Materiality for Enhancing Sustainability

Based on a long-term perspective, we consider our business and CSR activities to be the starting point for us to contribute to solving the various challenges of modern society through our measurement technologies. While bearing this in mind, we will fulfill our dual responsibilities to improve corporate value by generating profit and to contribute to the development of a sustainable society through all our corporate activities, including our supply chain.

Our Approach to Materiality

In recent years, the roles and scope of information technologies have expanded, generating enormous volumes of data. Furthermore, we have entered an era when even greater reliability is required than in the past in areas supporting the people’s lifestyles, such as data centers, automobiles, and medicine.

The role of semiconductors will become increasingly important in solutions for global social issues. Advantest will contribute to greater safety, security, and comfort for society and to creating a sustainable future through semiconductor test supporting devices with high reliability, increased functionality, and increased capacity.

Based on this approach, Advantest believes that it is vitally important to first identify the impacts that the Company’s operations have on society and the problems that society expects us to help solve, as a basis for clarifying the key issues that we need to address in our CSR activities, so that we can then go on to implement effective management based on specific key performance indicators (KPIs).

Identifying Materiality

Assessment criteria were formulated in light of GRI standards, ISO code of conduct requirements, industry standards such as SASE and international disclosure standards in addition to the content of surveys submitted by customers and investors, giving consideration to consistency with respect to the Company’s boundaries and business risks.

CSR Working Group members, representatives of relevant departments, and responsible directors examined materiality in terms of both the level of importance as viewed by stakeholders, and the degree of importance to the Advantest Group.

The identified materiality items were determined after being discussed at the Managing Executive Officers Committee. One or two specific activity indicators and KPIs were set for each materiality aspect.

Sustainable Development Goals

The sustainable development goals (SDGs) were adopted by the United Nations in 2015 as common global goals to achieve a better future by, for instance, responding to climate change and eradicating poverty.

Implementation System

The Advantest Group has established the CSR & Environmental Affairs Promotion Office directly under the Board of Directors. The CSR & Environmental Affairs Promotion Office has the function of investigating sustainability trends, clearly defining sustainability issues that should be addressed, and promoting their resolution throughout the Company.

Advantest’s Organization for Promoting CSR (*1, *2)

Board of Directors
Managing Executive Officers Committee
CSR & Environmental Promotion Center
Corporate Relations Group
Corporate Communication Division
CSR & Environmental Affairs Promotion Office
CSR Working Group
(Secretariat: CSR & Environmental Affairs Promotion Office)

Advanced America, Inc. (AAI)
Advantest Europe GmbH (AEG)
Advantest (Singapore) Pte. Ltd. (ASP)
Advantest (China) Co., Ltd. (ATC)
Advantest Taiwan Inc. (ATI)
Advantest Korea Co., Ltd. (ATK)

Domestic affiliates

*1: CSR management activities related to each region are to be promoted by subsidiaries in each region.
*2: Global CSR initiatives and CSR activities related to business operations (e.g., compliance, customer relations, quality assurance, human rights, environment) are to be promoted by the CSR Working Group.

Items identified as the most important areas

The importance for the Company and society are as follows

- Economic performance
- Energy
- Emissions
- Products and services
- Occupational health and safety
- Conflict minerals
- Hazardous substances
- Intellectual property rights protection

- Compliance
- Employment
- Anti-corruption and legal
- Compliance (society)
- Customer health and safety
- Customer privacy
- Compliance (product liability)

Items identified as important areas

- Discharged water and waste
- Supplier environmental assessment
- Training and education
- Diversity and equal opportunity
- Supplier labor practices assessment
- Supplier human rights assessment
- Anti-competitive behavior
- Assessment of supplier impact on society
- Biodiversity
- Environment in general
- Local communities
- Materials
- Compliance (product liability)
- Compliance (product liability)
- Local presence
- Indirect economic impacts
- Procurement practices
- Public policy
- Transportation and movement
- Labeling of products and services
- Compliance (product liability)

Items identified as Other Areas

- Water
Sustainability Goals (Materiality)

AdvanTest contributes to the safety, security and comfort of people around the world and helps to create a sustainable future through semiconductor test supporting a wide range of end products.

