ADVANTEST

Corporate Governance Report

Updated on: June 28, 2018
ADVANTEST CORPORARION
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This is an English translation of the Corporate Governance Report of Advantest Corporation updated on June 28, 2018.

The corporate governance of Advantest Corporation ("Advantest") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

<I - 1. Basic Views>

Advantest group's basic corporate governance policy is described in our Corporate Governance Basic Policy

Summary of the "Corporate Governance Basic Policy"

Holding "Enabling the Leading-Edge Technology" as our corporate mission, Advantest group established "The ADVANTEST Way & The Code of Conduct" ("Advantest Code of Conduct"), increased the transparency of its management, and worked to promote the enhancement of corporate value.

Advantest promotes management efficiency by separating the management decision making function and supervisory function from the function of the execution of operations.

The Board of Directors of Advantest, as the management decision making body, shall make decisions on significant matters with respect to the management policies and management strategies for Advantest group, and in its capacity to supervise management, the Board of Directors, including Outside Directors, shall monitor and supervise the status of exercise of duties by Executive Officers while delegating necessary authorities to ensure the prompt and efficient performance of duties.

Advantest has also established an executive officer system to respond quickly to changing business environments and promptly execute business operations.

Furthermore, in order to audit the execution of duties by Directors, Executive Officers and other business executing agencies, Advantest has adopted the Audit and Supervisory Committee system that was introduced in the Companies Act from June 24, 2015. The Audit and Supervisory Committee members attend meetings of the Board of Directors and other important meetings and the Audit and Supervisory Committee investigates the status of business and property, based on the audit policy and audit plan formulated by the Audit and Supervisory

Committee. In addition, the Audit and Supervisory Committee audits the execution of duties by Directors, Executive Officers, and other business executing agencies through collaboration with the Internal Control Committee and Accounting Auditors.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

Advantest is currently implementing all the principles of the Corporate Governance Code as established prior to its revision on June 1, 2018. Implementation of the Corporate Governance Code principles revised on June 1, 2018 will commence promptly, at the latest by the end of December 2018.

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

Principle 1.4: Cross-Shareholdings

Advantest may hold shares of other listed companies for strategic purposes, including sustainable and long-term relationships with business partners, business partnership reinforcement, or research and development efficiency. The Board of Directors shall review major cross-held shares every year from the perspective of mid-to-long term economical rationality and future outlook, and Advantest shall explain the objectives of such cross-shareholdings and their rationale.

Advantest will exercise the voting rights of Investee Companies' Shares*1 aiming at the mid and long-term growth of Advantest group's corporate value as well as the growth of the corporate value of Investee Companies. Upon receipt of a convocation notice of shareholders meeting of Investee Company, Advantest will confirm that the exercising of voting rights for a resolution will not lead to impairment of shareholder value. Advantest will determine to vote for or against the resolution taking into consideration of the situation of Investee Company and will exercise the voting rights.

Based on the above policy, Advantest verified the necessity of ownership for each of its stock holdings. As a result, in 2017, Advantest applied for a public tender offer of Tera Probe, Inc. shares, which was carried out by Powertech Technology Inc, and in May 2017 transferred all of the shares held by Advantest

*1 Investee Companies Shares incudes cross holding shares and unilateral holding shares held by the companies for either reasons of pure investment and others.

Principle 1.7: Related Party Transactions

When Advantest engages in transactions with its directors or related parties, including major shareholders, the Board of Directors shall discuss and approve such transactions beforehand, excepting any transaction of which the conditions are same as other general transactions, so as not to harm the interest of Advantest or the common interest of the shareholders.

In fiscal 2017, there were no related party transactions.

Principle3.1 i): Company objectives (e.g., business principle), business strategies and business plans

Advantest's corporate mission is "Enabling the Leading-Edge Technology"

Regarding our management strategy and management plan, Advantest established a Grand Design describing what we should do for the next 10 years from 2018. We also established a mid-term management plan for the next three years, both announced at Advantest's 2017 fiscal year financial reporting. Details are published on our website.
https://www.advantest.com/investors/management-policy/mid-long-term-management-policy

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

Based on our corporate mission of "Enabling the Leading-Edge Technology", our basic concept of corporate governance is to respond to shareholder feedback with the aim of achieving sustainable growth of the Advantest group and enhancing mid- to long-term corporate value. Our corporate governance basic policy (refer to the following URL) was established with this aim.
https://www.advantest.com/ja/investors/management-policy/mid-long-term-management-policy

Principle3.1 iii): Board policies and procedures in determining the remuneration of the senior management and directors

It is stated in the "Executive Compensation Policy and Procedure" as follows;

Executive Compensation Policy and Procedure

1. Purpose

The Policies and Procedures have been established to achieve the following matters:

(1) To make Executive Compensation effective for sustainable growth 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) To ensure objectivity and transparency in determining Executive Compensation.

