 2022, we launched a task force (TF5) with the goal of “promoting human rights and the SDGs” to address the issue of human rights, a global concern that is gaining in prominence. TF5 consists of members from the administration department, the Production Group, and the ESG Promotion Office. Members have discussed the priority themes, KPIs, and target values of our ESG Action Plan, and updated them appropriately.

Efforts for the Promotion of Female Employees

“INCLUSION AND DIVERSITY” is one of Advantest's core values. We believe that creating a comfortable and inclusive workplace environment and instilling working practices that maximizes employee capabilities while balancing work and home is imperative for our company.

As of March 2022, the percentage of female employees to total employees is 20.8% (20.2% in the previous fiscal year), and the percentage of female managers to total managers is 9.6% (8.3% in the previous fiscal year). At the Advantest Corporation (parent), the percentage of female employees is 16.5% (16.3% in the previous fiscal year), and the percentage of female managers is 3.4% (2.8% in the previous fiscal year). Although these ratios have improved from the previous fiscal year, increasing the number of female employees and managers still remains an urgent task.

Advantest will move forward with initiatives to raise the female employee ratio and establish systems for long-term employment designed to help female employees reach management positions.

● Focus on conveying our strengths to women pursuing technology careers, and enhancement of PR activities aimed at women

In FY2021, Advantest participated in a roundtable discussion titled “Listening to Young Employees in the Semiconductor Industry,” a joint project between SEMICON JAPAN and the manufacturing YouTuber “Monozukuri Taro,” and asked one of our female technical employees to share her experiences working at Advantest. This video of a female employee freely offering her opinions on the nature of her work creates an opportunity for young people, especially women, to take an interest in the semiconductor device materials industry, including Advantest.

● From FY2018, Advantest has set numerical targets to boost the ratio of women in management positions until it meets or exceeds the industry average based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

In November 2020, we acquired “Certification level 2 (two stars)” of the ‘Eruboshi’ certification based on the Act on Promotion of Women's Participation and Advancement in the Workplace, along with Advanfacilities Co., Ltd., which obtained it in July 2022.

● Enhancing Learning Experiences about Support to Enable Good Work-Life Balance

In FY2021, we established a system that allows working mothers to participate in external seminars that mainly focus on career education. Together with streamlining our system that allows female employees to continue working after they become mothers, this has also led to the strengthening of a corporate culture that supports women's engagement with work.

■ Work-Life Balance Programs for Childcare and Caregiving

At Advantest, pregnant employees can receive 100% compensation during prenatal checkups and pregnancy complications leave, and are offered the choice to work shorter hours if instructed by a doctor. Advantest offers childcare leave and caregiving leave that exceeds legal standards. Other leave programs are also widely used, such as the accumulated holiday program, which can be taken for a variety of reasons, by fathers as well as mothers, including for childbirth, childcare, fertility treatment, and other caregiving responsibilities.

Furthermore, Advantest offers shorter work hours for employees who are raising children or looking after ill relations. Shorter working hours for childcare can be used until the employee's youngest child reaches sixth grade, and this option is currently being used by many parents. There is no restriction on the period in which employees can work short hours in order to care for ill family members, so that employees can best balance their jobs with their home lives. As there are certain cases in which employees resign their jobs during life transitions, Advantest has established a re-employment program for employees who meet certain criteria.

It should be noted that re-employment of female employees following childcare leave, as a result of these efforts, was 100% for the second consecutive year in FY2021. We are also working on support for fathers, which includes the provision of personal consultations for male employees with children and their supervisors.

In fiscal 2021, we aimed to enhance our support system, which began by asking our eligible male employees if they intended to take childcare leave.

As a result of these efforts, the ratio of male employees taking childcare leave in fiscal 2021 was 16.0%, a significant increase from 5.1% in the previous fiscal year. We will continue to implement proactive initiatives to encourage more men to use our childcare leave systems.

■ Promotion of Health and Productivity Management

Advantest formulated a Declaration of Health and Productivity Management Policy in September 2019, embodying our focus on initiatives for health and productivity. Followed by the spread of COVID-19, top management sent out the message that employee health should be made a priority, and has been taking thorough measures to prevent the spread of infection including the enhancement of remote work productivity. As a result of these efforts, Advantest has recently been selected for the first time as one of the brands in the 2022 Health & Productivity Stock Selection, which are jointly selected by Japan's Ministry of Economy, Trade, and Industry (METI) and the Tokyo Stock Exchange. At the same time, METI certified Advantest as one of the "White 500" (large listed corporation section), the top 500 corporations certified under METI's 2022 Health and Productivity Management Awards, for the second consecutive year.

● Declaration of HPM Policy

In order to realize Advantest's mission, we will strive to create a workplace where every employee can work in optimal physical and mental health, and to contribute to humanity's sustainable future as a corporate citizen.

■ Supply Chain CSR Questionnaire

Based on our ESG Action Plan, we conduct a CSR Questionnaire every March for business partners who account for 85% of the transaction value of all Advantest Group companies.

The contents of the FY2021 questionnaire mainly referred to international norms such as the RBA Code of Conduct and the 10 principles of the United Nations Global Compact along with reports on the introduction of renewable energy and limitation of greenhouse gas emissions with the goal of mitigating climate change. We were able to obtain responses from all of the companies that received the questionnaire. Among them were mentions of the difficulty of reporting greenhouse gas emissions, while others responded that their measures to mitigate climate change remained undecided. We plan to coordinate with our business partners to share our understanding of these issues and progress toward resolution.

From FY2021, we launched an initiative to share information with our business partners and offer exclusive support so that the entire supply chain could address social issues. We aim to enhance supplier engagement not only by providing materials summarizing the results of the questionnaire for each business partner, but also by supplying feedback on points that were highly evaluated as well as requests for improvement.

■ Responsible Mineral Procurement

Advantest's Procurement Policy requires our business partners to eliminate conflict minerals (tin, tantalum, tungsten, gold) that can be sources of funding for armed groups in the Democratic Republic of Congo and adjacent countries.

Advantest has been implementing an annual survey of our business partners using the Conflict Minerals Reporting Template (CMRT) tool developed by the Responsible Minerals Initiative (RMI). This survey was also conducted in FY2021. We will continue to promote efforts toward avoidance of conflict minerals.

■ Customer Satisfaction

Every year, Advantest participates in a customer satisfaction survey conducted by TechInsights, the world's leading semiconductor market-research firm, in order to objectively grasp how our customers perceive our efforts. The survey has been conducted since 1988 and is known as the only survey in the industry to receive direct customer feedback.

In the 2021 Customer Satisfaction Survey, Advantest captured the No. 1 spot of global semiconductor equipment suppliers for the third consecutive year. The company was also named on the 10 BEST Suppliers list of large suppliers of test equipment for the 34th consecutive year. Advantest

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also achieved superior customer ratings for Recommended Supplier, Trust in Supplier, Technical Leadership, Partnering, and Field Engineering Support and was once again the only semiconductor test equipment supplier to receive a TechInsights Five-Star designation.

P.86 External Recognition

Initiatives to Enhance Employee Engagement

Advantest believes that individual and organizational strengths are the two “wheels” that drive employee engagement. In addition, we regard the enhancement of employee engagement as human rights due diligence in a broad sense, and aim to boost individual strength by working on both psychological and physical ease of work at the company.

We conducted our first Global Employee Engagement Survey using the platform of Gallup, Inc. in 2018. Unfortunately, the result for the entire Group was below the level of comparable companies. Advantest Japan in particular reported a remarkably low score. With the aim of remedying the situation, these results were first communicated to each department, asking them to deeply share, discuss, and hear employees' opinions. At the same time, at the company-wide level, we implemented reforms to boost our organizational strength by establishing our INTEGRITY Core Values to foster a new corporate culture and introducing “Leading with INTEGRITY” to gain a better understanding of leadership.

Gallup Survey 2021 Results

Three years later, in the fall of 2021, we repeated the Gallup survey. The results showed significant improvements over 2018, including an increase in scores for all items in Q12 (12 questions for engagement measurement derived from the findings of Gallup, Inc.). The overall average score was 3.64, an increase of 0.16 points from the previous survey. This is by far the biggest improvement among companies who consecutively completed the Gallup survey. We also saw

an improvement in awareness and opportunities related to the category of Recognition (the need to know that efforts are recognized and valued) and Development that were highlighted during the previous survey, marking 26% for the ratio of Engaged (diligent) employees, a 6-point increase from the previous survey. This survey confirmed that the engagement level of Advantest Group companies is considerably higher than the standard for each country. These are clear indications of each of our employees' efforts to understand the importance of engagement, and shows how they have embraced and implemented our corporate reforms such as “INTEGRITY” and “Leading with INTEGRITY,” yielding measurable results.

Working with Gallup Survey Results

Our overall score is not high, when compared to other companies participating in Gallup's survey, and there is still room for improvement. After sharing information with each department, where department leaders discussed the factors that may have led to these results, we drew up action plans to address each issue.

Some departments have introduced tools to measure employee condition and motivation, while improvement activities have expanded even further by strengthening cross-divisional collaboration with other departments. Meanwhile, some departments, who used this survey as an opportunity to objectively measure degrees of engagement, have been implementing mid/long-term human capital development plans aimed at fostering a learning organization. We can see that our new corporate culture, which we have been working on for several years, is gradually taking shape.

Engagement varies considerably depending on the customs and cultures of each country. While localized efforts are necessary, our INTEGRITY Core Values, which are the foundation of our corporate philosophy, The Advantest Way, are shared globally. We believe that it is essential to enhance engagement by executing action plans that address the characteristics and challenges of each department, sharing information about activities across the entire Group, and



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promoting investment in human and economic resources aiming to foster our corporate culture.

A third Gallup survey is scheduled to be conducted in 2023. This survey plays a meaningful role not only in confirming activity results in numerical terms, but also in terms of instilling an awareness of engagement as part of our corporate culture.

■ Office Building Renovated to Support New Workstyles

Based on the new norm of remote or hybrid workstyles, Advantest has promoted a switch to a completely “free address” office that incorporates the ABW (Activity Based Working) concept, so that employees can freely select from among various types of seats depending on what activities they have to do. We held a workshop during the design phase consisting of employees from designated departments that would be affected by the renovation, and finalized the concept of the new office after repeated discussions.

There are electric lift seats whose height can be changed, “intense focus” seats surrounded by sound-insulating partitions, and seats where you can collaborate while exchanging opinions with your neighbors, making the office an environment rich in variation. Since the seats are not fixed, it is easier to communicate across departments and floors.

Efforts are also being made to improve operational efficiency and increased convenience of the office through IT, including attendance management and conference room reservation systems as well as through the introduction of next-generation Wi-Fi standards and large displays in meeting areas.

Office renovations incorporating the ABW concept have also been implemented at the Sendai Office where Advantest Laboratories is located, and during the relocation of the Advantest (Singapore) Pte. Ltd. head office. We plan to deploy

our workstyle reforms at all of our offices around the world over the next few years.

■ Promotion of Digital Workplace Activities #myADV

Advantest has been continuously promoting #myADV digital workplace activities (#myADV), which started in May 2020, in order to encourage global business development and diverse ways of working for employees.

#myADV is promoted by the Global IT Collaboration team and supports volunteer #myADV guides (over 200 guides as of the end of June 2022). The Global IT Collaboration team conducts regular coaching sessions for #myADV guides, as well as organization-specific use case analysis and training for specific business entities to support company-wide dissemination and use of collaboration tools.

Going forward, training for employees across the entire Group will be implemented to boost tool usage, along with the development of new tools and functions, aiming to maximize team collaboration using digital technology.

■ Example: Efforts to Improve Employee Engagement at the Gunma Factory

Protecting shipments from the impact of COVID-19 is a top priority at the Gunma Factory, so we have reduced the number of people coming to the factory as much as possible. Many employees are working from home, making it difficult to communicate face-to-face, and face the dilemma of demand for shipping increasing while parts are difficult to procure. In December 2020 we began collecting opinions from the factory's 500 employees on the situations they were facing, using a questionnaire function of the collaboration tool, to help us better understand and relate to them. For employees who had to come to work, we cooperated with the administration department to make improvements so as to relieve



Head office after renovation

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their anxiety and concerns over COVID-19, and provided feedback on the measures taken.

In addition, during COVID-19, it became difficult to communicate management's thoughts to our broad employee base, as it was no longer possible to hold our monthly all-hands assemblies. We began online distribution of messages from the Product Group Leader from January 2021, and conducted a questionnaire thereafter. About 40% of the employees responded to the questionnaire. After that, the message from the Product Group Leader began to include answers to questions raised by our employees, improving the quality of two-way communication.

The promotion of collaboration tools and the INTEGRITY workshops throughout the entire Group have also provided opportunities for two-way communication with employees in remote environments and reached all the way to our manufacturing sites. Since the production departments have a wide variety of occupations and organizational forms, it is necessary to implement measures and support to enhance engagement in line with each department's needs. We will continue to make improvements in creating comfortable workplaces by enhancing our corporate culture, as well as by strengthening the connections between our employees, with the expectation that this will lead to greater productivity.

