

The status of the Company's Corporate Governance is as follows.

Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

1. Basic Approach

The Company's group recognizes that responding sincerely to society's expectations with innovative high-tech solutions and earning social trust will lead to the continuous growth of our group. This recognition is shared by both management and employees. To achieve this, the Company is committed to complying with laws and regulations, timely disclosure of important information, developing high-quality products using its unique technologies, thorough quality control, and fulfilling its social responsibilities such as environmental conservation.

The President and CEO continuously communicates the importance and spirit of compliance throughout the organization to foster a healthy corporate culture. By doing so, the Company ensures that compliance is understood as the foundation of its corporate activities. Additionally, the Company is committed to the development, operation, and continuous improvement of internal control systems, including internal audits, to create an internal environment that ensures proper business execution.

In the Company, the following items are established as the preamble to the "Regulations for Directors," which are internal rules, and are to be observed by each director.

A. The Company is an organization that pursues the interests of all shareholders based on their investment and risk-bearing. It operates by receiving labor and capital, conducting business, and creating value. A company is a collaborative system of various stakeholders, and a good company maximizes shareholder value by efficiently creating value, enriching its employees, gaining the trust of other stakeholders, and contributing to the creation of a prosperous society.

B. Good governance is essential for a good company. Legally and economically, a company is the property of its shareholders, and even if shareholders have governance, the company cannot ignore economic efficiency and effectiveness as it utilizes valuable management resources. A company requires a certain level of discipline, which is ensured by "transparency," and it is desirable for its management to be under public scrutiny.

C. If the executives conducting business do not manage with this discipline, the company cannot fulfill its role. It is necessary to have independent directors who fully understand the essence and significance of the corporate system, possess a noble spirit and excellent insight, and can make judgments from the shareholders' perspective. Establishing a system where management listens to the opinions of independent directors and manages the company is the reason for inviting outside directors.

D. Each director shall establish a corporate governance system to ensure efficient and sound management of the company and conduct lawful management. They shall also strive to establish and implement internal rules aimed at achieving high-profit management and ensuring transparency, and to evaluate these efforts.

E. Directors, who are entrusted with capital from shareholders, shall manage and supervise the business execution carried out by executive officers. Executive officers, appointed by the board of directors, shall execute business in line with the management policies decided by the board. The board of directors shall be positioned as the monitoring function of management.

F. The company shall conduct sincere and fair corporate activities that comply with all laws and rules and do not violate social norms. It shall act with a sense of mission as a good corporate citizen with high ethical standards that are recognized internationally, contributing to the development of both domestic and international economies and societies. The company shall actively and fairly disclose accurate management information and communicate widely with society, committing to transparent management that is evaluated by society.

G. The company shall take a firm stance against anti-social forces that threaten the order and safety of civil society and shall never compromise.

[Reasons for not implementing each principle of the Corporate Governance Code]

The following is a list of the principles of the Corporate Governance Code that have not been implemented based on the revised Code (including content for the prime market) as of June 2021.

[Supplementary Principles 2.5.1] Establishing a point of contact that is independent of the management for whistleblowing

The Company has set up an internal reporting contact point in the Intellectual Property and Legal Department, which is not independent of the management. However, the internal reporting system's operational regulations stipulate the protection of whistleblowers, and the confidentiality of information related to whistleblowers, prohibiting disadvantageous treatment of whistleblowers. The Company believes that the current operation sufficiently ensures the confidentiality of whistleblowers and the prohibition of disadvantageous treatment.

[Principle 4.11 Preconditions for Board and Kansayaku Board Effectiveness] Analysis and evaluation of effectiveness of the board

At the Board of Directors meetings, the Company engage in active discussions on matters to be decided, thoroughly deliberating before making resolutions. During resolutions, outside directors and outside auditors ask questions and provide advice from various perspectives, ensuring that the Board of Directors functions effectively. To enhance the effectiveness of the Board of Directors, the Company conduct meetings efficiently with an appropriate size, and the Company do not plan to conduct analysis or evaluation of the Board's effectiveness for the time being.

[Supplementary Principles 4.11.3] Analysis and evaluation of effectiveness of the board and disclose of its overview results

At the Board of Directors meetings, the Company engage in active discussions on matters to be decided, thoroughly deliberating before making resolutions. During resolutions, outside directors and outside auditors ask questions and provide advice from various perspectives, ensuring that the Board of Directors functions effectively. To enhance the effectiveness of the Board of Directors, the Company conduct meetings efficiently with an appropriate size, and the Company do not plan to conduct analysis or evaluation of the Board's effectiveness for the time being. In the fiscal year ending March 2024, the Company held regular Board of Directors meetings and extraordinary Board of Directors meeting, deliberating and resolving important matters related to business execution without delay.

