

Corporate Governance

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Basic Views

Advantest's corporate mission is "Enabling Leading-Edge Technologies", Advantest constantly encourages self-study and carries out cutting-edge technological development to provide technologies, products and services that will satisfy customers around the world.

In accordance with the corporate mission of the preceding paragraph, and in response to the mandate from stakeholders, Advantest aims to achieve a sustainable level of business development of the Advantest Group and to

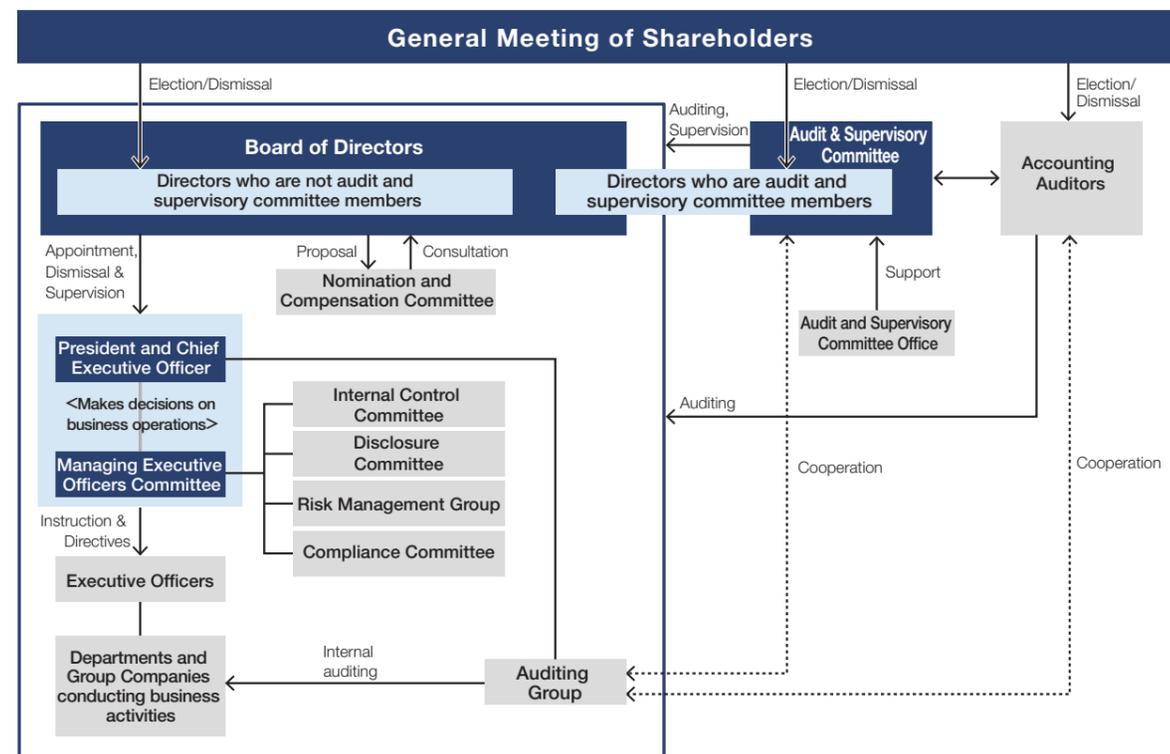
enhance corporate value over the mid-to-long term. To that end, Advantest will establish a fair and efficient and transparent governance system. Above is a basic view on Advantest's corporate governance.

Advantest discloses the "Corporate Governance Basic Policy" at the following website.



(<https://www.advantest.com/investors/management-policy/corporate-governance>)