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**Sustainability Development Goals (SDGs)**

The Sustainable Development Goals were adopted by all 193 members of the United Nations in September 2015 with the aim of solving social issues such as poverty, inequality, biodiversity loss, and climate change, in order to create a better future and protect our planet.

If the entire world addresses the 17 goals and 169 targets listed in the SDGs, we can overcome the enormous challenge of creating a world where “nobody is left behind.”

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**Category** | **Identified materially** | **KPIs** | **Material Reasons**
--- | --- | --- | ---
**Economic Performance** | Net sales, operating profit margin, ROE, EPS | We consider economic performance metrics such as net sales, operating income, ROE, and EPS our foundation and the most important factor in our ongoing corporate activities. | **SDGs related item**
**Energy** | Rate of improvement in energy intensity | Advantest considers efficient energy use an important CSR activity for the global environment. |
**Emissions** | GHS emissions (Scope 1/2) | We consider efforts to reduce the emissions through more efficient energy use to be vital, as efforts to reduce greenhouse gases, which should be conducted worldwide, are indispensable to our business activities. |
**Discharged water and waste** | Waste recycling rate | We promote 3R (Reduce, Reuse, Recycle) for resources based on the belief that contributing to a recycle-oriented society is part of our corporate social responsibility, and the position of waste reduction measures as an important issue. | **SDGs related item**
**Hazardous substances** | Percentage of suppliers covered by hazardous substance surveys | Advantest places great importance on compliance with all additions and revisions of electrical and electronic regulations, including the RoHS Directives. | **SDGs related item**
**Products and Services** | Percentage of products meeting in-house green products criteria | Advantest products generate various small and large environmental impacts through their use. Green products, which reduce environmental impact, are important for us not only because they address environmental issues but also as messaging that conveys the quality of our products. | **SDGs related item**
**Compliance (Environment)** | Percentage of new suppliers that were screened using environmental impact criteria | Advertisements emphasize the development of high-quality green products by working from the perspective of environmental conservation in parts procurement, materials, and manufacturing processes. | **SDGs related item**
**Supplier environmental assessment** | Percentage of new suppliers that were screened using environmental impact criteria | Advertisements emphasize the development of high-quality green products by working from the perspective of environmental conservation in parts procurement, materials, and manufacturing processes. | **SDGs related item**
**Conflict minerals** | We ensure the use of materials with a low risk of conflict mineral associations by asking business partners to ensure transparency in regard to the sources of materials and components, etc., and by working together with industry organizations to investigate information relating to conflict minerals (i.e., mineral processing firm information). | Corporate social responsibility (CSR) and SDGs supporting the Dodd-Frank Wall Street Reform and Consumer Protection Act and we are also a signatory to the Conflict Minerals Reporting Act; Advertisements are no longer subject to the Dodd-Frank Wall Street Reform and Consumer Protection Act, having detailed our corporate stock in the United States in April 2016. However, Advertisements remain aware of the importance of the conflict mineral issue, which will also impact efforts to conduct business in due diligence. | **SDGs related item**
**Employment** | Percentage of employees returning to work after taking childbirth and/or childcare leave | The heart of corporate activities is people. Advertisements emphasize human resources and consider the provision of a workplace where employees can reach their full potential to be an important measure for improving corporate value. | **SDGs related item**
**Occupational health and safety** | Occupational accident rate | Advertisements emphasize employee safety and health assurance as vital to