[Disclosure based on each principle of the Corporate Governance Code]

The company has published its efforts regarding all items of the basic principles, principles, and supplementary principles of the Corporate Governance Code on the website under the title "Corporate Governance." Please refer to it.

Corporate Governance (<https://www.megachips.co.jp/english/irinfo/management/governance/>)

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price]

MegaChips Groups aims to achieve both high capital efficiency and healthy financial structure. The Company will ensure the adequate return of managerial resources based on market conditions, competitive circumstances, and growth opportunities. Regarding capital efficiency, the Company will strive to understand our own cost of capital and take initiatives that are meaningful of this cost to enhance corporate value in the medium term. We consider ROE and PBR as important indicators representing capital income ratio and a market valuation, respectively. MegaChips Group's Return on Equity (ROE) was 5.1% in the fiscal year ended March 2024, which was slightly lower than our recognized cost of capital. We target an ROE level of more than 8%, and to achieve this target in the mid-to-long term, we aim to continuously enhance capital efficiency, ensure the implementation of our mid-to-long term management strategy, and increase profitability. We believe it is necessary to improve capital efficiency and market valuation, including our stock price and PBR, by gaining sufficient understanding from investors regarding our growth strategy through ongoing conversations. Regarding our financial structure, we aim to enhance equity capital to respond to the rapid changes in business circumstances, maintain stable management, and prepare for risks associated with market condition deterioration.

The overview of our mid-to-long term initiatives to enhance corporate value and shareholder value is as follows:

Growth strategy

The Company proceeds with measures based on the following mid-term initiatives: The Company aims to enhance profitability and our business portfolio by strengthening Amusement and ASIC business foundations, and by launching new businesses, including Telecommunications, for mid-to-long-term sustainable growth.

Financial strategy

The Company maintains a healthy financial structure that enables flexible and prompt adaptation to changes in business circumstances, supporting mid-to long-term growth through business structural reform and new business development. The Company also conducts proactive and stable profit return based on the following policy, aiming to enhance capital efficiency.

- Regarding the distribution of retained earnings, the Company will determine the amount of dividends by taking an amount equivalent to at least 30% of the consolidated net income attributable to owners of parent (with special factors subtracted upon due consideration) as the aggregate amount of dividends, while taking the medium-term business outlook into consideration.
- To enhance capital efficiency, we will agilely conduct share repurchases, considering market conditions, share price trends, and financial conditions.

Human resource strategy

The Company considers the development of human resources to be one of our major agendas for achieving a society where human rights and cultures are respected, and where diverse human resources can actively play their roles. The Company takes initiatives to provide our employees with opportunities for growth and engagement, promote diversity, offer grand-type scholarships through a foundation established by our founder, and support the development of young human resources who will be the main pillars of the electronics industry.

Improvement of IR activities

The Company considers the development of human resources to be one of our major agendas for achieving a society where human rights and cultures are respected, and where diverse human resources can actively play their roles. The Company takes initiatives to provide our employees with opportunities for growth and engagement, promotes diversity, offers grand-type scholarships through a foundation established by our founder, and supports the development of young human resources who will be the main pillars of the electronics industry.

2 . Capital structure

Foreign shareholding ratio	30% or more
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[Major shareholders]

Names of shareholders	Number of shares held	Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,898,600	10.46
Shindo Corporation	1,239,800	6.83
Shindo and Associates Co., Ltd.	1,239,800	6.83
GOLDMAN SACHS INTERNATIONAL	867,048	4.77
Custody Bank of Japan (Trust Account)	722,700	3.98
Masahiro Shindo	552,644	3.04
Ritsuko Shindo	536,600	2.96
Noriko Matsui	507,348	2.79
THE BANK OF NEW YORK 133652	505,000	2.78
Mika Aoki	494,848	2.73

Presence of controlling shareholder (excluding the parent company)	
Presence of parent company	None