2. Structure and Policy in Determination

The Compensation for Directors (excluding Directors who are Audit and Supervisory Committee members) and Executive Officers is comprised of (1) Fixed-Compensation, (2) Performance-linked Bonus and (3) Stock Compensations, to contribute improving Company's performance and share the shareholders' perspective. The ratios of (2) and (3) are set in appropriate levels.

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

(1) Fixed-Compensation is determined at an appropriate level by referring to 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 business performance.

(3) Stock Compensations are incentives for mid long term performance and also to share the shareholders' perspective. Either or both of "Stock Option" and "Stock-based Compensation for the purchase of Advantest's own shares" will be granted by considering Advantest performance trend, economic situations, stock price in the market and like.

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

The deliberations and determinations proceed based on the above Structure and Policy in Determination.

Principle3.1 iv): Board Policies and procedures for the appointment of senior management and the nomination of director candidates

It is stated in the “Nomination Policy and Procedures” as follows;

Nomination Policy and Procedures

1. Basic Policy for Nomination

Advantest nominates the Directors from superior human resources who can contribute to achieving sustainable growth and mid- to long-term enhancement of corporate value. “Directors” refers to the Board of Directors and Executive Officers in this Policy.

2. Detailed Policy

(1) Directors (excluding Directors who are Audit and Supervisory Committee members)

The candidate should possess excellent experience, ability, leadership, mid- to long-term foresight, high ethical values as a person who make decisions on Advantest's management and supervise business operations. Personality, age and the like will be considered in addition to these criteria.

(2) Independent Directors (excluding Directors who are Audit and Supervisory Committee members)

The candidate should fulfill “Independence Standards for Independent Directors” and should possess either of the below experience or ability. The candidate’s personality, concurrent positions and like will be considered in addition to the following 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 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.

(3) Directors who are Audit and Supervisory Committee members

The candidate should fulfill and should possess either of the below experience or ability. Personality, concurrent positions and like will be considered in addition to the following criteria. - a person who worked at a Company as a Director, an Executive Officer, or an employee in Corporate Administration area or Internal Audit group. - a legal professional like 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 a Company’s business field - a person who has wide and deep experience in R&D - a person who has enough experience or ability

equivalent to above persons.

(4) Executive Officer

The candidate should possess excellent experience, ability, leadership, as a person who has responsibility for business operations. Personality, age and like will be considered in addition to the criteria. An Executive Officer (except a person who is nominated a Director concurrently) should be appointed to the position of leader or equivalent of Advantest's Business Unit, Functional Unit or Regional Unit.

3. Procedures for Nomination

In response to consultation from the Board of Directors, the Nomination and Compensation Committee deliberates and proposes nomination recommendations for Directors and Executive Officers to the Board of Directors. Based on the committee's recommendations, the Board of Directors determines the agenda item regarding the election of directors to be resolved at the general shareholders meeting. The Board of Directors should get the consent of the Audit and Supervisory Committee for agenda items regarding Directors who are Audit and Supervisory Committee members.

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

Regarding the appointment of candidates for Directors who are not Audit and Supervisory Committee members, and for Ms. Tsuneko Murata, please refer to the Convocation notice of the 76th General Meeting of Shareholders (P7-16), and for Mr. Yuichi Kurita and Mr. Megumi Yamamuro please refer to the convocation notice of 75th Ordinary General Meeting of Shareholders (P14-P16).

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

Principle 4.1: Roles and Responsibility of the Board

In principle, to make more flexible decision-making and prompt business management, decisions on business execution other than matters deemed to be exclusive matters by the Board of Directors on the basis of laws and regulations and the matter of important business execution Board of Director delegates to the president and CEO. In order to assist decision-making of the president and CEO, Executive officer meeting (Jomukai) composed of Executive Officers, will review important matters concerning business execution.

In fiscal 2017, Advantest reviewed the rules of the Board of Directors, delegated more authority to representative directors (CEO), and at the Board of Directors, enhanced the report on the execution of duties by the Executive Directors.

Principle 4.8: Effective Use of Independent Directors

4 directors out of a total of 9 members of the Board of Directors are independent directors as of June 28, 2018.

Principle 4.9: Independence Standards and Qualification for Independent Directors

It is stated in the "Independence Criteria of Independent Outside Directors" as follows;

Independence Criteria of Independent Outside Directors

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

1. Major Business Partner
   (1) Entity transacts with Advantest as Major Business Partner or Executive thereof
   (2) Major Business Partner of Advantest or Executive thereof

2.Expert
Consultant, Accountant or Lawyer who receives a large amount of money or other compensation from Advantest. (In case that the receiver of such compensation is a legal entity or group such as union, the person who belongs to such entity.)