Advantest Europe GmbH (Germany) has participated in the surveys of the international human resources consulting agency "Great Place to Work®" every other year since 2017, and has once again been recognized as a "Great Place to Work®" for FY2021.

Advantest Test Solutions, Inc. (U.S.A.) (ATS) also received the Top Workplaces award in 2021 from the Orange County Register, a local newspaper publication in Southern California. The qualification is based on the results of a confidential employee questionnaire regarding corporate culture, management, and leadership. This is the third year in a row that ATS received this award.



Initiatives for Occupational Health and Safety

Advantest Group recognizes that health and safety (H&S) is one of the important aspects of our business operation. The Advantest Group Health and Safety Policy is intended to ensure every Advantest employee's health and safety.

Every year we convene a "Health and Safety Committee Meeting" which decides the health and safety related direction and policy for the entire group. Our approach to health and safety is based on the main activity themes set at this meeting. Based on this, the health and safety committees at each location define their annual targets and plans.

We also regularly hold health and safety committee secretariat meetings throughout the company, and strengthen each location's health and safety activities through this sharing of information about relevant activities.

In FY2021, there were no fatalities on the job (zero accidents). Safety assessments for our domestic business sites were also conducted by external organizations, which contributed to the reduction of our hazard risks.

In addition, the rate of occupational accidents (frequency) was 0.4 for FY2021 when including both domestic and overseas Group companies.

For FY2022, we will continue our safety awareness initiatives with a greater focus on safety. We will establish an occupational safety and health management system at the Gunma Factory aiming to acquire ISO 45001 certification.

Corporate Governance

About Advantest's 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, and in response to our mandate from

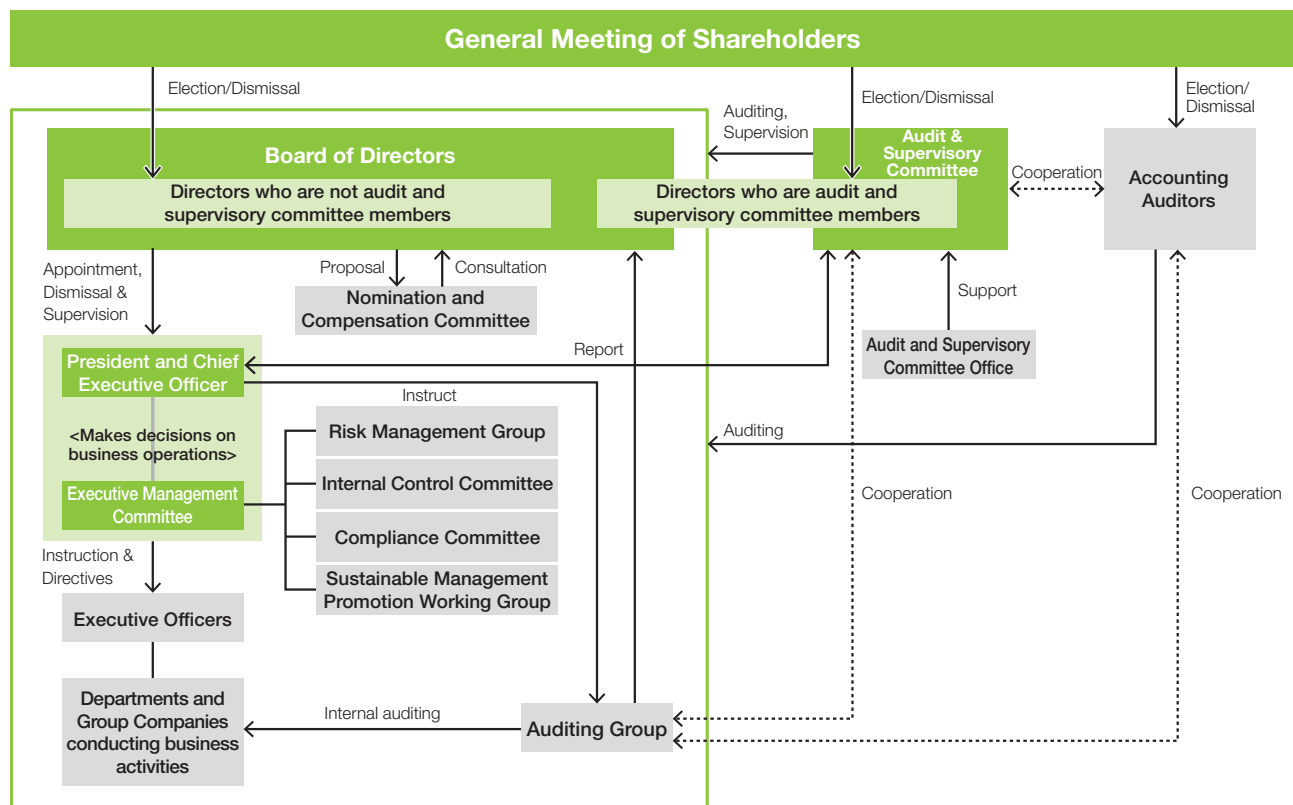
stakeholders, Advantest emphasizes open, honest and respectful dialogue with all stakeholders at all times, to achieve a sustainable level of business development for the Advantest Group and to enhance corporate value over the mid-to-long term. To that end, the Advantest Group will establish a fair, efficient, and transparent governance system.

Our Corporate Governance Basic Policy is published on our website:

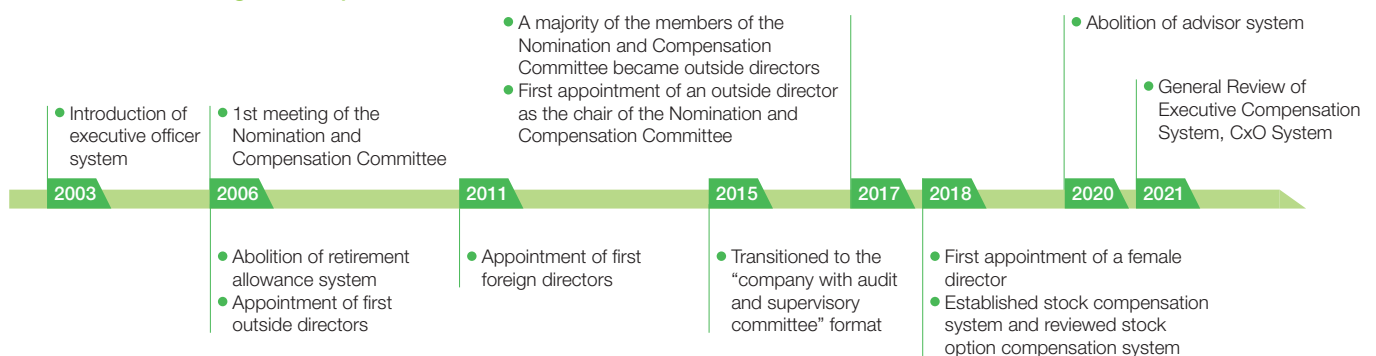


<https://www.advantest.com/sustainability/governance/governance.html>

Corporate Governance Structure

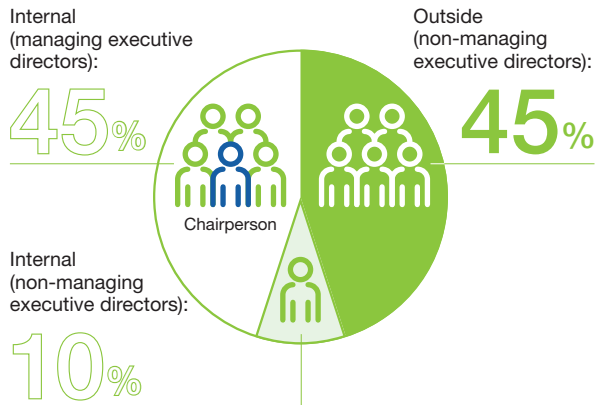


Initiatives to Strengthen Corporate Governance Structure

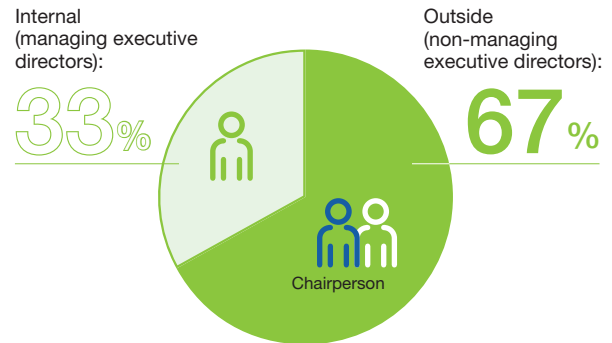


Governance Highlights

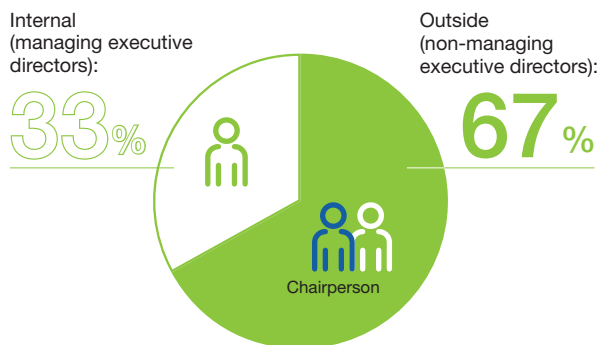
Board of Directors



Composition Ratio of Audit and Supervisory Committee



Nomination and Compensation Committee



Activity Results (FY2021)

Board of Directors	13 times
Audit and Supervisory Committee	13 times
Nomination and Compensation Committee	13 times
Off-site meeting	3 times

Term of Office for Directors (Total)

As of June 24, 2022

1 to 5 years

8 directors

6 to 9 years

1 director

10 years or more

2 directors

Shareholders' Meeting

Advantest regards the annual General Meeting of Shareholders as an opportunity for dialogue with shareholders.

The 2022 General Meeting of Shareholders was held in the large hall of our Gunma R&D Center in Japan.

Since last year, we have been holding a virtual general meeting (livestream) alongside the physical meeting, enabling shareholders to watch the meeting in real time wherever they are. This year, we also printed a QR code and guidelines for livestream access on the envelope of the convocation notice mailed to shareholders, making it easier for them to access the virtual general meeting. As a result, approximately twice as many shareholders viewed the livestream this year than last year. In addition, in order to enhance dialogue with shareholders, we accepted questions online in advance of the meeting, and also allowed them to message us online during the livestream.

Going forward, we will continue to hold more open and accessible general meetings, helping shareholders who have difficulty visiting the venue to participate and be heard.

For more details on the General Meeting of Shareholders, please see our website:



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

Board of Directors

The Board of Directors of Advantest, as the management decision making body, makes decisions on significant matters with respect to the management policies and management strategies for the whole Advantest group, and in its capacity to supervise management, it monitors and supervises Executive Officers in their exercise of their duties. Advantest has strengthened the oversight and supervision functions of the Board of Directors by appointing multiple outside directors. At Board of Directors meetings, directors with a wide range of knowledge and experience express their opinions on agenda items proposed by management and engage in lively discussions. The Board of Directors meets about once a month and spends about three to five hours each time discussing budgets, settlement of accounts, personnel affairs, business acquisitions and alliances, and other matters. In order to maintain seamless communication despite the diversity of our 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. The Chairman of the Board of Directors is Yoshiaki Yoshida, Representative Director and President.

 P69 Board of Directors, Skill Matrix

Off-Site Meetings

Discussing important issues such as mid-term management plans, succession plans, and M&A requires time and focus. To effectively discuss these and other issues, the Board of Directors holds off-site meetings to provide information and exchange opinions. In FY2021, all Directors discussed the optimal composition of the Board of Directors and succession plans, as well as ESG promotion and our 2nd mid-term management plan, over a two-day off-site meeting.

CxO System

In FY2021 Advantest introduced a CxO system. At off-site meetings, discussions were held to create a more effective CxO structure, and in FY2022, the Board of Directors resolved to reorganize the CxO structure in order to further promote global business development.

Post Merger Integration of Acquisitions

The profit and loss of businesses that have been expanded through acquisitions, etc. are monitored monthly by the Board of Directors. In order to further grow acquired businesses, the Board of Directors discussed investment in expansion of the US manufacturing capabilities related to these businesses in FY2021.

Share Repurchases

In July 2022, following on from the previous fiscal year, we resolved to acquire treasury stock with the aim of improving shareholder returns and capital efficiency, as well as acquiring shares to be allocated under our future restricted stock compensation plan.

Share Cancellation

In September 2022, we canceled 8,000,000 shares of treasury stock to improve shareholder returns and capital efficiency.

Advance Disclosure of Annual Securities Reports

Given that the General Meeting of Shareholders is a place for constructive dialogue with shareholders, the Board of Directors discussed the disclosure of annual securities reports before the General Meeting. Based on this discussion, we now disclose our annual securities reports before the general meeting, so that shareholders can use it as a reference when exercising their voting rights.