Supplementary explanation

3 . Corporate attributes

Listed stock exchange and market segment.	Tokyo Prime
Fiscal year-end	March
Industry	Electrical equipment
Number of (consolidated) employees at the end of the most recent fiscal year	More than 100 but fewer than 500
Consolidated net sales in the most recent fiscal year	More than 10 billion yen but less than 100 billion yen
Number of consolidated subsidiaries at the end of the most recent fiscal year	Less than 10 companies

4 . Guidelines for measures to protect minority shareholders in transactions with controlling shareholders

5 . Other special circumstances that could have a significant impact on corporate governance

Status of the management control organization and other corporate governance structures related to managerial decision-making, execution, and supervision

1 . Matters related to organizational structure and operation

Organizational structure	Company with a Board of Auditors
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[Matters Related to Directors]

Number of Directors stipulated in Articles of Incorporation	12
Term of office for directors stipulated in articles of incorporation	1 year
Chairperson of the Board of Directors	President
Number of the Board of Directors	10
Status of appointment of outside directors	Appointed
Number of outside directors	4
Number of outside directors designated as independent officers	4

Relationship with the company (1)

Name	Attribute	Relationship with the company ()										
		a	b	c	d	e	f	g	h	i	j	k
Junko Nagata	Scholar											
Hirofumi Nagai	Certified Public Accountant											
Heihachi Matsumoto	Scholar											
Satoshi Nakamura	Scholar											

Selection items regarding the relationship with the company

If the individual currently or recently falls under each item, mark "○"; if it applies in the past, mark "△"

If a close relative currently or recently falls under each item, mark "●"; if it applies in the past, mark "▲"

- a Executive of a listed company or its subsidiary
- b Executive or non-executive director of the parent company of a listed company
- c Executive of a sister company of a listed company
- d Entity for which the listed company is a major business partner or its executive
- e Major business partner of the listed company or its executive
- f Consultant, accounting expert, or legal expert who receives a significant amount of money or other assets from the listed company in addition to director compensation
- g Major shareholder of the listed company (if the major shareholder is a corporation, then an executive of the corporation)
- h Executive of a business partner of the listed company (not falling under d, e, or f) (individual only)
- i Executive of an entity with a mutual appointment relationship with an outside officer (individual only)
- j Executive of an entity to which the listed company makes donations (individual only)
- k Other

Name	Independent officer	Supplementary explanation regarding applicable items	Reasons for Nomination
Junko Nagai			<p>Ms. Junko Nagata entered the Japan Coast Guard Academy as the first female student and worked for Japan Coast Guard and became the youngest and first female captain of "Matsunami", a patrol boat. She was one of the pioneers to open the careers for women. In addition, she researched and studied policy analysis, decision making, and management to develop leadership and improve performance in organizations. For the reasons described above, she will proactively provide advice from objective perspectives as an outside director and make management more active from a new point of view. Therefore, the Company has judged that Ms. Nagata will be able to serve as an Outside Director properly and we have nominated her again as a candidate for Outside Director.</p> <p>We recognize that Ms. Junko Nagata has a high level of independence as an outside director for the following reasons:</p> <p>(a) She is not a spouse, relative within the third degree of kinship, or equivalent of any of our directors.</p> <p>(b) She has never been an executive of our company or any of our specified affiliated businesses.</p> <p>(c) She has not received, nor is she scheduled to receive, a significant amount of money or other assets from our company or any of our specified affiliated businesses.</p> <p>Furthermore, as she meets the independence criteria set by the Tokyo Stock Exchange and our company's substantial independence standards, we consider her to be well-qualified as an independent officer.</p>
Hirofumi Nagai			<p>As a certified public accountant and certified tax accountant, Mr. Nagai has extensive expertise and rich career in finance, corporate accounting and auditing. With these specialized skills and perspectives, we believe he will be able to provide advice proactively on the formulation of financial strategies and the improvement of the accuracy of management decisions, , and supervise management in terms of corporate governance. Therefore, we continue to nominate him again as a candidate for Outside Director.</p> <p>We recognize that Mr. Hirofumi Nagai has a high level of independence as an outside director for the following reasons:</p> <p>(a) He is not a spouse, relative within the third degree of kinship, or equivalent of any of our directors.</p> <p>(b) He has never been an executive of our company or any of our specified affiliated businesses.</p> <p>(c) He has not received, nor is he scheduled to receive, a significant amount of money or other assets from our company or any of our specified affiliated businesses.</p> <p>Furthermore, as he meets the independence criteria set by the Tokyo Stock Exchange and our company's substantial independence standards, we consider him to be well-qualified as an independent officer.</p>