3.Relative
   (1) Relative of person who falls in the condition set forth in 1 or 2 above.
   (2) Relative of Executive or Board Director of the subsidiary of Company
   (3) Relative of person who was an Executive or Board Director of Company or subsidiary of Company recently.

Notes:
   *1 “Recently” shall mean a time range substantially identical to presently.
   *2 “Major Business Partner” means a partner whose revenue from transactions with Advantest accounts for a considerable part of their revenue, or a partner supplying Advantest with commodities or services indispensable to Advantest’s business.
   *3 “Executive” means the “executive” defined in the Ordinance for Enforcement of the Company Act.
   *4 “Relative” means the person’s relative within the second degree of kinship.

Supplementary Principle 4.11.1: Concept of composition of the Board

Please refer to “the Principle3.1 iv) Board Policies and procedures in the appointment of the senior management and the nomination of director candidates” above.

Supplementary Principle 4.11.2: Directors served as directors, *kansayaku* or the management at other company

Regarding the status of important concurrent positions of outside director candidates and Directors, they are announced in disclosure documents such as convocation notice of ordinary general meeting of shareholders and business report.

Supplementary Principle 4.11.3: A summary of the results of the board meeting effectiveness

At a Board of Directors’ meeting, all directors answered a questionnaire to evaluate the effectiveness of their roles and obligations. Advantest analyzed our organization, operation and discussion status by collecting opinions. As a result, 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. 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. Advantest will reflect diverse perspectives in management from now on.

Supplementary Principle 4.14.2: Training policy for directors

It is stated in the "Director Training Policy" as follows;

Director Training Policy

Advantest provides and arranges following actions for new Directors to acquire necessary knowledge on the Company's business, finances, organizations and other matters, and to enhance their understanding of their roles and responsibilities:

(1) To explain the roles and responsibility required for Directors;
(2) To explain Advantest group's business, finances, organizations, major internal regulations, corporate governance structure, and internal control systems;
(3) To update above (1) and (2) for incumbent Directors as necessary.

In 2017, we conducted training as follows.

- Conducted a lecture on governance for members of the Board of Directors and to executive managing directors.
- Conducted e-learning training about "Corporate Value Improvement Management" which is provided by the Tokyo Stock Exchange to Japanese resident Board of Director's members and Executive Managing Directors.

Principle 5.1: Policy for Constructive Dialogue with Shareholders

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

Basic Investor Relations Policy

Under the direction of our CEO, and in line with the Basic Investor Relations Policy expressed below, Advantest's IR team promotes dialogue with its shareholders and investors as an essential aspect of corporate value. Our commitment to open communication both ensures accountability to our stakeholders, and plays an important role in growing our corporate value over the medium to long term.

1. Disclosure Policy

(1) Disclosure of Material Information

Advantest discloses material information as appropriate in a transparent and timely manner, in compliance with Japan's Financial Instruments and Exchange Act, other related laws, and the regulations of the stock exchanges on which Advantest is listed.

Material information is defined as corporate information that must be disclosed in a timely manner under the Financial Instruments and Exchange Act, the regulations of the stock exchanges on which Advantest is listed, as having decisive import for Advantest or our subsidiaries or relating to important events with respect to the same laws and regulations, and other corporate information requiring timely disclosure under other applicable laws and regulations.

(2) Voluntary Disclosure

Advantest also discloses general corporate information other than material information, when we deem it may have a material impact on the investment decisions of our shareholders and investors, as rapidly and transparently as possible.

2. Disclosure Methods

To ensure our fair disclosure to shareholders and investors, material information is disclosed via the methods stipulated by law and by the regulations of all the stock exchanges on which Advantest is listed, both in Japan and overseas. Additionally, all such information is promptly posted on our corporate website.

Information falling outside the scope of material information is disclosed via news releases, at press conferences and our quarterly information meetings, and is also posted on our website. We reserve the right not to respond to enquiries regarding certain information related to competitiveness or privileged information that Advantest has a duty to protect.

3. Forward-Looking Statements

In its disclosures, Advantest may make forward-looking statements that reflect management's views with respect to future plans, strategy, and financial performance. Such statements are based on information available at the time of disclosure and are subject to various risks and uncertainties. To ensure that investors are aware of these risks, Advantest's disclosures are accompanied by cautionary statements.