Evaluation of the Board of Directors

In order to evaluate how effective the Board of Directors is at fulfilling its roles and responsibilities, we distribute an “effectiveness evaluation” questionnaire to all directors every year. The main items on the questionnaire are as follows.

- **Composition of the Board of Directors**
Number of directors, diversity of directors, status of concurrent posts of outside directors, etc.
- **Management of the Board of Directors**
The timing of distribution of materials, the content of materials, the frequency of meetings of the Board of Directors, the chairperson's management of proceedings, the quality of web conferences and simultaneous interpretation, etc.
- **Board of Directors Meeting Agendas**
Management strategy, mid-term management plans, succession plans, compensation system, risk, sustainability, management resources such as human capital and intellectual property, etc.
- **Board of Directors Support System**
Outside director meetings, reports from the Nomination and Compensation Committee, provision of information to outside directors, training for directors, utilization of experts, etc.

Results of FY2020 Evaluation & Actions Taken in Response

Regarding the effectiveness of the Board of Directors in FY2021, it was concluded that it is important to deepen discussions on ESG at the Board of Directors and to consider the ideal composition of the Board of Directors. In response to these results, we implemented the following measures in FY2021.

- 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 2021.
- 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.

Results of FY2021 Evaluation

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.

Audit System

Advantest shifted to an Audit and Supervisory Committee system on June 24, 2015. Pursuant to our 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 attend important meetings such as Executive Management Committee, Business Plan Meeting, Internal Control Committee, Disclosure Committee, Compliance Committee, receive reports from Directors, Executive Officers and employees on the performance of their duties, request further explanations as deemed necessary, review important approval-granting documents, and inspect the state of business operations and assets at the head office and other important branch offices. With respect to subsidiaries, they communicate with and exchange information with the directors and corporate auditors of the subsidiaries and receive business reports from subsidiaries as deemed necessary, and conduct audits of Advantest's main consolidated subsidiaries overseas (by interviewing via web conferences or face to face), and confirm their state of business operations and assets. Kouichi Nanba, an outside director, serves as the chairman of the Audit and Supervisory Committee.

Outside directors who are members of the Audit and Supervisory Committee attend meetings of the Internal Control Committee and, as necessary, participate in on-site inspections of business divisions conducted by full-time members of the Audit and Supervisory Committee, actively auditing and monitoring the status of business execution at the Company. In addition, the Audit and Supervisory Committee cooperates with the Accounting Auditor, the Auditing Group and other internal control departments, and the Audit & Supervisory Board Members of each company in the Advantest Group, securing opportunities to exchange opinions as necessary and promoting mutual understanding.

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

Regarding accounting audits, Advantest has audited with Ernst & Young ShinNihon LLC and received predetermined audits. EY Shin Nihon LLC Audit Corporation (formerly Daiichi Audit Office) has been conducting listing audits of Advantest since 1983, when Advantest was listed on the Second Section of the Tokyo Stock Exchange. The certified accountants who executed the accounting audit work of Advantest in FY2021 are Mr. Toshiyuki Matsumoto, Mr. Minoru Ota and Mr. Hiroyuki Nakada. The rotation of the certified public accountants is conducted appropriately at Ernst & Young ShinNihon LLC and no certified public accountants are involved in accounting audits of the same company for more than seven consecutive fiscal years. Lead certified public accountants are not involved in accounting audits of the same company for more than five consecutive fiscal years. If a certified public accountant is involved in accounting audits of the same

company for seven consecutive fiscal years, he or she will be involved in accounting audits of that company only after an interval of five fiscal years. Lead certified public accountants who are involved in accounting audits of the same company for five consecutive fiscal years will not be involved in accounting audits of that company again. In addition, assistants performing Advantest's accounting audit work include those with expert knowledge such as system experts, with CPAs as the main constituents.

Nomination & Compensation Committee

Advantest has established a Nomination and Compensation Committee as an advisory organization to the Board of Directors. It advises the Board on appointing, selecting, and dismissing directors and executive officers, and on determining the compensation of directors and executive officers. The Nomination and Compensation Committee performs the functions of both a Nomination Committee and a Compensation Committee, in which roles it is responsible for improving the fairness, appropriateness, and transparency of the appointment, selection, dismissal, and compensation of directors and executive officers. The Nomination and Compensation Committee is composed of members selected from among the directors by resolution of the Board of Directors. To introduce an independent viewpoint, more than half of the members are outside directors. The Human Resource Department is its secretariat. The main items considered by the Nomination and Compensation Committee in FY2021 were as follows.

- **Candidates for Directors and Executive Officers**
- **CEO succession plan**
- **Revision and operation of executive compensation system**

The current committee members are Mr. Toshimitsu Urabe, Ms. Sayaka Sumida, and Mr. Yoshiaki Yoshida. Mr. Toshimitsu Urabe is the chairperson. Two of the three committee members, including the chairperson, are outside directors.

Regarding the selection of directors and executive officers, the Nomination and Compensation Committee recommends 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" prescribed by the Board of Directors regarding Directors and Executive Officers. The Nomination and Compensation Committee also considers the diversity and appropriate size of the Board of Directors, including in terms of gender and nationality representation. In addition, regarding independent outside directors, "Independence Criteria of Independent Outside Directors" prescribed by the Board of Directors 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 and appoints candidates for Directors and Executive Officers.

Criteria for the Selection and Appointment of Outside Directors

Candidates must meet the independence criteria set by Advantest and should also meet one or more of the below criteria. Personality, concurrent positions as another company's director, executive officer or auditor, the number of years served as an outside director of Advantest, 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**

Executive Management Committee

The Executive Management Committee is the decision-making body for important business execution matters. Those executive officers who are suitable to lead the Advantest Group's management are designated as executive officers and members of the Executive Management Committee. Half of the members are executive officers of non-Japanese nationality. Meetings of the committee are held about twice a month, mainly online.

Internal Control Committee

The Internal Control Committee identifies and analyzes important risks to the Advantest Group as a whole, and shares information among its members. It also clarifies which department is responsible for each risk, as well as policies and procedures for response. The Internal Control Committee is chaired by the president and consists of 31 members, including executive officers, unit leaders, and administration department personnel. One member is an outside attorney who acts as advisor. We also allow outside directors to participate as observers.

Disclosure Committee

The Disclosure Committee oversees appropriate disclosure by the company. In August 2022, we have broadly revised the composition of the Disclosure Committee by clarifying the scope of the committee's jurisdiction and strengthening the authority of its members. The current Disclosure Committee

consists of four members. In addition to reviewing timely disclosure documents, they lead the preparation of annual securities reports, business reports, integrated reports, corporate governance reports, etc.

Sustainable Management Promotion Working Group

In FY2020 Advantest established the Sustainable Management Promotion Working Group (SMPWG) to develop company-wide ESG activities globally. Three executive directors act as strategic managers for E/S/G, and the 50 members include leaders from all units, and all regions (Europe, North America, Asia). The SMPWG functions as a governance system for sustainable management. Specifically, it identifies and evaluates ESG issues in each unit and region for each fiscal year, and summarizes priority themes, targets, and KPIs into an ESG action plan 2021-2023, supporting and promoting company-wide ESG activities in cooperation with related committees throughout the company.

Risk Management Group

The Risk Management Group is an organization that implements countermeasures in the event of any risk that business continuity would be endangered due to a disaster or incident, or if there were to be a risk of harm to the life or health of our officers or employees, or if there were some scandal that may adversely affect Advantest.

The Risk Management Group is headed by the President & CEO and is composed of 28 members, including deputy heads of departments, business location managers, and functional members. In addition, from FY2022, in order to respond more quickly to global incidents, we have newly established a Contingency Team as a sub-organization of the Risk Management Group, and appointed six members to it from overseas locations.

Succession Planning

Advantest started to formulate a succession plan in FY2021 with the goal of ensuring management continuity for the next generation and the generation after that in line with our recognized issues and strategies.

The Board of Directors is actively involved in the CEO succession plan. The Board was reported from the Nomination and Compensation Committee on the Group's management issues and an evaluation of the current CEO, and confirmed requirements for the next CEO. Next, the Nomination and Compensation Committee used an external expert to assess successor candidates and also surveyed the external talents market. At the same time, outside directors met with successor candidates. Based on these results, the Nomination and Compensation Committee discussed the future direction of the company, including a CEO successor training plan, and again reported to the Board of Directors.

In addition, regarding the succession plan for key positions (executive officers) in the Group, a review committee

consisting of the CEO and Senior Executive Officers has listed successor candidates for each key position. This list of candidates is reviewed annually by the review committee. The review committee designed and is currently implementing training and skill development plans for successor candidates. It reports the status of these efforts to the Nomination and Compensation Committee and the Board of Directors as appropriate.

Executive Compensation

Advantest's executive compensation system consists of fixed compensation (monetary), performance-linked bonuses (monetary), and stock compensation (non-monetary). The basic concept of the 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 mid/long-term perspective on management

▶ We combine restricted stock compensation (RS), which encourages executives to pursue the mid/long-term corporate value improvement that shareholders desire, and performance-linked stock compensation (PSU), which encourages the achievement of medium-term management goals that lead to the improvement of corporate value.

The Nomination and Compensation Committee restructured our compensation system to implement bonuses with a wider range of performance-linked variance, which should lead to an increase in corporate value, a restricted stock compensation (RS) that is conditioned on holding stocks during the term of office, which encourages a mid/long-term perspective on management, and performance-linked stock compensation (PSU), which is linked with the achievement of mid/long-term management goals. The system was passed by a resolution of the Board of Directors and proposed to the General Meeting of Shareholders, which approved it. The system is now operated as follows.

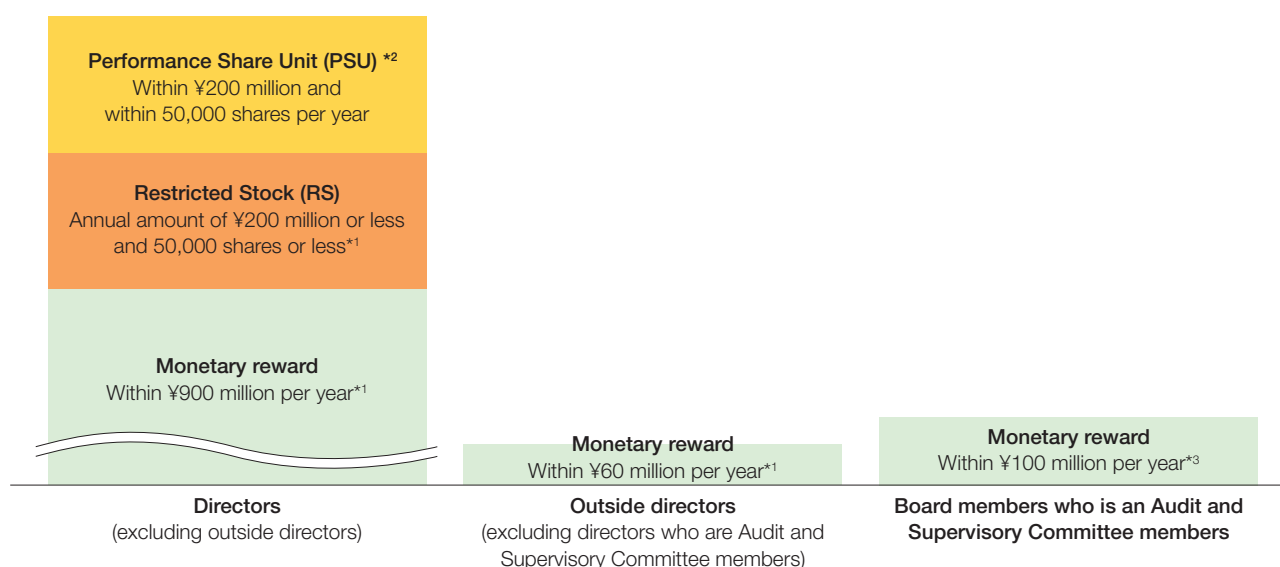
Compensation Structure	The ratio of fixed compensation, performance-linked bonuses, and stock compensation is approximately 1: 1: 1 for Senior Executive Officers (including the president) and 1: 0.8: 0.8 for other Executive Officers. However, if a person concurrently serves as a director, he or she will be paid separately. The above ratio is for standard compensation, and the ratio may change depending on performance.
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
Performance-linked Bonuses (cash compensation)	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. [Performance indicators] With the annual profit plan target achievement rate as a KPI, bonuses vary from 0% to 200% of each individual's standard amount. * The standard amount of Senior Executive Officer is 100% Fixed compensation. The standard amount of other Senior Executive Officer is 80% 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	[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 Fluctuation 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) Fluctuation 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 Fluctuation between -5% to 5% of the standard units ● After the end of the medium-term plan, PSU for the preceding three years will be vested in a lump sum. • PSU for officers who take office or retire in the second or third years of the medium-term management plan will be prorated according to the length of time they have served.