Heihachi Matsumoto			<p>Mr. Matsumoto has a wealth of knowledge and experience about semiconductor because he has been engaged in Research and Development and business operations in the semiconductor field including quality assurance, system LSI, and LCD since joining Mitsubishi Electric Corporation. Further, he has broad expertise in technical specialties as a professor at Kochi University of Technology. We have nominated Mr. Matsumoto as a candidate for Outside Director because we believe that he can contribute to the development of the Company by proactively providing suggestions and proposals from a diverse and objective perspective, leveraging his wide-ranging experience.</p> <p>We recognize that Mr. Heihachi Matsumoto has a high level of independence as an outside director for the following reasons:</p> <p>(a) He is not a spouse, relative within the third degree of kinship, or equivalent of any of our directors.</p> <p>(b) He has never been an executive of our company or any of our specified affiliated businesses.</p> <p>(c) He has not received, nor is he scheduled to receive, a significant amount of money or other assets from our company or any of our specified affiliated businesses.</p> <p>Furthermore, as he meets the independence criteria set by the Tokyo Stock Exchange and our company's substantial independence standards, we consider him to be well-qualified as an independent officer.</p>
Satoshi Nakamura			<p>Having been involved in information technology research for a long time, Mr. Nakamura has been engaged in information and communication technology research while teaching at The Division of Information Science, The Graduate School of Information Science at Nara Institute of Science and Technology (NAIST) and at the Karlsruher Institut für Technologie, Germany. He was responsible for the establishment of NAIST Data Science Center, and currently teaches at NAIST and The Chinese University of Hong Kong, Shenzhen. We have nominated him again as a candidate for outside director because we believe that he can contribute to the development of the Company by proactively providing suggestions and proposals from a diverse and objective perspective, leveraging his wealth of experience and wide-ranging expertise.</p> <p>We recognize that Mr. Satoshi Nakamura has a high level of independence as an outside director for the following reasons:</p> <p>(a) He is not a spouse, relative within the third degree of kinship, or equivalent of any of our directors.</p> <p>(b) He has never been an executive of our company or any of our specified affiliated businesses.</p> <p>(c) He has not received, nor is he scheduled to receive, a significant amount of money or other assets from our company or any of our specified affiliated businesses.</p> <p>Furthermore, as he meets the independence criteria set by the Tokyo Stock Exchange and our company's substantial independence standards, we consider him to be well-qualified as an independent officer.</p>

Presence of Voluntary Committees equivalent to Nomination or Compensation Committees	Yes
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Status of establishment of voluntary Committees, Committee composition, and attributes of the chairperson (chair)

	Name of Committee	Members	Full-time members	Internal directors	Outside directors	Outside experts	Others	Chairperson (Chair)
A voluntary committee equivalent to a nominating committee	Nominating Committee	5	2	2	3	0	0	Internal Director
A voluntary committee equivalent to a remuneration committee	Remuneration Committee	3	1	1	0	0	2	Internal Director

Supplementary explanation

The nominating committee consists of the Company's two internal directors and three outside directors.
The remuneration committee consist of the Company's one internal director and two outside directors.
The chairperson is nominated by mutual election among the committee members.

[Matters related to the auditors]

Presence of Board of Auditors	Yes
The number of auditors stipulated in the Articles of Incorporation	4
Number of auditors	4

Coordination among auditors, accounting auditors, and the internal audit department

At the beginning of each fiscal year, the auditors hold discussions with the accounting auditors regarding the audit plan and audit policies. For audit procedures conducted in a timely manner, the auditors regularly exchange opinions with the accounting auditors about the methods, results, and evaluations of these procedures through ongoing communication.

The auditors work closely with the internal audit department, which is responsible for operational audits, to enhance the effectiveness of the auditors' audits. Although there are no regular meetings composed solely of outside directors and outside auditors, information exchange and coordination are conducted as necessary.