4. Communication Structure

Advantest's IR Section handles communications with shareholders and investors. In principle, all Advantest's IR communications go through our IR spokespersons—the CEO, Corporate Vice President, CFO, Executive Vice President and Vice President in Corporate Relations Group and IR personnel—but other executives, including Outside Directors, may also be appointed IR spokespersons in certain cases through IR personnel, depending on individual requirements and the content to be communicated. The IR section supports our IR spokespersons by liaising with other divisions and collating relevant and specialized information to enhance our dialogue with shareholders and investors.

5. Comprehensive Communication

In addition to our earnings announcements and postings on our public website, Advantest strives to maximize shareholders' and investors' awareness of our business environment and management strategies through individual meetings, site tours, segment-specific briefings, and other such opportunities for communication.

6. Incorporation of Feedback Through Dialogue

Feedback and opinions received from shareholders and investors is shared at board meetings, and incorporated into our planning for sustainable growth and medium to long term corporate value enhancement.

7. Management of Insider Information and Fairness in Disclosure

Advantest has defined internal rules for the prevention of insider trading, as explained in the sections of Advantest's "Code of Conduct" related to management of material facts and executive buying and selling of shares. Moreover, our IR spokespersons are consistently prudent in avoiding the disclosure of material facts and other sensitive information in conversation or other venues for communication, where multiple

personnel are typically present to check on one another.

8. Quiet Periods

To ensure fair disclosure of financial information, Advantest stipulates a quiet period that runs from the day after the closing of each quarter until earnings for that quarter are announced, to prevent information leaks and to maintain disclosure fairness. During this period, Advantest refrains from answering inquiries about business performance and related matters. However, material information subject to disclosure rules will be disclosed in an appropriate and timely fashion, even during quiet periods.

9. Analyst Reports

Advantest will not evaluate or comment on any analyst reports concerning the Company. However, if a report contains factual errors relating to past events, those errors may be pointed out.

10. Market Rumors

Our basic policy is not to comment on market rumors. However, in the event a market rumor exerts a significant influence on the capital markets, or one of the stock exchanges on which Advantest is listed approaches us for clarification, we will respond appropriately and responsibly.

< I - 2. Capital Structure>

Foreign Shareholding Ratio	More than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	43,858,600	24.49
Japan Trustee Services Bank, Ltd. (trust account)	19,028,000	10.62
THE BANK OF NEW YORK 133524	5,485,500	3.06
Trust & Custody Services Bank, Ltd. (investment trust account)	5,387,300	3.00
Japan Trustee Services Bank, Ltd. (trust account 4)	3,760,800	2.10
EUROCLEAR BANK S.A./ N.V.	3,335,083	1.86
BNYM FOR GOLDMAN SACHS JAPAN	2,482,500	1.38
Japan Trustee Services Bank, Ltd. (trust account 5)	2,130,800	1.19
Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	2,100,000	1.17
JP MORGAN CHASE BANK 385151	2,056,887	1.14

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

Supplementary Explanation

In the Report of Possession of Large Volume made available for public inspection, the following companies are reported as the shareholders, but this has not been taken into account in the above "Status of Major Shareholders",

as Advantest has been unable to confirm the number of shares substantially held as of the end of the fiscal year.

Baillie Gifford and Company and its one affiliate;
Mitsubishi UFJ Trust Company and its two affiliates;
Mizuho Securities Co., Ltd. and its two affiliates;
Nomura Securities Co., Ltd. and its two affiliates, and
Sumitomo Mitsui Trust Bank, Limited and its two affiliates

< I - 3. Corporate Attributes>

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

< I - 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder>

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<I - 5. Other Special Circumstances which may have Material Impact on Corporate Governance>

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

<II - 1. Organizational Composition and Operation>

Organization Form	Company with Audit and Supervisory Committee

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	9
Number of Outside Directors	4
Number of Independent Directors	4

ADVANTEST

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Osamu Karatsu	From another company											
Seiichi Yoshikawa	From another company											
MegumiYamamuro	Lawyer											
Tsuneko Murata	From another company											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Osamu Karatsu		○		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. Thus, Advantest believes that he is a suitable person to realize sustainable enhancement of corporate value.
Seiichi Yoshikawa		○		Mr. Seiichi Yoshikawa has a wealth of knowledge and experience as a research and development strategy specialist as well as experience in management of R&D companies in Japan. Thus, Advantest believes that he is a suitable person to realize sustainable enhancement of corporate value.
Megumi Yamamuro	○	○		Although Mr. Megumi Yamamuro has not been directly involved in the management of a company in the past, he has been engaged in legal practice for many years and also serves as an outside audit and supervisory board member of other companies. Thus, he is well versed in corporate legal affairs, including the Companies Act, compliance measures in Japan and overseas, and governance. Currently serving as a director who is an Audit and Supervisory Committee member, he is striving to enhance supervision, oversight and corporate governance. In view of his achievements, Advantest believes that he is a suitable person to enhance supervisory and oversight functions.