executing our business activities, and recognizes the need to continually raise awareness. | **SDGs related item**
**Training and education** | Average number of hours of training per employee per year | To enhance corporate value, we need to ensure that employees clearly understand their roles and make an effort to develop their capabilities. We recognize training and development as an important CSR theme based on these needs. | **SDGs related item**
**Diversity and equal opportunity** | Female employees as percentage of total workforce | Advertisements recognize the acceptance of employee diversity, the elimination of discrimination, the facilitation of each individual to reach their full potential, and the provision of a workplace open to full employee participation as vital to earning trust from society and improving corporate value. | **SDGs related item**
**Supplier labor practices assessment** | Percentage of new suppliers that were screened using labor practices criteria | Advantest considers it important for a broad range of stakeholders, including our business partners, to attain human rights and ethical labor practices in the conduct of our business. | **SDGs related item**
**Non-discrimination** | Number of complaints submitted to the helpline that are properly resolved | Advertisements recognize the elimination of discrimination based on age, gender, nationality, religion, or other characteristics as vital to earning trust and productivity motivation worldwide. | **SDGs related item**
**Supplier human rights assessment** | Percentage of new suppliers that were screened using human rights criteria | Advertisements recognize the influence we can exert to protect human rights in the context of parts, materials and manufacturing processes, and consider this a vital responsibility, extending to our suppliers. | **SDGs related item**
**Anti-corruption** | Number of confirmed incidents of improper behavior | Legal compliance and governance is the basis of our corporate activities. We recognize the elimination of acts that will truly damage the trust of our stakeholders as a priority and consider it to be our greatest corporate social responsibility. | **SDGs related item**
**Compliance with anti-monopoly legislation** | Number of incidents relating to anti-monopoly legislation | Advertisements consider the elimination of anticompetitive practices vital to earning trust from society. | **SDGs related item**
**Compliance (Society)** | Number of non-compliance instances relating to social issues | Advertisements consider social responsibility based on ethical convictions held by each and every employee to be vital to earning trust and faith of our stakeholders. | **SDGs related item**
**Supplier assessment for impact on society** | Percentage of new suppliers that were screened using criteria for impact on society | Advantest recognizes that compliance issues and adherence to social norms in parts, materials and manufacturing processes impacts the company, and emphasizes the fulfillment of our social responsibility throughout the entire supply chain, including all of our business partners. | **SDGs related item**
**Customer health and safety** | Number of instances of non-compliance with in-house safety standards | Modern society views product safety as being of increasing importance. We recognize the necessity of ongoing efforts to more readily respond to this societal expectation. | **SDGs related item**
**Customer privacy** | Number of complaints relating to information security | Information that we receive from our customers and business partners needs to be protected, and it is also an informational asset for the company. We recognize the importance of protecting and managing the information we obtain. | **SDGs related item**
**Intellectual property rights protection** | Percentage of employees who have undergone e-learning training relating to intellectual property rights protection | The strength of Advertisements is our state-of-the-art technological capabilities. Therefore, we believe protecting our intellectual property as the source of our competitiveness is vital to our continued existence as an enterprise. | **SDGs related item**
**Compliance (products/services)** | Number of non-compliance instances relating to products/services | Advertisements consider social responsibility vital to earning trust from society. | **SDGs related item**
Materiality Focus