Corporate Governance Scheme

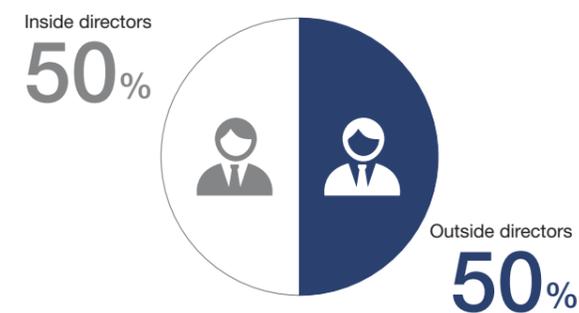


Corporate Governance Initiatives

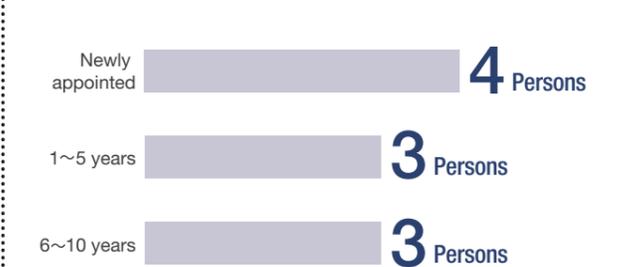


Governance Highlight

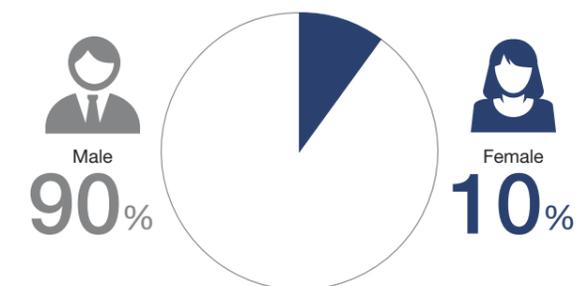
Inside / Outside Director Ratio



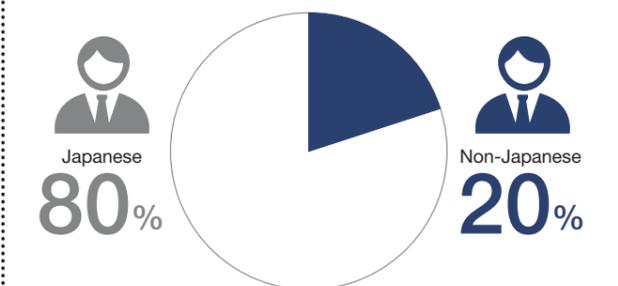
Total Tenure (As of 26 June, 2019)



Gender Ratio



Japanese / Non-Japanese Director Ratio



Chairpersons

Yoshiaki Yoshida

Board of Directors
Representative Director, President and CEO

Yuichi Kurita

Audit & Supervisory Committee
Director

Toshimitsu Urabe

Nomination and Compensation Committee
Independent director



Board of Directors



1 Yoshiaki Yoshida

Representative Director, President and CEO

Appointed: 2013
Date of birth: February 8, 1958
Nationality: Japan
Number of shares held: 47,363

Experience and skills:

2 Osamu Karatsu

Outside Director

Appointed: 2012
Date of birth: April 25, 1947
Nationality: Japan
Number of shares held: 2,864

Experience and skills:

3 Toshimitsu Urabe

Outside Director

Appointed: 2019
Date of birth: Oct. 2, 1954
Nationality: Japan
Number of shares held: 0

Experience and skills:

4 Nicholas Benes

Outside Director

Appointed: 2019
Date of birth: April 16, 1956
Nationality: U.S.A.
Number of shares held: 0

Experience and skills:

5 Hans-Juergen Wagner

Director, Managing Executive Officer

Appointed: 2017
Date of birth: January 19, 1960
Nationality: Germany
Number of shares held: 0

Experience and skills:

6 Soichi Tsukakoshi

Director, Managing Executive Officer

Appointed: 2017
Date of birth: February 1, 1960
Nationality: Japan
Number of shares held: 4,712

Experience and skills:

7 Atsushi Fujita

Director, Managing Executive Officer

Appointed: 2019
Date of birth: November 15, 1959
Nationality: Japan
Number of shares held: 2,199

Experience and skills:

8 Yuichi Kurita

Director, Standing Audit & Supervisory Committee Member

Appointed: 2015
Date of birth: July 28, 1949
Nationality: Japan
Number of shares held: 11,349

Experience and skills:

9 Tsuneko Murata

Outside Director, Standing Audit & Supervisory Committee Member

Appointed: 2018
Date of birth: September 27, 1958
Nationality: Japan
Number of shares held: 344

Experience and skills:

10 Kouichi Nanba

Outside Director, Standing Audit & Supervisory Committee Member

Appointed: 2019
Date of birth: September 1, 1949
Nationality: Japan
Number of shares held: 0

Experience and skills:

Applicable number of executives		Applicable number of executives	
Leadership	2	Research and development	2
Finance	2	Global Operation	9
Knowledge of the semiconductor industry	4	Legal affairs, attorney at law	3

*Number of shares held is as of March 31, 2019

Qualifications for Appointment, Committee Positions and Attendance Rate

Board of Directors Audit & Supervisory Committee Nomination and Compensation Committee

	Name	Position and assignment	Qualifications for Appointment	Member committees and attendance rate
1	Yoshiaki Yoshida	Representative Director, President and CEO	After his duties as the representative director of a subsidiary of Advantest, Executive Vice President of the Corporate Planning Group, Executive Vice President of the Corporate Relations Group, and Executive Vice President, 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, Advantest believes that he is a suitable person to realize sustainable enhancement of corporate value.	14/14 14/14
2	Osamu Karatsu	Outside Director	Mr. Osamu Karatsu has a wealth of knowledge and experience as a semiconductor specialist. This will contribute to the sustainable enhancement of corporate value of Advantest and the effectiveness of the Board of Directors as it reflects his insights on the industry to which Advantest belongs in the management of the Advantest group. Thus, Advantest believes that he is a suitable person as an outside director.	14/14
3	Newly appointed Toshimitsu Urabe	Outside Director	Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company, particularly overseas experience in the United States and Asia, experience in business investment decisions, etc., and extensive experience in administrative management for example human resources. This will contribute to the sustainable enhancement of corporate value of Advantest and the effectiveness of the Board of Directors as we reflect his insights in the global management of the Advantest group. Thus, Advantest believes that he is a suitable person as an outside director.	
4	Newly appointed Nicholas Benes	Outside Director	Mr. Nicholas Benes has extensive knowledge and experience about corporate governance matters, and experience in investment banking including M&A transactions. This will contribute to the sustainable enhancement of corporate value of Advantest and the effectiveness of the Board of Directors as we absorb his insights on corporate governance and the perspective of shareholders, and reflect them in the global management of the Advantest group. Thus, Advantest believes that he is a suitable person as an outside director.	
5	Hans-Juergen Wagner	Director, Managing Executive Officer	Mr. Hans-Juergen Wagner has a wealth of knowledge concerning the market trend of ATE business, the Company's core business, and technological development. He also has strong relationships with customers around the world. Thus, Advantest believes that he is a suitable person for further globalization of the Board of Directors.	13/14
6	Soichi Tsukakoshi	Director, Managing Executive Officer	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, Advantest believes that he is a suitable person to realize sustainable enhancement of corporate value through enhancement of efficiency of manufacturing and supply chain optimization.	14/14
7	Newly appointed Atsushi Fujita	Director, Managing Executive Officer	Mr. Atsushi Fujita has been engaged in corporate administration, mainly finance and accounting, for many years, including assignments in the US and Germany, and he has gained a wealth of knowledge and experience concerning the Advantest Group's business and corporate management. Thus, Advantest believes that he is a suitable person to realize sustainable enhancement of corporate value.	
8	Yuichi Kurita	Director, Standing Audit & Supervisory Committee Member	Mr. Yuichi Kurita has many years of experience in finance and corporate management and has a wealth of knowledge and experience concerning finance and accounting. He served as a director and an audit and supervisory board member of the Company. Currently serving as a director who is a standing audit and supervisory committee member, he is striving to enhance supervision and oversight and corporate governance. In view of his achievements, Advantest believes that he is a suitable person to enhance supervisory and oversight functions.	14/14 12/12
9	Tsuneko Murata	Outside Director, Standing Audit & Supervisory Committee Member	Ms. Tsuneko Murata has practical experience as an executive at private companies and the Japan Pension Service. In addition, she is familiar with compliance measures and corporate governance as a legal manager. Furthermore, she has abundant experience of auditing as an auditor at Japan Pension Service and Japan Finance Corporation. This will contribute to the enhancement of the audit and supervision of the Advantest group as we absorb her insights stemming from her corporate legal and auditing knowledge and experience and reflect them in the audit and supervision of the Advantest group. Thus, Advantest believes that she is a suitable person to enhance supervisory and oversight functions.	14/14 12/12
10	Newly appointed Kouichi Nanba	Outside Director, Standing Audit & Supervisory Committee Member	Mr. Kouichi Nanba has not been directly involved in the management of a company in the past, but he has a wealth of experience and a high level of expertise in law and compliance, after serving as a judge mainly in charge of civil cases for many years, and engaging in the practice of corporate legal affairs as a lawyer. This will contribute to the enhancement of the audit and supervision of the Advantest group as we absorb his insights and reflect them in the audit and supervision of the Advantest group. Thus, Advantest believes that he is a suitable person as an outside director.	