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tsuneko Murata	○	○		Ms. Tsuneko Murata has practical experience as an executive at private companies and Japan Pension Service. In addition, she is familiar with compliance measures and corporate governance as a legal manager. Furthermore, as she has abundant experience of auditing as an auditor at Japan Pension Service. In view of her expertise, Advantest believes that she is a suitable person to enhance supervisory and oversight functions.

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	1	2	Outside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Audit and Supervisory Committee appoints one employee to support the duty of the Audit and Supervisory Committee. The personnel matters of Audit and Supervisory Committee support employee should get prior approval from Audit and Supervisory Committee. The employee who assists the Audit and Supervisory Committee performs its duties in accordance with the instructions of the Audit and Supervisory Committee members and ensure independence from Directors and other officers and employees who are not members of the Audit and Supervisory Committee.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Audit and Supervisory Committee exchanges opinions regularly or at any time with the Accounting

Auditors, the Auditing Group (an internal audit division of Advantest) and the corporate auditor of each Advantest group.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

Advantest has established the Nomination and Compensation Committee as an arbitrary body complementing the role of the Board of Directors with the aim of improving the fairness, appropriateness and transparency of nominations and compensation of Directors and Executive Officers. The Nomination and Compensation Committee is responsible for the functions of both "the Nomination Committee" and "the Compensation Committee".

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. Not less than a half of the members is independent Directors.

The Nomination and Compensation Committee will recommend persons as candidates to the Board of Directors who will contribute to sustainable growth of the Group and improvement of corporate value over the medium to long term in accordance with the "Nomination Policy and Procedures" (*1) prescribed by the Board of Directors regarding Directors and Executive Officers. In addition, regarding independent outside directors, "Independence Criteria of Independent Outside Directors" (*2) prescribed by the Board of Directors will also apply in addition to the "Nomination Policy and Procedures" mentioned previously. Candidates recommended to the Board of Directors should have rich knowledge and can be expected to contribute actively to the Board of Directors.

(*1) "Nomination Policy and Procedures" Please refer to the Principle 3.1 v) Explanations with respect to the individual appointments and nominations based on iv) above.

(*2) “Independence Criteria of Independent Outside Directors” Please refer to the Principle 4.9 Independence Standards and Qualification for Independent Directors above.

[Independent Directors]

Number of Independent Directors	4

Matters relating to Independent Directors

Regarding “Independence Criteria of Independent Outside Directors”, Please refer to the Principle 4.9 Independence Standards and Qualification for Independent Directors above.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options

Supplementary Explanation

With the exception of Directors who are members of the Audit and Supervisory Committee and Outside Directors, Advantest will promote management awareness of the enhancement of shareholder value by further raising managers’ motivation and morale towards performance improvement, and to secure excellent talent. Advantest has established a compensation system and stock options for this purpose. In addition, Advantest established a performance-linked stock compensation plan from fiscal 2018.

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

Supplementary Explanation

Advantest will grant stock option to Directors or employees who has an important role and responsibility.

Regarding Directors who are members of the Audit and Supervisory Committee and Outside Directors, they are not eligible for grant of stock options by resolution of the Ordinary General Meeting of Shareholders held on June 27, 2018.

[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	Selected Directors

Supplementary Explanation

Individual disclosure is made in the Annual Financial Report for those with total consolidated compensation of 100 million yen or more.

Qualified person: Director Yoshiaki Yoshida
Total remuneration 103m Yen (basic remuneration ¥60 million; stock remuneration: ¥3 million; cash bonus: ¥40 million)

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

At the “Executive Compensation Policy and Procedures” (Please refer to the Principle3.1 iii) Board policies and procedures in determining the remuneration of the senior management and Directors above), the Nomination and Compensation Committee will deliberate the remuneration of Directors and Executive Officers excluding Directors who are members of the Audit and Supervisory Committee, and propose it to the Board of Directors. Based on the proposal from the Nomination and Compensation Committee, the Board of Directors deliberates and decides the remuneration of Directors and Executive Officers excluding Directors who are members of the Audit and Supervisory Committee.

The Audit and Supervisory Committee decides the remuneration of Directors who are members of the Audit and Supervisory Committee based on the Executive Compensation Policy and Procedures.

[Supporting System for Outside Directors]

At our company, the president's office and the general affairs department (Board of Directors secretariat) are in charge of supporting Outside Directors. In addition, Advantest provides data and reference materials for Board of Directors meetings to all the board members by three business days prior, in principle.

Advantest (and/or group-wide) information such as our business execution situation is reported directly to Outside Directors from appropriate personnel as necessary.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Shinichiro Kuroe	Advisor	Activity of outside economic organization etc.	Full-time, paid	25th January 2017	1 year (In case of contract renewal, the term is 1year)

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	1

Others

Advantest resolved the appointment / reappointment of Advisors at the Board of Directors.