■ Visualization of compensation for executive officers (including the president)



*Before redistribution of performance-linked bonuses based on individual evaluation

■ Upper limit of director compensation



*1 According to a resolution of the 79th Ordinary General Meeting of Shareholders, held on June 23, 2021.

*2 Performance Share Unit: a one-time grant covering three years, equal to ¥600 million as compensation for the execution of duties over the three fiscal years. The upper limit is 150,000 shares, which will be allocated as shown in the above image per year.

*3 According to a resolution of the 73rd Ordinary General Meeting of Shareholders, held on June 24, 2015

■ Total amount of remuneration for directors (FY2021)

Category	Total Compensation (Millions of yen)	Total Compensation by Category (Millions of yen)					Number of Eligible Officers*
		Cash Compensation*3		Non-Cash Compensation*2			
		Fixed Compensation	Performance-based Compensation	Stock Options	Restricted stock compensation	Performance-based Stock Compensation	
Directors (excluding audit and supervisory committee members) (excluding outside directors)	800	186	239	66	95	214	5
Directors (audit and supervisory committee members) (excluding outside directors)	43	43	0	0	0	0	1
Outside Directors (not audit and supervisory committee members) (audit and supervisory committee members)	69	69	0	0	0	0	5
	(40)	(40)	(0)	(0)	(0)	(0)	(3)
	(29)	(29)	(0)	(0)	(0)	(0)	(2)

*1. As of March 31, 2022, the number of directors (excluding outside directors and directors who are Audit and Supervisory Committee members) is 5, and the number of outside directors is 5.

*2. For stock options granted in or before FY2020, the amount recorded as expenses based on Japanese standards for FY2021 is shown. Stock options were not granted in FY2021. Restricted stock compensation and performance-linked stock compensation amounts shown are the amounts recorded as expenses based on Japanese standards for FY2021.

*3. In addition to the above compensation, Advantest's subsidiaries in the United States paid ¥156 million in monetary compensation to directors residing in the United States.

■ Directors who received compensation of ¥100 million or more (FY2021)

Name	Total Compensation (Millions of yen)	Title	Company	Total Compensation by Category (Millions of yen)				
				Cash Compensation		Non-Cash Compensation*		
				Fixed Compensation	Performance-based Compensation	Stock Options	Restricted stock compensation	Performance-based Stock Compensation
Yoshiaki Yoshida	249	Representative Director, President and CEO	Advantest Corporation	63	91	21	21	53
Soichi Tsukakoshi	144	Director, Senior Executive Officer	Advantest Corporation	39	49	12	12	32
Atsushi Fujita	142	Director, Senior Executive Officer	Advantest Corporation	38	49	11	12	32
Koichi Tsukui	141	Director, Senior Executive Officer	Advantest Corporation	38	50	11	12	30
Douglas Lefever	280	Director, Senior Executive Officer	Advantest Corporation	8	—	11	38	67
		Director, President and CEO	Advantest America, Inc.	56	100	—	—	—

*For stock options granted in or before FY2020, the amount recorded as expenses based on Japanese standards for fiscal 2021 is shown. Stock options were not granted in FY2021. Restricted stock compensation and performance-linked stock compensation amounts shown are the amounts recorded as expenses based on Japanese standards for FY2021.

Shares

In FY2021, Advantest acquired 7,167,500 shares of treasury stock, of which 24,505 shares were canceled. In July 2022, the Board of Directors resolved to acquire 10,000,000 shares of treasury stock and to cancel 8,000,000 shares of treasury stock, up to an upper limit of 50 billion yen. In September Advantest acquired 3,445,000 shares of treasury stock and, on September 9, canceled 8,000,000 shares of treasury stock. As of the end of September 2022, we had issued

191,542,265 shares of common stock, and the total number of shares of treasury stock is 4,600,899 shares.

As an incentive for directors, executive officers, etc., we issued stock options until FY2020, and the total balance at the end of September 2022 will be 6,760 units (676,000 shares). No other stock acquisition rights or convertible bonds have been issued. In addition, Advantest grants one voting right for each unit of 100 shares, and does not issue shares that grant multiple voting rights per unit (so-called dual class shares) or non-voting shares.



A Conversation With Outside Directors



Outside Director

Osamu Karatsu

Outside Director

Toshimitsu Urabe

Innovation in semiconductors never ceases, making our lives richer every day. Advantest enables the leading-edge technologies that make these advances possible. We asked outside directors Osamu Karatsu and Toshimitsu Urabe about their views on corporate governance, and how it can improve corporate value.

(Moderator: Yoshitake Kobayashi, General Manager, Investor Relations Department, Corporate Planning Group)

About Advantest

Moderator: Our company was established in 1954, and this is our 68th year in business. Starting from our roots in measurement instruments, we have become a leader in semiconductor test equipment. Advantest is now recognized by many investors and shareholders as a major player in this niche market.

Karatsu Measurement is the basis of things. In fact, it is measurement that determines the value of all things. So, even though people call this a niche market, it's actually not niche at all. I believe this company can grow further by properly valuing and expanding the value of measurement, which is fundamental to the world and has infinite possibilities.

Urabe Advantest is in the business of making and selling semiconductor test equipment. You could call it a niche. However, what is actually useful to society is not our

machines, but what they do—verify whether semiconductors are working properly—so you could actually say we're in the data business. When I think about what value our company really sells, it seems to me that we're in a very privileged position: we have ongoing access to data related to semiconductors, which are indispensable to the world now and in the future.

Karatsu Historically, many electronics manufacturers made their own semiconductor test equipment. But that didn't work out for them. It's not that easy. For example, if a semiconductor is operated at a speed of 1 gigahertz, that operating speed cannot be guaranteed unless it is tested at 1.3 gigahertz or 1.5 gigahertz. When a semiconductor manufacturer achieves a speed of 1 gigahertz, it cannot be tested without technology that is already 30% or 50% faster, which needs to have been developed and commercialized in advance. Moreover, memory test systems test hundreds of



semiconductors at the same time. Now we're really in crazy territory. A medium-sized jet airliner has about 1 to 2 million parts, and a semiconductor test system has about 1.5 million parts. A car only has about 30,000 parts, by comparison. It's insane to pack the complexity of a jet airplane into a box! A normal company wouldn't be able to do it.

Our Grand Design

Moderator: People are expecting a lot of Advantest in future. In 2018, we formulated a mid-term management plan and a 10-year Grand Design for the first time. How were you involved in formulating them?

Karatsu What I remember about the mid/long-term plans is the first draft I saw. It was a picture of Advantest floating alone in space, not connected to anything in society. Hey! No! I said. Advantest is linked in various ways to the world, and our mid/long-term plan needs to describe what kind of relationships should be built to fulfill the plan. So we discussed that, and our Grand Design came out of those discussions. It helped people to become aware of the essence of our business. I think it's great to have a long-term plan. It broadens your viewpoint.

Urabe Four years have passed since our Grand Design was formulated. Judging from our strong performance so far, it seems the Grand Design was correct, but in four years, the world has changed, and so have our strategic priorities. In that sense, I think it's important to look at the outside world, which is always the basis of the Grand Design, and update it.

We are also discussing the need to review our 10-year plan at the same time, preferably every year, but at least once every two or three years. Currently, we make a mid-term plan every three years. But we should look at our surroundings from the viewpoint that our 10-year plan will constantly change depending on our situation and environment. Semiconductor cycles occurs because of changes in devices that use semiconductors and in their context. I think it's important to keep a close eye on everything, including the industry, economy, and politics, and what's happening right now.

Karatsu More and more developments in the world these days are invisible, but in fact, those invisible things are packed with value. Mr. Urabe mentioned the data business earlier. It's the invisible value that is important. But no one knows how to measure the value of the invisible. The challenge is where to put your foot and how to survive. In this new era, I have a feeling that there is a larger arena where we can generate even more value.

Urabe I remember what an executive officer said to me at the first offsite meeting I attended after joining Advantest in 2019. "When we think about what our job is, we don't just make machines. Rather, we're at the heart of the industrial processes that utilize semiconductors, making those semiconductors work properly, and helping our customers' workflows to operate well and efficiently. That's what the customers want. Our business is workflow solutions." That's what he said. Of course, we have to sell machines, but if we hold onto the essentials, even if the world changes in various ways, we'll be able to stay abreast of the changes. In other words, the cornerstone of our business is data, and if we use it well, we can achieve even greater things.

Karatsu That's the way it's going. However, the problem is that our product sales have grown this large, with profits to match, so daily operations end up focusing on how to deliver even just one more product. That's the dilemma. How to overcome that is a big issue for us as a company.

Urabe Truly ambidextrous management is needed.

Corporate Governance

Moderator: We've been talking about the long-term view. I would like to hear your thoughts on sustainability from the perspective of ESG, especially corporate governance.

Urabe What we call ESG is, in a sense, simply obvious when we consider the significance of a company's existence and social responsibility. Your own business plan should factor in important things that have a big impact on your company. Our Grand Design and The Advantest Way highlight important things that we must be careful to keep uppermost in our mind.

Karatsu We could say the same of corporate governance.

Urabe What should our governance and the Board of Directors look like? We are naturally doing what we need to do at the moment, but when it comes to doing even better, we must discuss whether this is enough. This is an important theme to raise not only at the level of the Board of Directors, but also at the level of executive officers.

Moderator: In terms of corporate governance, your positions as directors have been entrusted to you by shareholders. What are your thoughts on the Grand Design, the growth investments necessary for business expansion, and returns to shareholders?

Karatsu A company first needs to have a proper business model. Our story says, "We're thinking of implementing this kind of business model in this timeframe, so it's going to be like this in the future." By telling shareholders how much we can return at what time by implementing our business model, we win their buy-in for growth investments. The business model is the basis of that mutual understanding.

Urabe Yes, an idea like the workflow solutions I mentioned earlier is a good example. If we can persuade them, they will come to understand our growth investments. Our profit and equity ratios are high, but our figures are still modest. Considering future growth, I think we still need to improve our foundation.

Karatsu However, the reason why such discussions have not progressed is the question of what kind of business model should be explained to investors and shareholders. If it is



ambiguous, they won't buy into it. An American executive at our company had some good things to say. He was very earnest when he said, "A few years ago, our company had sales of \$2 billion, now it is \$5 billion, and soon it will be \$10 billion. What is the difference between a \$2 billion company and a \$10 billion company in terms of corporate structure? If we're really expecting to hit \$10 billion in the near future, and if we haven't got the corporate structures in place to support that level of sales when we get there, things won't go well for us. We have to prepare in advance." I would like to deepen discussions on this theme at the Executive Management Committee meeting for executive officers.

Urabe After specific projects emerge, it is too late to discuss investment strategies for growth, so we always discuss our intentions and vision based on ongoing analysis of our environment. Our company always has a long to-do list within the framework of the grand design, so I think we have a good basis for such discussions.

Structure of the Board of Directors & Succession Planning

Moderator: Lastly, Mr. Urabe, as chairman of the Nomination and Compensation Committee, you are involved in examining the structure of the Board of Directors and succession planning.

Urabe The overall management structure of our company comes before the structure of the Board of Directors. This is discussed at board meetings and also at the



Nomination and Compensation Committee in preparation for board meetings.

There are two points to make here. First, of course, when considering a succession plan, the starting point is the management issues that have been discussed many times, and these business strategy issues are reviewed, organized, and shared with everyone. We discuss what the next generation of management will need and what the Board of Directors will look like at that time. The second thing is to not stop at mechanisms and general theories, but move on to discussions and analysis with names attached. For example, in order to create a next-generation management team, we outside directors meet with senior-level executive officers individually, evaluate them, and provide them with advice when necessary. These are the two things I pay most attention to.

Karatsu Mr. Urabe has been in charge of this process. Over the past two years, we have held a lot of dialogue and discussions with executive officers and have accumulated a lot of data.

Urabe That data is shared with the CEO, and we also provide feedback from the CEO to the individuals concerned. Accumulated properly, it can be a resource for them. It's no good if you just do it once—you have to keep doing it. This is done at two levels, the level where the directors oversee the management team, and the people on the management team who are one layer below. We keep looping through this process with due care.

Karatsu As you'd expect, the executive officers will do their best if you give them room to perform. When we ask a lot of questions, they do their best to answer them. I think this is a good incentive, and conversely, we also get a glimpse of the issues in the company. It helps us better understand their position and give advice on how people below the CEO should act.

Moderator: Thank you both for speaking with us today.

Board of Directors, Skill Matrix

Representative Director,
President and CEO

Yoshiaki Yoshida

Date of Appointment 2013
Date of birth February 8, 1958
Nationality Japanese
Shares Held as of March 31, 2022 53,532



13/13



13/13

After his duties as the representative director of a subsidiary of the Company, Executive Vice President of the Corporate Planning Group, Executive Vice President of the Corporate Relations Group, and Executive Vice President of the Nanotechnology Business Group, Mr. Yoshiaki Yoshida has been serving as Representative Director, President and CEO of the Company since January 2017. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value as a director of the company.