Materiality Focus 1 - Environment

Advantest Group Environmental Policy

Through its business activities, the Advantest Group contributes to the sustainable development of society.

We also strive for environmental protections such as measures against climate change and conservation of biodiversity, and use renewable resources such as energy and water resources to actively participate in the environmental conservation activities below together with all our employees, reinforcing our identity as an enterprise that deserves society’s trust.

Environmental Management System

Promoting Environmental Management

By maintaining our environmental management system, we promote global environmental conservation efforts that achieve environmental targets set for both our business activities and environmental concerns.

- Reduction of Customers’ Environmental Burden
- We promote energy conservation, improved recyclability, and the elimination of hazardous substances to provide environmentally-friendly products and services that contribute to our customers’ reduction of their environmental footprints, giving consideration to the life cycle of our products from materials procurement to waste disposal.

Better Workplace Procedures

Continually improve our work procedures to hone our environmental performance by creating environmentally-friendly products.

Environmental Protection and Sustainable Use of Resources

By being alert to the environmental impact of our business activities, we strive to protect the environment through measures ranging from climate change prevention to the conservation of biodiversity, as well as sustainable use of resources such as energy and water.

Complying with Environmental Laws and Regulations and Preventing Pollution

Upholding all environmental laws and regulations and voluntary standards, we protect nature and shield our neighbors from environmental pollution and health hazards caused by chemical substances, waste, and other contaminants.

framework to Promote Environmental Management

The Advantest Group is building a framework to better promote our global environmental initiatives.

CSR & Environmental Promotion Center

- Formulate environmental strategies and actions plans, and ensure that they are implemented across the company

Corporate Relations Group

- CSR & Environmental Affairs Promotion

Environmental Secretariat

- Direct environmental management and check the achievements

Business divisions

- Operation of environmental management system

Environmental Management Representatives

- Environmental Management System

Education, outreach, and related action plans

Voluntary Standards for Green Products

Development Flow of Green Products

At the Advantest Group, all new products undergo a product environmental assessment.

During the product environmental assessment, products are assessed from various aspects, including energy-saving, reducing the number of components, size reduction, recyclable design, and elimination of hazardous substances. Products that meet the Voluntary Standards for Green Products defined by Advantest are certified as green products and are awarded an Eco Label (type II).
Materiality Focus

Materiality Focus 2 - Society

Diversity and Equal Opportunity

Advantest is supported by a variety of stakeholders including customers, employees, and local communities, and has a social responsibility toward all of them. We implement management activities based on identified materiality aspects (see p.43-44) relating to society.

Diversity Management

Advantest celebrates the diversity of its workforce and strives to create a workplace where every employee can achieve their potential and participate to the fullest. We respect individual differences while striving to facilitate a corporate culture where everyone can tackle their full potential and actively participate with their own unique personality and skills.

Recruitment and Use of Global Human Resources

Business has become more global in recent years, and we aim to secure personnel who understand other cultures, have high-level communication skills, and are able to execute business on the global stage. Specifically, we are putting more effort into building human resource systems from a worldwide perspective as well as taking a global perspective when hiring, developing, and assigning human resources throughout the entire Group. We use personnel rotation and exchanges with overseas affiliates to promote globalization in our corporate structure. Through everyday business and training in both organizations, technology and know-how are shared, allowing each employee to learn more advanced technology plus adaptive skills for a diverse business environment.

Number of employees by region 2017-2019

(Employee headcounts as of March 31 each year)

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>520 (15%) including 108 women</td>
<td>538 (11%) including 86 women</td>
<td>529 (12%) including 84 women</td>
</tr>
<tr>
<td>Europe</td>
<td>741 (15%) including 129 women</td>
<td>705 (15%) including 125 women</td>
<td>687 (15%) including 113 women</td>
</tr>
<tr>
<td>Asia</td>
<td>1,007 (20%) including 236 women</td>
<td>927 (20%) including 217 women</td>
<td>847 (19%) including 187 women</td>
</tr>
</tbody>
</table>

Global Human Resources Activities

Advantest engages in a wide range of initiatives both on a worldwide basis and tailored to each country’s conditions to develop global and frontier human resources.

In terms of specific activities, regular Global HR Meetings are held to share our HR status and efforts in each country and to create a place for debate about solving personnel issues shared throughout the Group.

Respecting and Protecting Human Rights

The Corporate Ethics Office and the Compliance Committee lead Advantest’s initiatives to promote and set policies on human rights issues and deal with inquiries and complaints about discriminatory treatment.

We share the Advantest Supply Chain CSR Promotion Guidebook with our suppliers, and endeavor to ensure that they are fully aware of the need to respect human rights (including the prohibition of forced labor, child labor, and discrimination).

Creating a Workplace that Respects Human Rights

Advantest believes considerations for human rights are a vital element in expanding businesses globally. We support international standards related to human rights such as the Universal Declaration of Human Rights and respect basic human rights, based on the laws and regulations in each country and region.