*From the close of the General Meeting of Shareholders in 2018 to the close of the General Meeting of Shareholders in 2019

Messages from Outside Directors



Osamu Karatsu
Director

Deepening and implementation of the Grand Design

“Measurement technology adds value to things.” I heard these words directly from Ikuo Takeda, the founder of Advantest (then known as Takeda Riken Co., Ltd.). Measurement is an activity that seems to be passive at first glance, but it is actually a concept imbued with insight and pride, which is the origin of value in an industrial society. Even today, measurement is the principle that expresses the basis of our business, and it is a living thing.

As the times change, and the content of measurement technology also changes in step with technological progress, the objects of the value it produces have become more diverse and complex. Advantest’s Grand Design was developed for this situation to point out the way we should go. By continuing to deepen and implement these guidelines, we will be able to see what kind of markets we should target next, our role and strategy, and how to develop the products and services we offer. The Grand Design also shows where our governance should be focused and how to proceed with necessary M&A or collaborations with other companies.

In addition to participating in management decisions through consideration of short- and medium-to-long-term issues, I hope to contribute to the development of Advantest’s business through discussions of the deepening and implementation of the Grand Design by offering the perspective of an independent director, as well as the resources of my personal networks, and information that is hard for corporate executives and the company’s ordinary sources to acquire.



Tsuneko Murata
Director,
Standing Audit &
Supervisory
Committee

Constructive suggestions and advice from knowing actual conditions in the workplace

Vibrant discussion takes place in every meeting of Advantest’s Board of Directors, and reports on efforts to address the homework from the previous meeting are made at the start of the next meeting in an effort to make improvements through PDCA to ensure these discussions do not simply end there.

I think the role of an Outside Director is to properly provide the necessary opinions even if they may be something management does not want to hear. I keep in mind that the inaction of “see no evil, hear no evil, speak no evil” is unacceptable, and place importance on offering opinions on both positive and negative aspects from a risk management perspective.

In order to ensure corporate governance functions properly, it is very important to know about actual conditions in the workplace, even from the position of an Outside Director. Every year, Advantest provides all Directors with the opportunity to tour overseas business sites and conduct off-site meetings. Furthermore, Outside Directors who are members of the Audit and Supervisory Committee can also accompany on-site audits by Standing Audit and Supervisory Committee Members to check conditions and things that they notice in the business workplace, leading to constructive suggestions and advice.

With the aim of steadily achieving the Grand Design and the Mid-Term Plan formulated last year, I would like to contribute to the enhancement of the company’s corporate value and improve the soundness and transparency of management to further enhance the company’s strengths—an industry-leading product portfolio, a strong customer base, and its ability to provide global support and comprehensive proposals—and to enable sustained growth as an employee-friendly company, while also ensuring that the company is trusted by all stakeholders including shareholders, customers and suppliers.

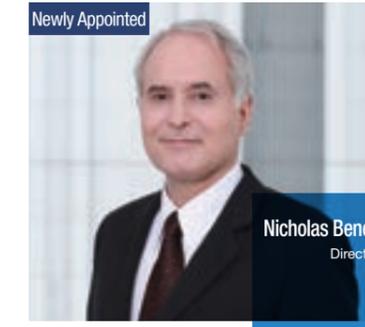


Newly Appointed

Toshimitsu Urabe
Director

Participating in decision-making with a different perspective from Advantest executives