Outside Director

Osamu Karatsu

Date of Appointment 2012
Date of birth April 25, 1947
Nationality Japanese
Shares Held as of March 31, 2022 3,342



13/13

In addition to his management experience at R&D institutions in Japan and overseas, Mr. Osamu Karatsu has a wealth of knowledge and experience as a semiconductor specialist. He is expected to reflect his knowledge of the industry and his broad perspectives in the Company group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director.

Outside Director

Toshimitsu Urabe

Date of Appointment 2019
Date of birth October 2, 1954
Nationality Japanese
Shares Held as of March 31, 2022 535



13/13



13/13

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 in the Company group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director.

Outside Director

Nicholas Benes

Date of Appointment 2019
Date of birth April 16, 1956
Nationality American
Shares Held as of March 31, 2022 600



13/13

Mr. Nicholas Benes has extensive knowledge and experience about corporate governance matters, and experience in investment banking including M&A transactions. He is expected to reflect his knowledge of corporate governance and the shareholder-oriented perspective in the Company group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director.

Director, Senior Executive Officer

Soichi Tsukakoshi

Date of Appointment 2017
Date of birth February 1, 1960
Nationality Japanese
Shares Held as of March 31, 2022 9,640



13/13

Mr. Soichi Tsukakoshi has been engaged in sales and marketing operations. After his duties as Senior Vice President of the Sales Group, he currently serves as Executive Vice President of the Production Group. He has a wealth of knowledge and experience concerning sales and marketing as well as production. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value through enhancement of efficiency of manufacturing and supply chain optimization.

Director, Senior Executive Officer

Atsushi Fujita

Date of Appointment 2019
Date of birth November 15, 1959
Nationality Japanese
Shares Held as of March 31, 2022 6,189



13/13

Mr. Atsushi Fujita has been engaged in corporate administration mainly in finance and accounting for many years, including assignments in the US and Germany. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value.

Board of Directors, Skill Matrix

Director, Senior Executive Officer

Koichi Tsukui

Date of Appointment 2020
 Date of birth December 11, 1964
 Nationality Japanese
 Shares Held as of March 31, 2022 5,850



13/13

Mr. Koichi Tsukui has been engaged in business operations and sales and marketing operations for many years including assignment to Germany. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value.

Director, Senior Executive Officer

Douglas Lefever

Date of Appointment 2020
 Date of birth December 10, 1970
 Nationality American
 Shares Held as of March 31, 2022 0



13/13

Mr. Douglas Lefever is responsible for promoting business development mainly in the US (Silicon Valley). He has a wealth of knowledge and experience concerning the Company group's business and corporate management and is expected to contribute to enhancing and galvanizing the diversity of the Board of Directors. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value.

Director, Standing Audit & Supervisory Committee Member

Yuichi Kurita

Date of Appointment 2015
 Date of birth July 28, 1949
 Nationality Japanese
 Shares Held as of March 31, 2022 6,686



13/13



13/13

Mr. Yuichi Kurita has many years of experience in finance and corporate planning, and has extensive knowledge and experience in finance and accounting. In addition, he has served as a director and is an audit and supervisory board member of the Advantest Group, in which position he is currently striving to improve auditing/supervision and governance. In view of his achievements, Advantest believes that he is a suitable person to enhance supervisory and oversight functions as a director who is a member of the Audit and Supervisory Committee.

Outside Director, Standing Audit & Supervisory Committee Member

Kouichi Nanba

Date of Appointment 2019
 Date of birth September 1, 1949
 Nationality Japanese
 Shares Held as of March 31, 2022 568



13/13



13/13



4/4

Mr. Kouichi Nanba has a wealth of experience in law and compliance and a high degree of specialized knowledge, after serving as a judge mainly in charge of civil cases for many years, and engaging in the practice of corporate legal affairs as a lawyer. Advantest believes that he is a suitable person as an outside director who is a member of the Audit and Supervisory Committee of the Company, as Advantest expects that his insights of law and compliance into the auditing and supervision of the Advantest Group will contribute to the improvement of auditing and supervisory functions.

Outside Director, Standing Audit & Supervisory Committee Member

Sayaka Sumida

Date of Appointment 2020
 Date of birth January 28, 1961
 Nationality Japanese
 Shares Held as of March 31, 2022 314



13/13



13/13



9/9

Although Ms. Sayaka Sumida has not been directly involved in the management of a company in the past, she has a wealth of knowledge and experience concerning finance and accounting gained through her engagement in accounting auditing services and internal control-related services as a certified public accountant at an accounting firm for many years. She is expected to reflect her knowledge of finance and accounting in the Company group's audit and supervision, thereby contributing to the enhancement of corporate accounting and internal control. Thus, the Company believes that she is a suitable person as an outside director who is an audit and supervisory committee member.

Committee



Attendance Rate of Board of Directors



Attendance Rate of Audit and Supervisory Committee



Attendance Rate of Nomination and Compensation Committee

1/4 Attendance Rate ◆ Chairperson

■ Skill Matrix of the Board of Directors

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



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History

Dawn of the Electronics Industry

- 1954 Takeda Riken Industries founded with four employees.
- 1957 TR-124B Electronic Counter for digitally measuring frequency became a hit product.
- 1963 Launched the Digital Multimeter, the first Japanesemade digital voltmeter.
- 1972 Launched the first Japanese-made semiconductor test systems, the T-320/20 and T-320/30.
- 1979 Launched the VLSI test system with a test frequency of 100MHz, boasting the highest performance in the world.

Net sales
(billion of
yen)
400.0



Former head office in Nerima (1963)

The Computer Era

- 1982 Established a local subsidiary in the United States. Facilities were later established elsewhere around the world.
- 1985 The company's name was changed to Advantest Corporation. Obtained the No. 1 share in the semiconductor test equipment market, according to VLSIresearch.
- 1993 Launched the T6691, a VLSI test system featuring an industry-best test speed of 500MHz/1GHz
- 1995 250MHz S-DRAM memory test system T5581 launched; become a best-selling product.



A tester demo in Silicon Valley (1981)

300.0

200.0

100.0

0

1954 1960 1970 1980

Sales of the Company

1954-1980

Amidst the rapid growth of the Japanese electronics industry, Advantest's founding entrepreneurs expanded our business with successive innovations in measurement technology. Confident that semiconductors were the future, we took on the challenge of developing test equipment with applied measurement technology. While overcoming business crises and other difficulties, we developed semiconductor test systems with industry-leading performance.

1981-2000

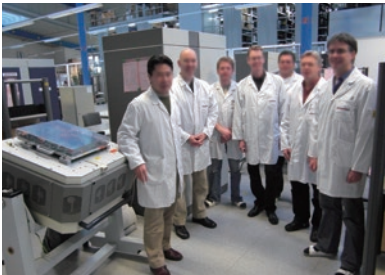
In this period, the semiconductor market expanded significantly due to the widespread adoption of personal computers and the invention of the internet. Advantest's semiconductor test systems, combining state-of-the-art measurement technology with support for volume production, helped to drive the evolution and development of semiconductors. In 1985, we achieved the top share in the global semiconductor test equipment market for the first time, confirming the status of our test system business as a major pillar of the company.

**Advantest Grows with
the Japanese Electronics Industry**

**Advantest Grows with
the Semiconductor Industry**

The Mobile Era

- 2003 Acquired Japan Engineering Co., Ltd.
- 2008 Acquired Credence Systems GmbH.
- 2011 Acquired Verigy, a major semiconductor test equipment company



Joint development team with the former Credence Systems

The Data Era

- 2018 Announced Grand Design and first mid-term management plan
- 2019 Acquired the system level test business of Astronics, Corp. (USA)
- 2020 Acquired Essai Inc. (USA)
Business alliance with PDF Solutions, Inc. (USA)
Launched V93000 EXA Scale™
- 2021 Formulation of ESG Action Plan
- 2021 Announced second Mid-Term Management Plan
- 2021 Acquired R&D Altanova, Inc. (USA)
- 2022 Acquired CREA (Italy)



Our system level test system R&D and manufacturing base



Sales of the Company

2001-2016

While smartphones took over from personal computers as the key driver of semiconductor demand, the global division of labor in semiconductor design and manufacturing progressed. The market demanded greater test efficiency and cost reductions. Advantest flexibly responded to these changes by leveraging our industry-leading measurement technology and mass production technology, while at the same time establishing a more stable management foundation. We implemented a series of future-oriented measures such as M&A of non-Japanese companies.

2017–

AI, 5G, and other new technologies have driven explosive data growth, initiating a new era for the semiconductor market. Semiconductors have become indispensable to our data-centric modern societies, and have become more sophisticated, more complex, and larger in capacity, raising demands for reliability higher than ever before. As semiconductors push the digital transformation forward, and the semiconductor value chain evolves and expands further, Advantest is looking towards our centenary through the lens of new customer value creation in fields such as system level testing and data analytics.

Reinforcing Its Management Foundation Through M&A, Advantest Goes Global

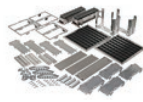
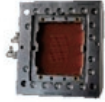
Expansion of Advantest's Business Domains Through Measurement Technology & Sustainability Through ESG

Our Business Segments & Flagship Products

Advantest has three business segments: Semiconductor and Component Test Systems, which accounts for about 70% of sales; Mechatronics Systems, which handles test system peripherals; and Services, Support and Other, which mainly provides customer support and system-level test products.

In combination, these products and solutions enable us to respond to a wide variety of semiconductor test needs and diverse customer requirements. Our broad portfolio is one of the keys to our competitiveness.

Synergistic Solution Families Centered on Semiconductor Test Systems

Semiconductor and Component Test Systems	Mechatronics Systems	Services, Support and Others
SoC Test System V9300 For SoC Test  T6391 For Display Driver IC  T2000 For SoC Test  Note: "SoC" stands for "System on Chip", but is here used to mean "non-memory."	Test Handler M4872 For SoC Test  M6242 For Memory Test  Device Interface Change kit  HIFIX  Nanotechnology E3650 CD-SEM For Photomask / EUV mask 	Support / Services   System Level Test MPT3000HVM SSD Test System  ATS503x System Level Test System  Thermal Control Unit  High-end Test Socket 
Memory Test System T5833 For DRAM/NAND Test  T5503HS2 For High-Speed DRAM Test 		

Semiconductor and Component Test Systems

Semiconductor test equipment is our main product line. Our test systems are roughly divided into testers for SoC semiconductors and testers for memory semiconductors.

Testers for SoC semiconductors can test almost all devices other than memory semiconductors, such as logic semiconductors, analog semiconductors, and RF devices. The SoC semiconductor tester market is two to three times larger than the memory semiconductor tester market, and users number in the hundreds, including fabless and OSAT companies. The SoC semiconductor tester market is characterized by this large number of customers and the wide range of device types needing to be tested. Our testers for SoC semiconductors feature excellent scalability in terms of test range and test capacity, and can test a wide range of devices, from low-cost IoT devices to high-end semiconductors.

Memory semiconductor testers are optimized for the mass production of memory semiconductors, such as DRAM and NAND flash. In the memory sector, device types are less diverse, and production volumes are huge, meaning that customers seek to adopt testers capable of testing hundreds of devices at once. Our memory testers dominate this sector, as they are capable of higher speeds than the fastest devices in production today, and boast industry-best parallel test capabilities.

Our Business Segments & Flagship Products

Mechatronics Systems

Our mechatronics-related business consists of test peripherals such as device interfaces and test handlers, which are used in conjunction with test systems, and nanotechnology products used in front-end semiconductor manufacturing processes.

A device interface is a general term for devices that are electrically connected to a test system, making it possible to rapidly repurpose the test system to test diverse devices with various sizes and pin counts.

A test handler is a tool that performs the three roles of transporting semiconductor packages to the test system, applying temperature to them, and sorting semiconductors according to test results in back-end semiconductor manufacturing processes. Our handlers, test systems, and device interfaces comprise one-stop “test cells” that combine high test quality and production efficiency.

Our nanotechnology products are scanning electron microscopes that utilize our proprietary electron beam technology. They are used to measure the width and height of circuits drawn on photomasks and wafers in front-end semiconductor manufacturing processes, an area where demand is expected to increase with the spread of EUV lithography.

Services, Support and Others

Our field services business and system level test business account for the majority of sales in this segment.

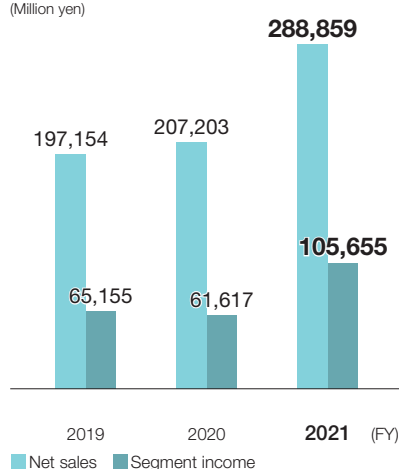
Field services are not limited to maintenance of our systems. We are also expanding into high value-added services such as system utilization rate improvement, mass production ramp consulting, and security-conscious online support.