<II - 2. Regarding Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)>

Advantest promotes management efficiency by separating the management decision making function and supervisory function from the function of the execution of operations.

The Board of Directors of Advantest, as the management decision making body, shall make decisions on significant matters with respect to the management policies and management strategies for Advantest group, and in its capacity to supervise management, the Board of Directors shall monitor and supervise the status of exercise of duties by Executive Officers while delegating necessary authorities to ensure the prompt and efficient performance of duties. Advantest strengthens the supervisory function so as to appoint multiple outside directors.

Regarding the audit function, Advantest adopted the Audit and Supervisory Committee system from June 24, 2015. The Audit and Supervisory Committee members attend the Board of Directors and other important meetings and the Audit and Supervisory Committee investigates the status of business and property, based on the audit policy and audit plan formulated by the Audit and Supervisory Committee. In addition, the Audit and Supervisory Committee will audit the execution of duties by Directors, Executive Officers and other business executing agencies through collaboration with the Internal Control Committee and Accounting Auditors.

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

Regarding accounting audits, Advantest has audited with Ernst & Young ShinNihon LLC and received predetermined audits. The certified public accountants who executed Advantest's accounting audit work in fiscal 2017 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.

The status of activities related to strengthening the functions of the Audit and Supervisory Committee is stated in the section on “the Audit and Supervisory Committee” in “the Business Management Organization and Other Corporate Governance Systems regarding Decision -making, Execution of Business, and Oversight in Management”.

Advantest has entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act with each of Outside Directors. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances. In addition, Advantest has stipulated in the Articles of Incorporation that pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, Advantest may enter into contracts with its Directors (excluding its Executive Directors, etc.) to limit their liabilities for a failure to perform their duties.

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

Advantest separates the Board of Directors and business execution agencies that have management decision making and supervisory functions for the purpose of improving management efficiency and transparency.

Advantest has also established an executive officer system to respond quickly to changing business environments, promptly execute business operations, and improve transparency.

Furthermore, in order to audit the execution of duties by Directors, Executive Officers and other business executing agencies, Advantest has adopted the Audit and Supervisory Committee system from June 24, 2015.

III. Implementation of Measures for Shareholders and Other Stakeholders

<III - 1. Measures to Vitalize General Shareholder Meetings and Smooth Exercise of Voting Rights>

	Supplementary Explanations
Early Notification of General Shareholder Meeting	More than 3 weeks before the date of the meeting.
Scheduling AGMs Avoiding the Peak Day	Avoid confliction of dates to facilitate participation by holding them 1 to 2 days prior to busy dates
Allowing Electronic Exercise of Voting Rights	Exercise of voting rights via the Internet from our website
Participation in Electronic Voting Platform	Advantest participates in the voting rights electronic exercise platform
Providing Convocation Notice in English	Convocation notice is available in Japanese and English on our Corporate website.
Other	All reported items at the shareholders meetings are disclosed on our Corporate website. An interaction opportunity with shareholders and our Board members is planned after the shareholders meeting.

<III - 2. IR Activities>

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	Basic IR Policy is disclosed on our Corporate website. https://www.advantest.com/investors/management-policy/basic-investor-relations-policy
Regular Investor Briefings for Analysts and Institutional Investors	Quarterly financial closing announcement and meeting is conducted.
Regular Investor Briefings for Overseas Investors	IR roadshow is conducted a few times a year in Europe and the US.
Posting of IR Materials on Website	https://www.advantest.com/investors Financial closing announcement, annual report, convocation notice are disclosed on our website in English and Japanese.
Establishment of Department and/or Manager in Charge of IR	Corporate office department, IR section is in charge.

<III - 3. Measures to Ensure Due Respect for Stakeholders>

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Advantest established basic CSR policy. Advantest will strive to respect stakeholders and contribute toward realizing a sustainable society by harmonizing with society
Implementation of Environmental Activities, CSR Activities etc.	CSR activities are actively organized and conducted by Corporate Communication Department CSR Environment office
Development of Policies on Information Provision to Stakeholders	Sustainability Report is reviewed and announced every year on Corporate WEB site.

IV. Matters Related to the Internal Control System

<IV - 1. Basic Views on Internal Control System and the Progress of System Development>

To ensure compliance with laws and ordinances as well as the Articles of Incorporation, and to ensure that actions are taken faithfully and ethically, Advantest shall establish the Advantest Code of Conduct for all Directors, Executive Officers and employees of Advantest group, and notify such Directors, Executive Officers and employees of these codes. Furthermore, Advantest shall establish the “Code of Ethics for Executives” for Directors and Executive Officers.