While maintaining a good balance among our stakeholders—shareholders, employees, customers, and the general public—we understand that our corporate mission is to improve sustainable corporate value, and that the structure to achieve this is corporate governance. It is the duty of all directors, including outside directors, to understand the concerns of all stakeholders, but I believe outside directors are in a position to be more aware of shareholders and the public, in contrast to internal directors, who are closer to employees and customers. Through my career at a general trading company and a leasing company with extensive industry contacts in Japan and overseas, I have had many years of experience in business management, as well as HR, business investment, corporate planning, IT, and finance, and have done business with companies in the United States, Hong Kong, and other countries. I hope to contribute to the improvement of Advantest’s corporate value by utilizing my instincts in relation to stakeholders and economic and industrial trends, and participating in decision making with a different perspective from Advantest executives.



Newly Appointed

Nicholas Benes
Director

Aiming for global leadership in corporate information disclosure

As a longtime ESG advocate I am pleased that Advantest has produced this “integrated annual report.” With the resulting investor feedback, it should improve our understanding and prioritization of factors that impact Advantest’s long-term growth, profitability, sustainability, and global “footprint.”

Some of these factors are obvious, such as the need to attract, develop and retain the best engineers and managers. But some are not. Concepts such as “sustainability” and “materiality” are still in their infancy, so emerging metrics will need to be identified, measured, and tracked year-to-year. We will need to further expand our disclosure, while keeping in mind that automatic information collection by investors will become the norm, complementing human judgement and firm-to-firm comparisons. I hope we can become a leader in this area.

Thus, we should continue to study and discuss these issues internally, and to approach these reporting challenges with humility, so that “integrated reporting” does not turn into a mere PR exercise, but generates feedback loops that maximize our potential for profit, growth, and sustainability.



Newly Appointed

Kouichi Nanba
Director,
Standing Audit &
Supervisory
Committee

To bottle things up causes suffering

During my 35 and a half years as a judge, including stints as Chief Judge at the Tokyo District Court and Tokyo High Court, I sometimes had to determine whether notable companies had committed corporate governance violations. In my subsequent career as a lawyer, I was responsible for commercial fraud investigations. I learned that although the system of governance is in place, the people who operate it have not sufficiently discussed the issues that cause problems.

In the courts, the least experienced judges give their opinions first. There is an old saying: “Bottling things up causes suffering.”

This is my first time serving as an outside director, but I hope to speak up constructively whenever I have doubts, and do my job to the utmost to improve Advantest’s corporate governance.

Governance Structure

Board of Directors

The Board of Directors of Advantest, as the management decision making body, shall make decisions on significant matters with respect to the management policies and management strategies for Advantest group, and in its capacity to supervise management, the Board of Directors shall monitor and supervise the status of exercise of duties by Executive Officers. Advantest strengthens the oversight and supervision functions of the Board of Directors in appointing multiple outside directors as members of the Board of Directors. At the Board of Directors meetings, directors with a wealth of knowledge and experience express their opinions from each point of view on the agenda proposed by the management team, and active discussions take place. The Board of Directors of Advantest (including Directors who are Audit and Supervisory

Committee members) is composed of five inside directors and five outside directors as of June 26, 2019. Regarding the members of the Board of Directors of Advantest, please refer to pages 53 and 54. Mr. Yoshiaki Yoshida is the chairperson of the Board of Directors of Advantest.

The main discussion agenda of the Board of Directors is as follows

- Basic management policy
- Executive personnel
- Agenda submitted to the General Meeting of Shareholders
- Budget / Financial settlement
- Acquisition or sales of businesses

Audit System

Advantest transitioned to the status of a Company with Audit and Supervisory Committee on June 24, 2015. The Audit and Supervisory Committee investigates the status of business and property, based on the audit policy and audit plan formulated by the Audit & Supervisory Committee. In addition, the Audit & Supervisory Committee audits the execution of duties by Directors, Executive Officers and other business executing agencies through collaboration with internal control teams and Accounting Auditors. Advantest's Audit & Supervisory Committee was composed of one inside director and two outside directors as of June 26, 2019. The Audit & Supervisory Committee has appointed one person as a standing Audit & Supervisory Committee member in order to enhance effectiveness of audits and supervisory function by the Audit & Supervisory Committee through information gathering by attending important meetings and conducting hearings about reports on operations received from execution departments as well as through strengthened collaboration between the accounting auditor and the internal audit division. Mr. Yuichi Kurita, a member of the Audit & Supervisory Committee member, has many years of experience in Advantest's financial and administrative officers and has sufficient knowledge of finance and accounting. Also, Ms. Tsuneko Murata and Mr. Kouichi Nanba, who are members of the

Audit & Supervisory Committee, have sufficient knowledge of legal affairs. The Chairperson of the Audit & Supervisory Committee is Mr. Yuichi Kurita.