System-level test systems test semiconductors in an environment similar to that of the final product where the semiconductors will be used. It screens out defects that cannot be checked by testing the device in a stand-alone environment. We built an early position of strength in this sector through acquisitions, and are now working to grow our system-level test business through synergies with our test systems.

In addition, this segment includes Advantest Cloud Solutions™ (ACS), which enables data utilization in the semiconductor manufacturing process; second-hand product sales; and products for non-semiconductor applications such as measurement solutions for the medical and pharmaceutical fields.

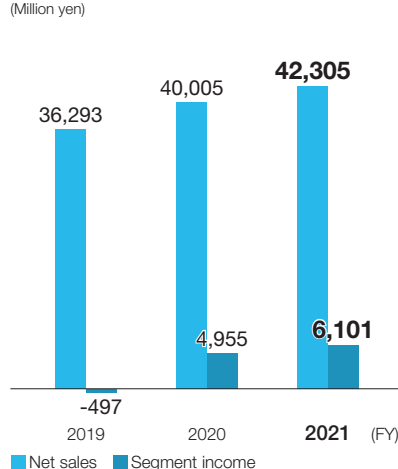
Semiconductor and Component Test Systems

(Million yen)



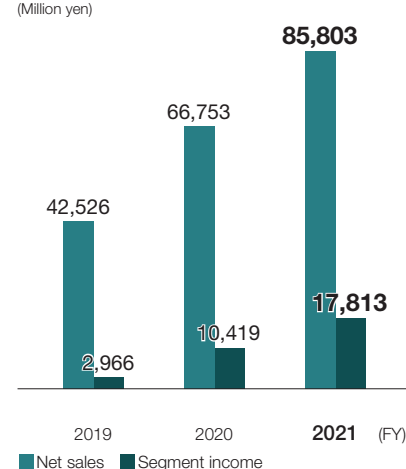
Mechatronics Systems

(Million yen)



Services, Support and Others

(Million yen)



Explainer: Semiconductor Test Systems

The Value of Test Systems

Semiconductors are installed in various devices around the world, supporting our lifestyles behind the scenes. If these semiconductors did not work properly, society as we know it would collapse. Semiconductor devices are made up of nanometer-scale circuits and operate at high speeds, utilizing megahertz and gigahertz frequencies. As a result, even the slightest issue in the manufacturing process can cause problems such as disconnection or variations in operating voltage and timing. Even with modern technology, it is difficult to consistently produce good semiconductors. Manufacturing new products is especially difficult, as they are often made using state-of-the-art processes, and quality can vary widely until the manufacturing process matures.

In order to reduce defects in semiconductors, it is essential to conduct sufficient tests at the early stages of design and mass production, and to quickly improve quality. That is the role of test systems. High-performance, reliable test systems with excellent throughput can quickly identify the cause of defects, thus shortening the design period, quickly ramping up mass production, rapidly improving yields, contributing to the success of our customers' new businesses. When chip-makers use test systems from the design stage, the test programs and test data used for design evaluation can also be used in the mass production process, reducing overall time to market.

In addition, many test systems are modular in structure. By swapping out test boards, test programs, and device interfaces, it is possible to test multiple types of semiconductors with a single system. In the SoC business, where product types are highly diversified by application, the flexibility of test systems is a major factor in success.

Structure of Semiconductor Test Systems

Transfer machine (Prober, Handler)

Transports the device under test to the test head

Device interface

A product that electrically connects the device under test with the test system

Test system mainframe

Houses the power supply and controller

(The photo shows a test handler)

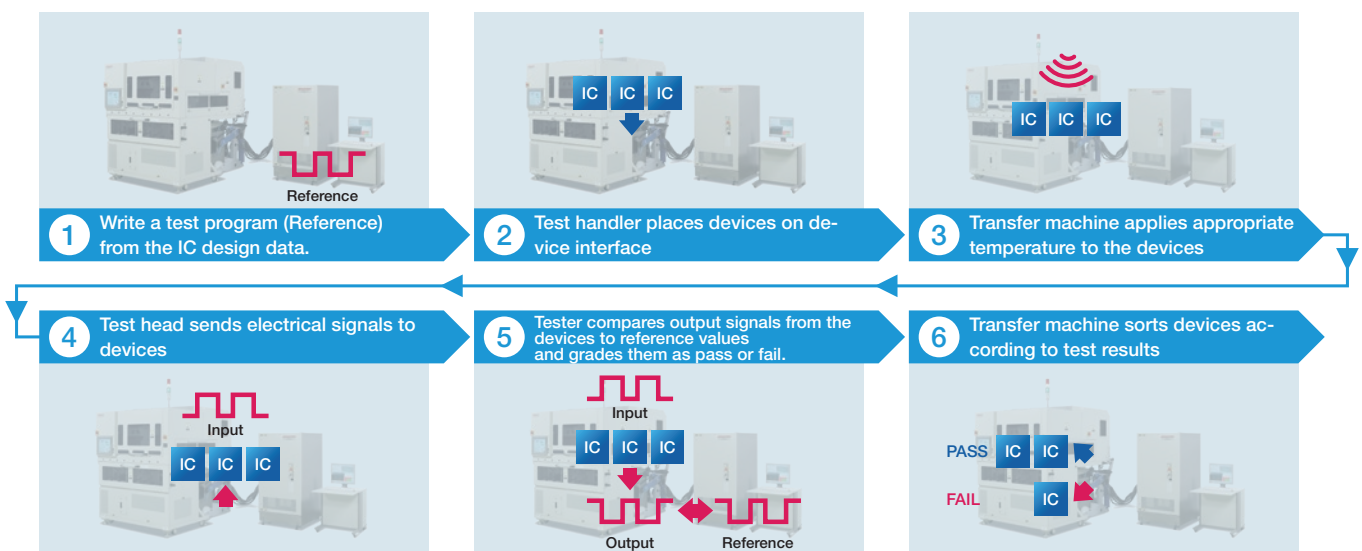
Test system test head

Houses boards with test functions built in

Semiconductor Test Flow

Semiconductor test consists of "parametric test," which checks for disconnections and shorts, as well as testing electrical characteristics such as input and output voltages, current values, and timing, and "function test," which checks whether the semiconductor functions as expected in the design. In both types of test, a test signal is input to the semiconductor, and the signal output from the semiconductor in return is compared with expected values. Devices are then classified according to the test results.

The illustration below shows the steps of semiconductor test. In parametric test, in addition to classifying devices into good and defective products, good products are graded according to their performance.



How Semiconductor Test Systems are Differentiated

Many different things differentiate semiconductor test systems from one another, such as measurement quality, test speed, throughput (test time required per device), miniaturization, and control of heat generation. Most of these functions are provided by the semiconductors installed in test systems. Semiconductors for test systems are dedicated devices designed by test system manufacturers themselves. That design capability is the most important factor that determines the performance of a test system and differentiates it from competing products.

In addition to the semiconductors installed in the test system, there are many points of differentiation related to test capability and quality, such as the communication network, power supply, the mechanism that contact with the device under test, and the system software. Test system manufacturers are required to have the technical ability to cover a wide range of these requirements and integrate them into a single system. By collecting information through market research and building relationships with customers on a daily basis, and by steadily developing advanced fundamental technologies based on that information, Advantest has built up an overwhelming technological superiority that other companies cannot match.



A test processor designed for V93000 EXA Scale test system

Advantest Test Systems that Defined Their Era

1979

T3380

By applying the high-speed pulse generation technology developed in our forerunner business, the measurement instruments business, we achieved a test speed of 100 MHz, the fastest in the world at the time. Together with the industry's first comprehensive timing accuracy guarantee, this helped our reputation spread outside Japan, and greatly contributed to the establishment of our technology brand and global business development.



1996

T5581

The T5581 was released just in time for the original boom in synchronous DRAM production. In addition to the high test speed, four times that of our previous models, the groundbreaking utilization of CMOS semiconductors and other factors enabled a compact form factor and low power consumption. The T5581 dominated the high-speed DRAM test market and solidified Advantest's dominance in the memory test market.



1999

V93000

V93000 was the first test system in the industry to adopt a modular architecture, which enabled testing of different types of semiconductors with a single system by replacing the boards mounted on the system. OSATs—companies specializing in outsourced testing—captured the trend towards a global division of labor in the semiconductor value chain, testing various semiconductors with the V93000. Since its release, this test system has since become one of Advantest's flagship products.



2020

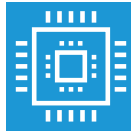
V93000 EXA Scale

The latest V93000 series test system features newly designed test processors and communication networks that greatly improve test data processing capability. It offers a new test method for the "exascale" era, which requires semiconductors to deliver ultra-high-speed processing of one quintillion calculations per second.



The Devices We Test

Advantest's test systems are responsible for testing a wide variety of semiconductors produced by global customers. Our reliability guarantee supports the safety, security, and comfort of people's lifestyles worldwide.



Memory Semiconductors

Semiconductors that store data include DRAM, which can read and write data at high speed, and NAND flash, which can hold data for a long time without a power supply. In recent years, demand from the smartphone and data center sectors has been increasing.



Application processors

These devices symbolize the evolution of semiconductors and resulting smartphone performance gains. Application processor test is uniquely complicated due to the adoption of state-of-the-art semiconductor processes in their production, whilst manufacturers are also actively investing in test systems.



HPC devices

This is a general term for semiconductors for high performance computing (HPC), which are designed to perform large-scale operations at high speed on data servers and AI servers. With the spread of AI, machine learning, and deep learning, the HPC device market continues to make yearly strides.



Automotive Semiconductors

This is a general term for semiconductors installed in automobiles, such as controllers for engines and batteries, sensors for airbags and collision avoidance systems. High quality and reliability that meet the safety standards of automobiles are required, so it is necessary to carefully test these devices.



Power devices

These semiconductors convert DC to and from AC and adjust voltage, among other functions. They have a wide range of applications in addition to consumer electronics, including automobiles and industrial equipment. The power device market is expected to grow in the future amidst increasing public demand for lower power consumption.



RF devices

Radio Frequency ICs handle wireless communications. Their main applications are smartphones and base stations. With the expansion of 5G into the millimeter-wave band, expectations are rising for test solutions that address these technological trends.



Display driver ICs

These ICs control the color and brightness of displays on products such as smartphones and televisions. In the display industry, technological evolution is driving rapid new developments such as the adoption of organic EL, larger screens, higher definition, narrower edges, and incorporation of touch sensors, so display driver IC test is becoming more complex.



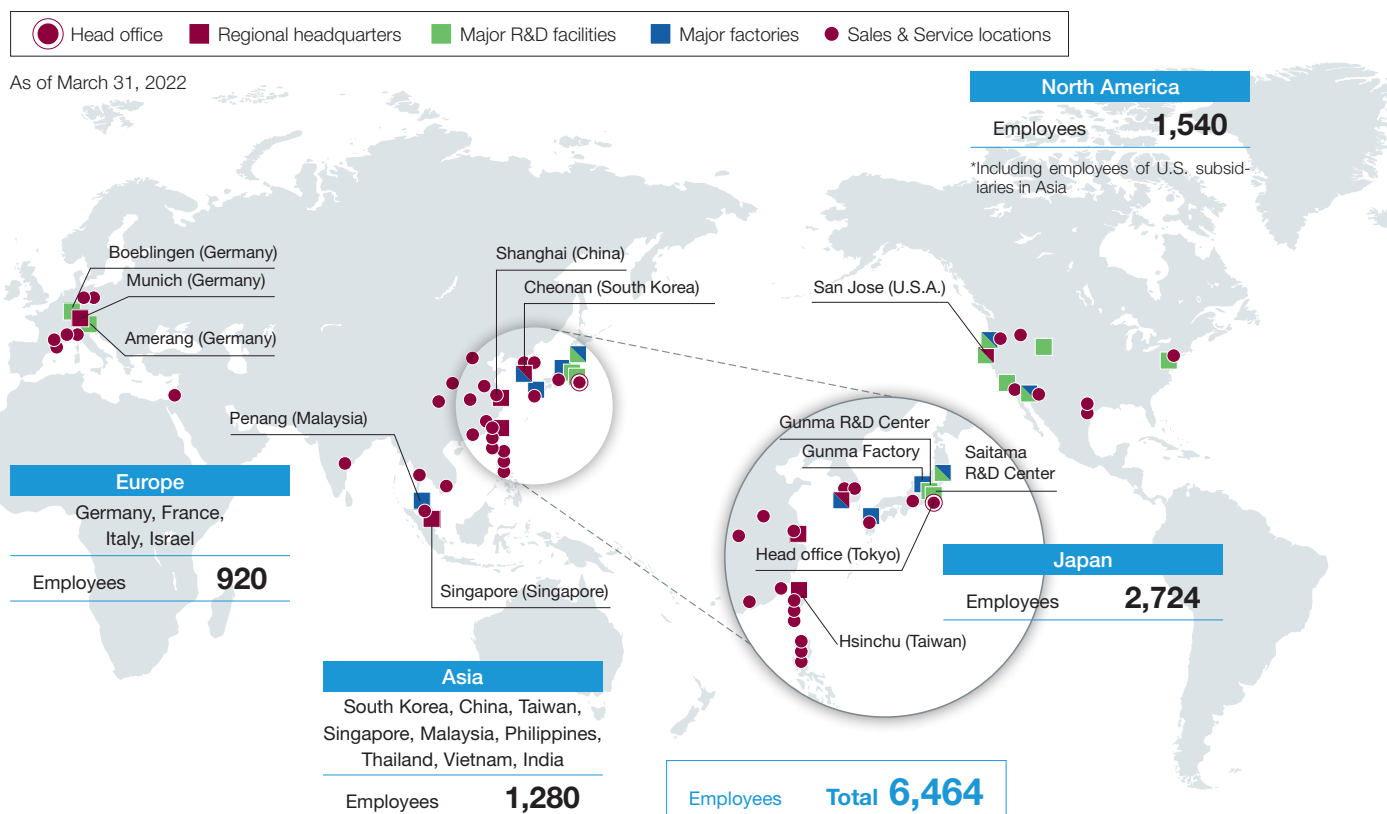
CMOS image sensors

These semiconductors convert camera images into digital data. In addition to the trends toward higher image quality and multi-lens cameras in smartphones, rapid progress in response to highspeed image data processing amidst growing demand for video has created new needs higher test system performance.