As a framework to realize full compliance with laws and ordinances, Advantest shall establish the Corporate Ethics Committee that monitors the implementation of the Advantest Code of Conduct. In addition, to handle reports or consultation regarding questionable matters in light of the Advantest Code of Conduct, Advantest shall establish the “Corporate Ethics Helpline”, a system in which a person who reports shall not be treated disadvantageously.

With respect to potential risks behind management environment, business activities and corporate assets of Advantest group, Advantest shall identify and classify risk factors for each important business process, analyze the magnitude of risks, possibility of actual occurrence and frequency of such occurrence, etc., and create written policies and procedures regarding the appropriate response to and avoidance/ reduction of the risks, as part of the internal control activities.

With respect to emergency situations such as disasters, Advantest shall establish the Risk Management Group, create written emergency action guidelines and prepare by implementing education and training programs on a regular base.

The Internal Control Committee shall thoroughly manage risks and report material risks to the Board of Directors.

Advantest is making efforts to prevent occupational injuries, create a comfortable working environment, and promote the good health of its employees through the establishment of the Safety and Health Committee.

Advantest shall properly retain and manage the information regarding the exercise of duties by Directors (i.e., minutes of general meetings of shareholders and reference materials, minutes of meetings of the Board of Directors and reference materials and other important documents regarding the exercise of duties by Directors) pursuant to the internal rules that stipulate details such as the period of retention, person in charge of retention and method of retention. Advantest shall establish the Information Security Committee that is responsible for protecting personal information and preventing confidential information from leaking.

Advantest shall establish and operate the same quality of internal control system for Advantest and each company of the group in order to conduct the consolidated group management placing an emphasis on business evaluation based on consolidated accounting. The internal control system of Advantest is supported by each department of Advantest that is responsible for each group company, and is established and operated as a unified system based on the policies of the group created by the Internal Control Committee. Significant matters concerning the status of each group company that is controlled by the Internal Control Committee shall be reported to the Board of Directors. The Auditing Group of Advantest supervises an internal audit to each group company.

<IV - 2. Basic Views on Eliminating Anti-Social Forces>

Advantest has no relationship with anti-social forces such as organized crime groups. Advantest resolutely refuses requests for purchasing literature, making contributions, payment of membership fees or any kind of approach from antisocial forces.

The Advantest Code of Conduct states that "We will have absolutely no relationships with antisocial forces and movements, such as organized crime groups. We will adamantly refuse to purchase literature from, make contributions or pay membership fees to or comply with any other demands of antisocial forces and movements." Advantest strives to thoroughly inform all Directors, Executive Officers and employees of the Advantest Code of Conduct.

In the event of contact, unfair demands or obstructive acts by antisocial forces, the General Affairs Department will become the supervising department and the General Affairs Division will respond as unlawful request prevention supervisor while cooperating with police and lawyers.

In-house training on corporate ethics explains how to deal with antisocial forces. Advantest also conducts a code of conduct review once a year, including the fact that it has no relation to antisocial forces. In addition, agreements with business partners, such as the basic purchase agreement, incorporate a clause of exclusion of antisocial forces.

V. Other

<V - 1. Adoption of Anti-Takeover Measures>

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

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<V - 2. Other Matters Concerning Corporate Governance System>

Advantest has established the Disclosure Committee and controls to disclose accurately, fairly and in a timely manner in compliance with the relevant laws such as the FIEL and the securities listing regulations of TSE, etc.

The Disclosure Committee Secretariat functions as a disclosure control that collects decisions, incidents and financial information of Advantest and its affiliated companies.

Information gathered by the Disclosure Committee secretariat will be decided on a timely basis by a person in charge of information and disclosed through the Disclosure Committee and the meeting of the Board of Directors. However, in case of an emergency, it will be disclosed promptly after being approved by Representative Director and President (CEO) and the Chief Financial Officer (CFO) at the discretion of a person in charge of information.