The Audit & Supervisory Committee appoints two employees to support the duty of the Audit & Supervisory Committee. The Audit & Supervisory Committee, the Auditing Group and other internal control departments, the Accounting Auditors, and the auditors of each Advantest group collaborate with one another so as to carry out regular discussion and timely meetings.

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

Regarding accounting audits, Advantest has audited with Ernst & Young ShinNihon LLC and received predetermined audits. The certified public accountants who executed Advantest's accounting audit work in FY2018 are Mr. Makoto Usui, Ms. Kaeko Kitamoto and Mr. Keiichi Wakimoto. Number of years of all those auditors continuous audit is within seven years. In addition, assistants performing Advantest's accounting audit work include those with expert knowledge such as system experts, with CPAs as the main constituents.

Nomination and Compensation Committee

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

The Nomination and Compensation Committee is composed of members selected in members of the Board of Directors under the resolution of the Board of Directors. To introduce an independent viewpoint, more than a half of the members are independent Directors. The Human Resource Department is its secretariat.

The main discussion agenda of the Nomination and Compensation Committee is as follows.

- Revision of "Directors and Executive Officers Nomination/Dismissal Policy and Procedures" and "Directors and Executive Officers Compensation Policy and Procedures."
- Compensation of directors and officers (e.g. Fixed Compensation, Performance-linked bonus and Stock Compensation etc.)
- Nomination of candidates of directors and officers in FY2019.

Present members are Mr. Toshimitsu Urabe, Mr. Kouichi Nanba and Mr. Yoshiaki Yoshida. Mr. Toshimitsu Urabe is a chairperson.

The Nomination and Compensation Committee will recommend persons as candidates to the Board of Directors who will contribute to a sustainable level of business development and enhancement of corporate value over the mid-to-long term in accordance with the "Directors and Executive Officers Nomination/Dismissal Policy and Procedures" prescribed by the Board of Directors regarding Directors and Executive Officers. In addition, regarding independent outside directors, "Independence Criteria of Independent Outside Directors" prescribed by the Board of Directors will also apply in addition to the "Directors and Executive Officers Nomination/Dismissal Policy and Procedures" mentioned previously. Candidates recommended to the Board of Directors should have a wealth of knowledge and can be expected to contribute actively to the Board of Directors.

Appointment criteria of Independent Directors

The candidate should fulfill "Independence Standards for Independent Directors" and should meet one or more of the below criteria. Personality, concurrent positions as another company's director, executive officer or auditor, years of appointment as an Independent Director of 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 Advantest'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 Officer Compensation / Board Effectiveness

Design of Compensation Aimed at Enhancing Corporate Value

Policy and Process for Determining Compensation

Compensation for Directors and Executive Officers is described in “Directors and Executive Officers Compensation Policy and Procedure” as follows. Furthermore, compensation for Executive Directors and Executive Officers is made up of bonuses and stock compensation linked to performance in addition to fixed compensation, and the appropriate ratio of these is deliberated by the Nomination and Compensation Committee and determined by the Board of Directors. Directors who are members of the Audit & Supervisory Committee and Outside Directors receive only fixed compensation.

“Directors and Executive Officers Executive Compensation Policy and Procedure”

1. Purpose

The Board of Directors establishes this Policy and Procedure so that the Directors and Executive Officers Compensation shall be determined to make it effective for a sustainable level of business development and mid-to-long term enhancement of corporate value, to share the shareholders’ perspective, and to secure and motivate superior human resources who manage Advantest group;

2. Structure and Policy in Determination

The Compensation for Directors (excluding Directors who are Audit & Supervisory Committee members) and Executive Officers is comprised of (1) Fixed-Compensation, (2) Performance-linked Bonus and (3) Stock Compensations, to contribute for the purpose written in 1. The amounts and ratios are set in appropriate levels.