Our Global Network

Advantest has R&D facilities in Japan, Germany, and the United States. Most of our sales and service locations are in Asia, including locations in Taiwan, South Korea, and China.

In the semiconductor industry, the global division of labor means that the design, wafer, and packaging processes for a single semiconductor are often handled by separate companies in different locations worldwide. Our sales, R&D, and service departments around the world form cross-regional teams to provide global, one-stop support for customer value chains, from design to mass production.



Major Subsidiaries

Region	Name	Location
North America	Advantest America, Inc.	California, U.S.A.
Europe	Advantest Europe GmbH	Munich, Germany
Southeast Asia	Advantest (Singapore) Pte. Ltd.	Singapore
South Korea	Advantest Korea Co., Ltd.	Cheonan, Korea
Taiwan	Advantest Taiwan Inc.	Hsinchu, Taiwan
China	Advantest (China) Co., Ltd.	Shanghai, China

Other Subsidiaries*

Region	Name	Location	Business
Japan	Advantest Kyushu Systems Co., Ltd.	Kitakyushu, Fukuoka	Development, sales and support of the Company's products
Japan	Advantest Laboratories Ltd.	Sendai, Miyagi	Research and development of measuring and testing technologies
Japan	Advantest Component, Inc.	Sendai, Miyagi	Development and manufacturing of parts for Advantest products
Japan	Advantest Green Corporation	Oura-gun, Gunma	Environmental management and greening services for Advantest's business locations (Advantest Green is a special subsidiary that promotes the employment of people with disabilities)
USA	Advantest Test Solutions, Inc.	California	Design and sales of system-level test products
USA	Essai, Inc.	California	Design, manufacturing, and sales of test sockets
USA	R&D Altanova, Inc.	New Jersey	Design, manufacturing, and sales of test interface boards
Europe	CREA - Collaudi Elettronici Automatizzati S.r.l.	Piedmont, Italy	Design, manufacturing, and sales of test equipment for power semiconductors
Southeast Asia	Advantest (M) Sdn. Bhd.	Penang, Malaysia	Manufacturing of Advantest products

* Not a comprehensive list of Advantest's subsidiaries.

11 Year Financial Highlights

Advantest corporation and its consolidated subsidiaries
Each fiscal year beginning on April 1

		US GAAP			IFRS	
		FY2011 (2012/3)	FY2012 (2013/3)	FY2013 (2014/3)	FY2014 (2015/3)	FY2015 (2016/3)
Financial Results						
Fiscal year	(Unit)					
Net sales	Million yen	141,048	132,903	111,878	163,803	162,111
Gross profit	Million yen	68,748	68,920	49,333	91,755	91,475
Selling, general and administrative expenses*1	Million yen	67,911	68,840	85,702	74,897	78,878
Operating income	Million yen	837	80	(36,369)	16,858	12,597
EBITDA*2	Million yen	7,675	8,143	(28,101)	21,588	17,562
Income (loss) before income taxes	Million yen	(3,442)	(1,293)	(35,501)	20,767	11,767
Net income (loss) attributable to owners of the parent	Million yen	(2,195)	(3,821)	(35,540)	16,753	6,694
Cash flows from operating activities	Million yen	12,302	(2,215)	(3,776)	24,481	7,728
Cash flows from investing activities	Million yen	(37,670)	(11,498)	(4,711)	(1,310)	(2,395)
Cash flows from financing activities	Million yen	9,887	(2,914)	27,202	(1,298)	(13,531)
Free cash flows*3	Million yen	(25,368)	(13,713)	(8,487)	23,171	5,333
Cash and cash equivalents at end of year	Million yen	58,218	45,668	68,997	97,574	85,430
Fiscal year-end						
Shareholders' equity	Million yen	131,552	141,241	116,252	101,810	93,619
Total assets	Million yen	219,226	225,515	229,856	233,237	210,451
Information per share						
Basic earnings (loss) per share	¥	(12.67)	(22.03)	(204.10)	96.15	38.35
Diluted earnings (loss) per share	¥	(12.67)	(22.03)	(204.10)	87.67	35.38
Shareholders' equity per share	¥	759.22	812.70	667.36	583.28	536.28
Dividend per Share	¥	15.0	20.0	15.0	15.0	20.0
Number of shares issued at year-end		199,566,770	199,566,770	199,566,770	199,566,770	199,566,770
Management indicator						
Overseas net sales as a % of total net sales	%	88.6	89.4	89.1	92.0	92.0
Net sales per employee	Million yen	31.6	29.0	24.2	35.9	36.1
Gross profit margin	%	48.7	51.9	44.1	56.0	56.4
Operating Income Margin	%	0.6	0.1	(32.5)	10.3	7.8
Net income ratio	%	(1.6)	(2.9)	(31.8)	10.2	4.1
SG&A ratio to sales	%	48.1	51.8	76.6	45.7	48.6
R&D Expenses	Million yen	30,303	33,062	32,670	29,507	31,298
R&D as a % of total net sales	%	21.5	24.9	29.2	18.0	19.3
Capital Expenditures	¥100 million	70	126	56	42	40
Depreciation and Amortization	¥100 million	68	81	83	47	50
EBITDA margin	%	5.4	6.1	(25.1)	13.2	10.8
Cash conversion cycle	Day	126	172	192	143	163
Shareholders' equity ratio	%	60.0	62.6	50.6	43.7	44.5
ROE	%	(1.6)	(2.8)	(27.6)	18.5	6.9
Dividend payout ratio	%	—	—	—	15.6	52.2
Yen exchange rate	US Dollar	79	83	100	108	121
	Euro	111	105	133	140	133

		CY2011	CY2012	CY2013	CY2014	CY2015
Performance-related data						
	(Unit)					
Global real GDP growth (Source: IMF)	%	4.3	3.5	3.4	3.5	3.4
Worldwide semiconductor sales (Source: WSTS)	Billion US dollar	300	292	306	336	335
SoC tester market size (Source: Advantest)	Million US dollar	2,000	2,050	1,450	1,950	1,650
Memory tester market size (Source: Advantest)	Million US dollar	550	450	420	420	470

*1 Selling, general and administrative expenses from the fiscal year ended March 31, 2015 are composed of selling, general and administrative expenses, other income/expenses. Figures until the fiscal year ended March 31, 2014 consist of research and development expenses, selling, general and administrative expenses, restructuring and impairment charges.

*2 EBITDA= Operating income + Depreciation and amortization, EBITDA margin = EBITDA/Sales

*3 Free cash flows= Cash flows from operating activities + Cash flows from investing activities

11 Year Financial Highlights

		IFRS					
		FY2016 (2017/3)	FY2017 (2018/3)	FY2018 (2019/3)	FY2019 (2020/3)	FY2020 (2021/3)	FY2021 (2022/3)
Financial Results							
Fiscal year	(Unit)						
Net sales	Million yen	155,916	207,223	282,456	275,894	312,789	416,901
Gross profit	Million yen	89,740	106,588	154,039	156,497	168,291	235,907
Selling, general and administrative expenses*1	Million yen	75,835	82,101	89,377	97,789	97,565	121,173
Operating income	Million yen	13,905	24,487	64,662	58,708	70,726	114,734
EBITDA*2	Million yen	19,063	29,511	69,629	69,600	82,482	129,702
Income (loss) before income taxes	Million yen	15,022	24,282	66,211	58,574	69,618	116,343
Net income (loss) attributable to owners of the parent	Million yen	14,201	18,103	56,993	53,532	69,787	87,301
Cash flows from operating activities	Million yen	15,833	28,254	44,792	66,475	67,830	78,889
Cash flows from investing activities	Million yen	(3,521)	(2,329)	(15,915)	(38,819)	(16,831)	(46,907)
Cash flows from financing activities	Million yen	(1,002)	(15,237)	(13,724)	(17,916)	(30,415)	(68,736)
Free cash flows*3	Million yen	12,312	25,925	28,877	27,656	50,999	31,982
Cash and cash equivalents at end of year	Million yen	95,324	103,973	119,943	127,703	149,164	116,582
Fiscal year-end							
Shareholders' equity	Million yen	109,517	124,610	198,731	231,452	280,369	294,621
Total assets	Million yen	231,603	254,559	304,580	355,777	422,641	494,696
Information per share							
Basic earnings (loss) per share	¥	81.07	101.94	302.35	270.12	353.87	449.56
Diluted earnings (loss) per share	¥	73.95	92.69	287.37	268.96	351.82	447.26
Shareholders' equity per share	¥	619.33	696.04	1,004.53	1,166.51	1,427.29	1,551.72
Dividend per Share	¥	25.0	32.0	92.0	82.0	118.0	120.0
Number of shares issued at year-end		199,566,770	199,566,770	199,566,770	199,566,770	199,566,770	199,542,265
Management indicator							
Overseas net sales as a % of total net sales	%	88.2	93.2	94.7	94.6	95.5	96.1
Net sales per employee	Million yen	35.3	46.5	61.0	54.7	59.5	70.2
Gross profit margin	%	57.6	51.4	54.5	56.7	53.8	56.6
Operating Income Margin	%	8.9	11.8	22.9	21.3	22.6	27.5
Net income ratio	%	9.1	8.7	20.2	19.4	22.3	20.9
SG&A ratio to sales	%	48.7	39.6	31.6	35.4	31.2	29.1
R&D Expenses	Million yen	31,170	33,540	37,852	40,070	42,678	48,367
R&D as a % of total net sales	%	20.0	16.2	13.4	14.5	13.6	11.6
Capital Expenditures	¥100 million	48	54	66	99	137	180
Depreciation and Amortization	¥100 million	52	50	50	109	118	150
EBITDA margin	%	12.2	14.2	24.7	25.2	26.4	31.1
Cash conversion cycle	Day	186	137	132	162	134	136
Shareholders' equity ratio	%	47.3	49.0	65.2	65.1	66.3	59.6
ROE	%	14.0	15.5	35.3	24.9	27.3	30.4
Dividend payout ratio	%	30.8	31.4	30.4	30.4	33.3	26.7
Yen exchange rate	US Dollar	108	111	110	109	106	112
	Euro	119	129	129	121	123	130

		CY2016	CY2017	CY2018	CY2019	CY2020	CY2021
Performance-related data							
	(Unit)						
Global real GDP growth (Source: IMF)	%	3.3	3.8	3.6	2.8	(3.0)	6.0
Worldwide semiconductor sales (Source: WSTS)	Billion US dollar	339	412	469	412	440	556
SoC tester market size (Source: Advantest)	Million US dollar	2,000	2,200	2,550	2,700	3,000	4,300
Memory tester market size (Source: Advantest)	Million US dollar	470	750	1,150	650	1,200	1,300

*1 Selling, general and administrative expenses from the fiscal year ended March 31, 2015 are composed of selling, general and administrative expenses, other income/expenses. Figures until the fiscal year ended March 31, 2014 consist of research and development expenses, selling, general and administrative expenses, restructuring and impairment charges.

*2 EBITDA= Operating income + Depreciation and amortization, EBITDA margin = EBITDA/Sales

*3 Free cash flows= Cash flows from operating activities + Cash flows from investing activities

Sustainability Accounting Standard Board (SASB) Reporting

Advantest corporation and its consolidated subsidiaries
Each fiscal year beginning on April 1

The Advantest Group reports sustainability related information based on the Sustainability Accounting Standards Board (SASB) standards, as part of our policy of rigorous disclosure. SASB standards are to help businesses around the world identify, manage and report on the sustainability topics that

matter most to their investors. And they can help investors by enabling easy access the data that is comparable within an industry. Please note, however, that some accounting metrics set by the SASB include items that do not apply to Advantest's business activities.