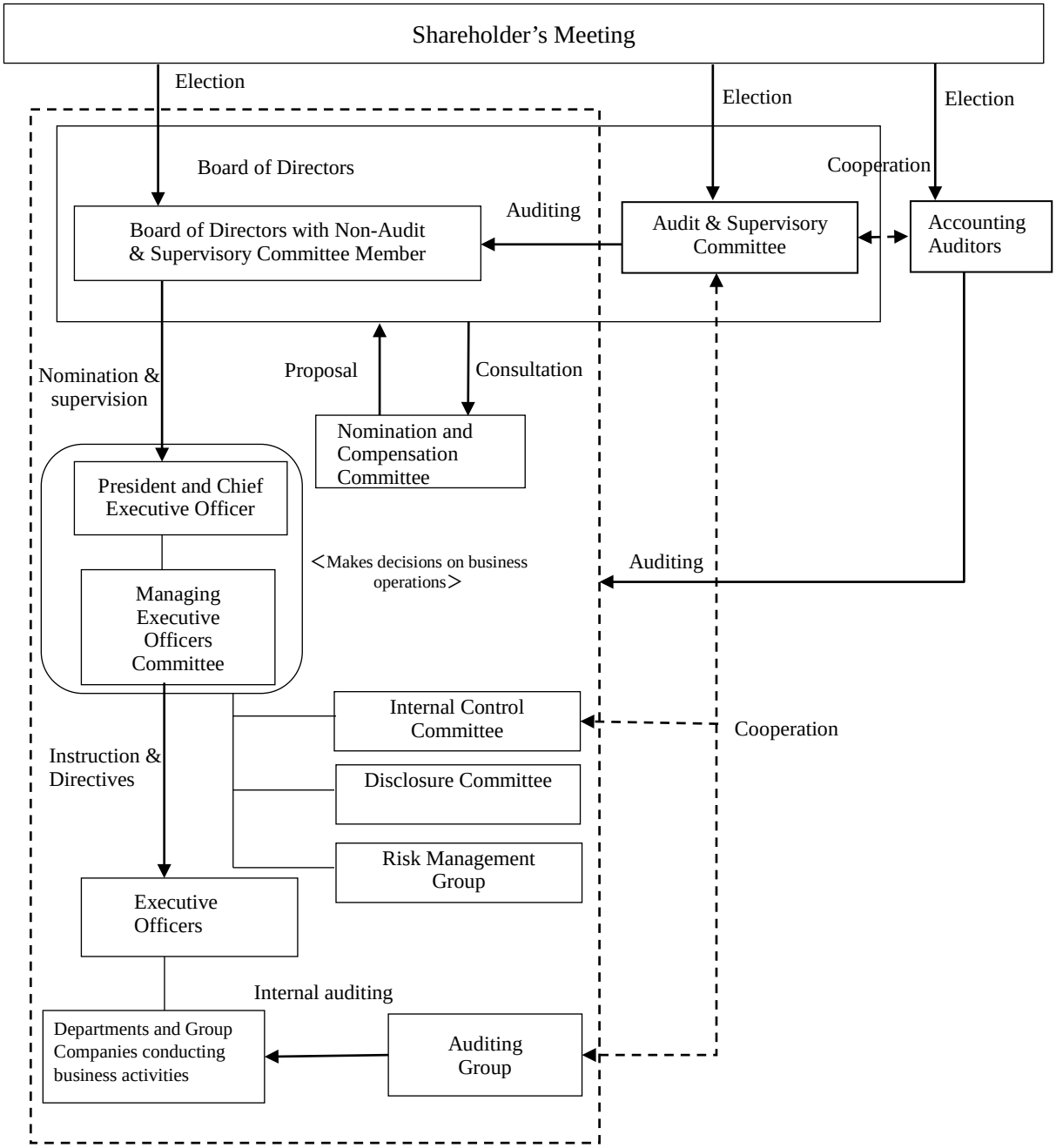
The role of the Disclosure Committee is (1) considering the materiality of information required to be disclosed, (2) review and supervise the preparation of disclosure to external parties, (3) establishing the standing procedures for Advantest's disclosure controls and procedures, (4) monitoring and evaluating the effectiveness of such controls and procedures, and (5) reporting directly to the CEO and CFO regarding all necessary aspects of the disclosure and related processes.

Also, among the disclosed information, the Disclosure Committee conducts disclosure control procedures for regular statutory disclosure documents such as information to be submitted to the KLFB. The CEO · CFO evaluate and certify the effectiveness of disclosure control procedures. Advantest further strengthen these documents by auditing the financial statements by independent outside auditors and having them reviewed by outside legal counsel as necessary.

In order to ensure that all important financial information and non-financial information are disclosed in a timely and appropriate manner, Advantest have formulated "The ADVANTEST Way & Code of Conduct" which promotes corporate activities in accordance with higher ethical standards, honesty and social justice and is working to ensure excellent corporate ethics. In addition, Advantest enforced the "Code of Ethics of officers" and clarified that officers take honest and ethical actions. Furthermore, Advantest established the Internal Control Committee to achieve the four objectives of "business effectiveness and efficiency", "reliability of financial reporting", "compliance with laws and regulations" and "asset conservation" and strive to maintain and manage internal control.

With the above, Advantest ensures the appropriateness of timely disclosure.

[Corporate Governance Scheme]



[Summary of internal controls and procedures and financial information gathering and reporting process]