The Compensation for Independent Directors is comprised only of (1) fixed-compensation, by considering their roles and independence from the management.

- (1) Fixed-Compensation is determined an appropriate level by referring the market data, and the position and responsibilities.
- (2) Performance-linked Bonus is an incentive for short-term performance, and to be calculated based on the consolidated financial results of Net Sales, Operating Income Ratio, Net Income, and ROE etc..
- (3) Stock Compensations are incentives for long term performance and also to share the shareholders’ perspective. Both of “Stock Option” and “Performance-based Stock Remuneration” will be granted by considering Advantest performance trend, economic situations, stock price in the market and like. The vested stocks by “Performance-based Stock Remuneration” will be fluctuated by the consolidated financial results of Net Sales, Operating Income Ratio, Net Income, and ROE etc..

3. Procedures in Determination

In response to consultation from the Board of Directors, the Nomination and Compensation Committee deliberates and proposes the Compensation for Directors (excluding Directors who are Audit & Supervisory Committee members) and Executive Officers to the Board of Directors. The Board of Directors deliberates and determines the compensation based on the proposal from the Nomination and Compensation Committee.

The Audit & Supervisory Committee deliberates and determines the compensation for Directors who are Audit & Supervisory Committee members.

Upper Limits on Director Compensation

	Monetary Compensation	Performance-based Stock Remuneration	Stock Options
Directors who are not members of the Audit & Supervisory Committee (excluding Outside Directors)	No more than JPY600 million per year ⁽¹⁾	No more than 200 million yen per year ⁽²⁾	No more than 200 million yen per year ⁽²⁾
Outside Directors who are not members of the Audit & Supervisory Committee		Not subject to limits	
Directors who are Audit & Supervisory Committee Members	No more than JPY100 million per year ⁽¹⁾		

⁽¹⁾ By resolution of the 73rd Ordinary General Meeting of Shareholders held on June 24, 2015

⁽²⁾ By resolution of the 76rd Ordinary General Meeting of Shareholders held on June 27, 2018

Directors Who Received Compensation of 100 Million yen or More and the Amount of Compensation Thereof (FY2018)

Name	Total Amount of Compensation (million JPY)	Type of Officer (As of March 31, 2019)	Company Category	Total Amount of Compensation by Type			
				Fixed-Compensation	Performance-linked Bonus	Stock Options	Performance-based Stock Remuneration
Yoshiaki Yoshida	132	Representative Director, President and CEO	Advantest Corporation	60	51	17	4
Saebun Myung	108	Advantest Corporation	Advantest Corporation	50	42	12	4
Hans-Juergen Wagner	112	Director, Managing Executive Officer	Advantest Corporation	10	—	10	3
		Managing Director	Advantest Europe GmbH	50	39	—	—

* The amount of compensation of Hans-Juergen Wagner also includes the amount paid by Advantest Europe GmbH. The exchange rate is calculated at €1=JPY128.82

Composition of Compensation for Directors (FY 2018)



(Note) There were four Outside Directors as of March 31, 2019, but the above compensation amounts and numbers include one person who stepped down on June 27, 2018.

Results of Board Meeting Effectiveness Survey

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

Result of FY2017 and action in FY2018

It was pointed out that there is room for further improvement in improving the effectiveness of the successor plan such as for the representative director, and the election and dismissal process of the management team and training for the Directors. Based on the item pointed out above, the Board of Directors discusses the succession plan and dismissal process and Advantest describes the result in the “Advantest Corporate Governance Policy” and the “Corporate Governance report.” Advantest will provide corporate governance training to the members of Board of

Directors and Executive Officers (including foreigners). Advantest will provide other training as necessary. The points where improvement is needed will be addressed in future. In addition, there were indications about improving the diversity of the members of the Board of Directors. One new female director was appointed at the annual General Meeting of Shareholders of June 27, 2018.

Result of FY2018

Followings are the main items that were pointed out. Advantest will consider taking action on these items.

- Succession plan of Representative Director
- Reanalysis of risks that influence our business
- Investigation of director training menu