					FY2016 (2017/3)	FY2017 (2018/3)	FY2018 (2019/3)	FY2019 (2020/3)	FY2020 (2021/3)	FY2021 (2022/3)
TOPIC	ACCOUNTING METRIC	SASB Code	CATEGORY	UNIT OF MEASURE						
Green Gas Emissions	(1) Gross global Scope 1 emissions	TC-SC-110a.1	Quantitative	Metric tons(t) CO ₂ -e	3,838	3,825	4,685	4,485	3,811	3,753
	(2) Amount of total emissions from perfluorinated compounds	TC-SC-110a.1	Quantitative	Metric tons(t) CO ₂ -e	940	339	290	344	629	899
	Short-term and long-term Scope 1 emissions: strategies, goals, progress	TC-SC-110a.2	Discussion and Analysis	–	The Advantest Group is engaged in strategies, goals, and progress regarding Scope 1 emissions. (For details please refer to: https://www.advantest.com/sustainability/advantest-sustainability/materialityESG.html)					
Energy Management in Manufacturing	(1) Total energy consumed	TC-SC-130a.1	Quantitative	Gigajoules (GJ)	736,049	770,427	844,021	887,837	956,119	996,766
	(2) Percentage grid electricity	TC-SC-130a.1	Quantitative	%	79	79	79	66	52	44
	(3) Percentage renewable	TC-SC-130a.1	Quantitative	%	13	13	12	28	44	54
Water management	(1) Total water withdrawn	TC-SC-140a.1	Quantitative	Thousand cubic meters (m ³)	288	249	280	261	250	236
	(2) Total water consumed	TC-SC-140a.1	Quantitative	Thousand cubic meters (m ³)	172	127	119	112	107	106
	Percentage of each in regions with High or Extremely High Baseline water stress	TC-SC-140a.1	Quantitative	%	0	0	0	0	0	0
Waste Management	(1) Amount of hazardous waste from manufacturing	TC-SC-150a.1	Quantitative	Metric tons (t)	7.6	6.4	10.1	11.9	28.5	8.4
	(2) Percentage recycle	TC-SC-150a.1	Quantitative	%	73.8	100.0	100.0	99.9	91.1	71.9

Sustainability Accounting Standard Board (SASB) Reporting

					FY2016 (2017/3)	FY2017 (2018/3)	FY2018 (2019/3)	FY2019 (2020/3)	FY2020 (2021/3)	FY2021 (2022/3)
TOPIC	ACCOUNTING METRIC	SASB Code	CATEGORY	UNIT OF MEASURE						
Employee Health & Safety	Description of efforts to assess, monitor, and reduce exposure of employees to human health hazards	TC-SC-320a.1	Discussion and Analysis	–	The Advantest Group conducts risk management for the health and safety of our employees. (For details please refer to: https://www.advantest.com/sustainability/society/safety.html)					
	Total amount of monetary losses as a result of legal proceedings associated with employee health and safety violations	TC-SC-320a.2	Quantitative	¥	957,552	0	0	0	0	0
Recruiting & Managing a Global & Skilled Workforce	Percentage of employees that are									
	(1) Foreign nationals	TC-SC-330a.1	Quantitative	%	8	8	8	9	8	7
	(2) Located offshore	TC-SC-330a.1	Quantitative	%	0	0	0	0	0	0
Product Lifecycle Management	Percentage of products by revenue that contain IEC 62474 declarable substances	TC-SC-410a.1	Quantitative	%	81	85	89	85	79	85
	Processor energy efficiency at a system-level for: (1) servers, (2) desktops, and (3) laptops	TC-SC-410a.2	Quantitative	Various, by product category	n / a					
Materials Sourcing	Description of the management of risks associated with the use of critical materials	TC-SC-440a.1	Discussion and Analysis	–	The Advantest Group conducts risk management for the use of critical materials. (For details please refer to: https://www.advantest.com/sustainability/society/schain-management.html)					
Intellectual Property Protection & Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	TC-SC-520a.1	Quantitative	¥	0	0	0	0	0	0
Total production		TC-SC-000.A	Quantitative	Output	1,116	1,891	2,270	2,065	2,336	3,082
Percentage of production from owned facilities		TC-SC-000.B	Quantitative	%	39	45	53	39	43	43

Corporate Overview / Stock Information

As of March 31, 2022

Corporate Overview

Registered Name	ADVANTEST CORPORATION
Head Office	Shin Marunouchi Center Bldg., 1-6-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005
URL	https://www.advantest.com/
Established	December 1954
Capital	32,363 million yen
Number of Employees	6,464 (Include temporary employees.)
Business Description	Semiconductor and Component Test System Business, Mechatronics System Business, Services, Support and Others

Stock Information

Fiscal Year	April 1 through March 31	Number of Shares Outstanding	199,542,265
Ordinary General Meeting of Shareholders	June	Number of Shareholders	36,259
Number of Issuable Shares	440,000,000		

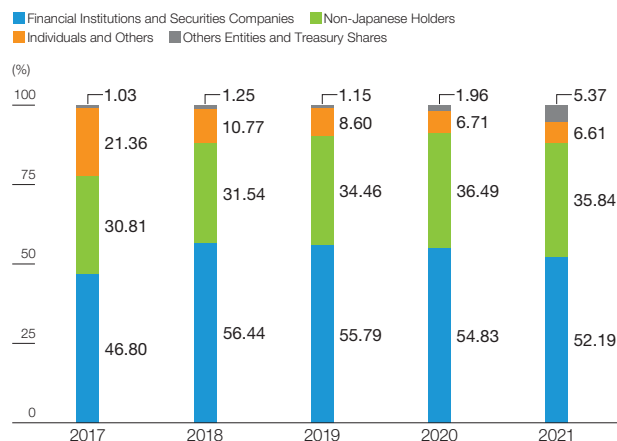
Major Shareholders

Name	Number of Shares (in thousand)	Percentage of Ownership (%)
The Master Trust Bank of Japan, Ltd. (trust account)	62,956	33.07
Custody Bank of Japan, Ltd. (trust account)	20,042	10.53
Custody Bank of Japan, Ltd. (investment trust account)	6,459	3.39
NORTHERN TRUST CO.(AVFC) SUB A/C NON TREATY	3,838	2.01
STATE STREET BANK WEST CLIENT - TREATY 505234	3,393	1.78
HSBC HONGKONG - TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	2,546	1.33
JP MORGAN CHASE BANK 385781	2,464	1.29
STATE STREET BANK AND TRUST COMPANY 505025	2,193	1.15
BNYM AS AGT/CLTS NON TREATY JASDEC	2,022	1.06
BBH BOSTON CUSTODIAN FOR NEXT GENERATION CONNECTIVITY FUND A SERIES TRUST 620818	1,892	0.99

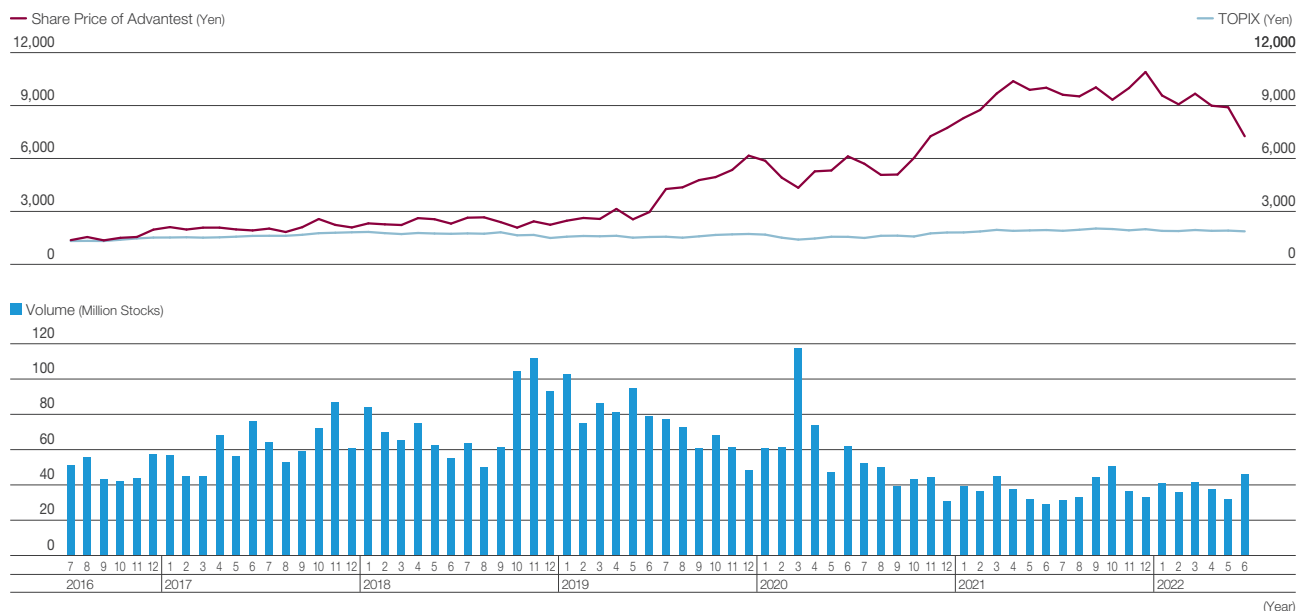
(Notes)

- The number of treasury shares (9,209 thousand shares) that Advantest owns does not include Advantest shares which the Board Incentive Plan Trust owns (89 thousand shares) and Advantest shares which the Employee Stock Ownership Plan Trust owns (335 thousand shares).
- Number of Shares is rounded down to the nearest thousand.
- Percentage of Ownership is calculated excluding treasury shares.

Breakdown of Shareholders



Stock Price and Trading Volume Rate



External Recognition

Recognition Regarding ESG Initiatives at Advantest

Graded “A-” in the CDP Climate Change Report / Selected as “CDP Supplier Engagement Leader”



Advantest was graded A- in the CDP Climate Change Report 2021. This rating was upgraded from “B” in 2020, and our efforts to address climate change were highly evaluated.

Advantest has also been selected as a “Supplier Engagement Leader” in CDP’s Supplier Engagement Rating (SER).

Received “A” Rating in MSCI ESG Ratings



MSCI ESG Ratings aim to comprehensively analyze and measure corporate initiatives for relevant ESG risks and opportunities in the areas of Environment, Social, and Governance. ESG Ratings range on a seven-level scale.

Advantest received an “A” rating in the 2022 MSCI ESG Ratings. This constituted an upgrade from the previous “BBB” rating.

* THE INCLUSION OF ADVANTEST CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF ADVANTEST CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Inclusion in SRI indexes

MSCI Japan Empowering Women (WIN) Index and MSCI Japan Empowering Women Select Index

2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

For the MSCI Japan Empowering Women Index (WIN), companies that exhibit higher levels of gender diversity among their employees are selected based on the gender diversity score calculated using the data disclosed in accordance with the Act on Promotion of Women’s Participation and Advancement in the Workplace and information disclosed by the company. For the MSCI Japan Empowering Women (WIN) Select Index, companies that demonstrate strong growth and good financial conditions among those selected for the Japan Empowering Women (WIN) Select Index are selected.

FTSE4Good Index Series



Designed by FTSE Russell to measure the performance of companies that demonstrate strong Environmental, Social, and Governance (ESG) practices based on diverse relevant criteria, the FTSE4Good Index Series is a major index series used to create and assess sustainable investment funds and other financial products.

FTSE Blossom Japan Index



The FTSE Blossom Japan Index was designed by FTSE Russell to measure the performance of Japanese companies that demonstrate strong ESG practices.

SOMPO Sustainability Index



The SOMPO Sustainability Index selects approximately 300 companies each year based on ESG criteria and their equity value. This index was created by SOMPO Asset Management for “SOMPO Sustainable Management,” an investment product for pension funds and institutional investors.

Recognition and awards for our activities

Advantest Named THE BEST Supplier of Chip Making Equipment and #1 ATE Supplier for 3rd Consecutive Year from TechInsights



In the 2021 TechInsights (formerly VLSIresearch) Customer Satisfaction Survey, which surveys customers of semiconductor equipment suppliers, Advantest captured the No. 1 spot of global semiconductor equipment suppliers for the third consecutive year. The company was also named on the 10 BEST Suppliers list of large suppliers of test equipment for the 34th consecutive year.

Advantest Named a Top Health Management Brand for the First Time



Advantest was recently selected for the first time as one of the brands in the 2022 Health & Productivity Stock Selection, which are jointly selected by Japan’s Ministry of Economy, Trade, and Industry (METI) and the Tokyo Stock Exchange. At the same time, METI has certified Advantest as one of the “White 500” (large listed corporation section), the top 500 corporations certified under METI’s 2022 Health and Productivity Management Awards, for the second consecutive year.

*For further details on external recognition, please refer to our Sustainability Data Book.



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



ADVANTEST®

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