Furthermore, in addition to being a signatory to the United Nations Global Compact, which is a worldwide initiative advocated by the United Nations, we are a member of Global Compact Network Japan, which is the local network in Japan. We support the UN Global Compact’s Ten Principles, which are universal principles to be observed by companies in the four areas of human rights, labor, the environment, and anti-corruption, and are promoting initiatives in each of these areas. Moreover, “The ADVANTEST Way,” which is the foundation of the Company’s corporate culture, also specifies a policy for the protection of human rights that prohibits discrimination on grounds such as race, gender, age, nationality, religion, social standing, physical disability, illness, and sexual orientation. We have also established a manual for human rights and anti-discrimination and prevention guidelines for harassment, which promotes protection and respect for human rights.
Companies aiming for sustainable growth need employees who fulfill their social responsibilities and who possess a strong sense of ethics. They also need to earn the trust of stakeholders. Based on this belief, Advantest has established The ADVANTEST Way, which lays out our management direction and policy and indicates our Corporate Mission, Mission, Core Value, Guiding Principle, ESG for Sustainability and Ethical Standards for employees to enhance their ethical awareness.

**Compliance Promotion System**

Advantest gives guidance and advice to all Group employees to ensure that they fully understand and comply with the "The ADVANTEST Way & Code of Conduct," and has established a global management structure. Also, as a member of the international community, we regularly conduct compliance audits through our global audit teams in order to ensure that we follow the different laws and regulations in each country and carry out our business activities appropriately.

**Compliance Education**

Through cooperation between Advantest’s audit teams and the legal affairs departments, we are working to strengthen training activities related to national laws and regulations. In addition, to ensure employee commitment in regard to compliance matters, we are implementing regular e-learning sessions for all Group employees on “The ADVANTEST Way & Code of Conduct” and on the subject of “anti-corruption and anti-bribery.” In FY2018, all of our Group employees took e-learning education and agreed to adhere to compliance.

**Materiality Related to Compliance**

Compliance is the most important issue in management and is a basic premise of conducting business activities. Advantest has presented standards of behavior in “The ADVANTEST Way” to enable each employee to execute their social responsibility with a strong ethical perspective, and is striving to raise awareness among all employees of the Group.

<table>
<thead>
<tr>
<th>Materiality</th>
<th>KPI</th>
<th>Material Reasons</th>
<th>Responsible department/division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental aspects</td>
<td>Number of alleged violations of environmental laws and regulations:</td>
<td>0</td>
<td>Work to prevent grave legal violations related to the environment before they happen</td>
</tr>
<tr>
<td>Non-discrimination</td>
<td>Number of complaints submitted to the helpline that are properly resolved:</td>
<td>All</td>
<td>Aim to eliminate discrimination based on age, gender, national- ity, religion, or any other characteristic to facilitate enthusiastic employee participa- tion and motivation worldwide</td>
</tr>
<tr>
<td>Corruption Prevention</td>
<td>Number of alleged incidents of dishonest acts:</td>
<td>0</td>
<td>Eliminate acts that will truly damage the trust of our stakeholders such as bribery and corruption</td>
</tr>
<tr>
<td>Antitrust Act</td>
<td>Number of legislative actions:</td>
<td>0</td>
<td>Eliminate anticompetitive practices and promotion of fair trade practices</td>
</tr>
<tr>
<td>Social Compliance</td>
<td>Number of alleged violations of laws and regulations:</td>
<td>0</td>
<td>Execute social responsibility with a strong ethical perspective</td>
</tr>
</tbody>
</table>

**Social Responsibility in the Supply Chain**

Advantest has published our Procurement Policy and the Advantest CSR Procurement Guidebook on its homepage as a way of fulfilling our social responsibility in a supply chain that includes all of our business partners, and we ask these business partners to adhere to relevant laws and ordinances as well as social norms.

We carry out an annual CSR questionnaire for the business partners who largely impact procurement of Advantest. We devise the questions and conduct this survey to match the perception of all of our business partners by re-examining the priority issues of our Company and questions every year based on an analysis of the assessment results for the previous year with a focus on the Advantest CSR Procurement Guidebook. Furthermore, by compiling the answers for each business partner to provide feedback independently about areas that have been highly evaluated and areas where improvements are requested, we are building relationships in which we will grow together with these business partners.