The appointment status of outside auditors	Appointed
The number of outside auditors	3
The number of outside auditors designated as independent officers	3

Relationships with the Company (1)

Name	Attribute	Relationships with the Company ()												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Keiichi Kitano	Certified tax accountant													
Tomoyoshi Furukawa	Attorney													
Akira Matsushima	an individual from another company													

Selection items regarding the relationship with the company

If the individual currently or recently falls under each item, mark "○"; if it applies in the past, mark "△"

If a close relative currently or recently falls under each item, mark "●"; if it applies in the past, mark "▲"

- a Executive of a listed company or its subsidiary
- b Non-executive director or an accounting advisor of a listed company or its subsidiary
- c Executive or non-executive director of the parent company of a listed company
- d Auditor of a parent company of a listed company
- e Executive of a sister company of a listed company
- f Entity for which the listed company is a major business partner or its executive
- g Major business partner of the listed company or its executive
- h Consultant, accounting expert, or legal expert who receives a significant amount of money or other assets from the listed company in addition to director compensation
- i Major shareholder of the listed company (if the major shareholder is a corporation, then an executive of the corporation)
- j Executive of a business partner of the listed company (not falling under f, g, or h) (individual only)
- k Executive of an entity with a mutual appointment relationship with an outside officer (individual only)
- l Executive of an entity to which the listed company makes donations (individual only)
- m Other

Name	Independent officer	Supplementary explanation regarding applicable items	Reasons for nomination
Keiichi Kitano			<p>We have nominated Mr. Kitano as an auditor because we believe that he will be able to appropriately perform his duties as an outside auditor and further strengthens the Company's auditing system by providing advice on the Company's overall management, including taxation and accounting matters by utilizing his professional knowledge and expertise as a tax accountant.</p> <p>We recognize that Mr. Keiichi Kitano has a high level of independence as an outside auditor for the following reasons:</p> <p>(a) He is not a spouse, relative within the third degree of kinship, or equivalent of any of our directors.</p> <p>(b) He has never been an executive of our company or any of our specified affiliated businesses.</p> <p>(c) He has not received, nor is he scheduled to receive, a significant amount of money or other assets from our company or any of our specified affiliated businesses. Furthermore, as he meets the independence criteria set by the Tokyo Stock Exchange and our company's substantial independence standards, we consider him to be well-qualified as an independent officer.</p>
Tomoyoshi Furukawa			<p>Mr. Furukawa has a global business experience in addition to a high degree of knowledge and broad experience regarding corporate law and international legal matters. He is viewed as person capable of overseeing the appropriateness of business judgment in audits from a perspective of a compliance and a corporate law, while, at the same time, contributing to improving the Company's governance, and therefore has been nominate as an outside auditor.</p> <p>We recognize that Mr. Tomoyoshi Furukawa has a high level of independence as an outside auditor for the following reasons:</p> <p>(a) He is not a spouse, relative within the third degree of kinship, or equivalent of any of our directors.</p> <p>(b) He has never been an executive of our company or any of our specified affiliated businesses.</p> <p>(c) He has not received, nor is he scheduled to receive, a significant amount of money or other assets from our company or any of our specified affiliated businesses. Furthermore, as he meets the independence criteria set by the Tokyo Stock Exchange and our company's substantial independence standards, we consider him to be well-qualified as an independent officer.</p>
Akira Matsushima			<p>Mr. Matsushima has been engaged in business management, building production systems, and sales management in the semiconductor field for many years, and has broad insight into management based on his experience in business operations, including the planning of medium- to long-term management strategies. The Company has decided to nominate him as outside auditor because we believe that he will be able to appropriately perform his duties as an outside auditor and strengthen the audit function of the Company by providing advice on the Company's business and overall management.</p> <p>We recognize that Mr. Akira Matsushima has a high level of independence as an outside auditor for the following reasons:</p> <p>(a) He is not a spouse, relative within the third degree of kinship, or equivalent of any of our directors.</p> <p>(b) He has never been an executive of our company or any of our specified affiliated businesses.</p> <p>(c) He has not received, nor is he scheduled to receive, a significant amount of money or other assets from our company or any of our specified affiliated businesses. Furthermore, as he meets the independence criteria set by the Tokyo Stock Exchange and our company's substantial independence standards, we consider him to be well-qualified as an independent officer.</p>

[Matters related to the independent officers]

The number of independent officers	7
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Other matters related to the independent officers

Our company designates all external officers who meet the qualifications of independent officers as independent officers.

[Matters related to the incentives]

Status of implementation of measures related to incentive provision for Directors	Introduction of performance-linked compensation system, and others
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Supplementary explanation regarding relevant items
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The compensation for directors consists of fixed compensation as basic remuneration, performance-linked bonuses as executive bonuses, and non-monetary compensation such as restricted stock compensation. The restricted stock compensation system has been introduced as a medium- to long-term incentive to sustainably enhance the company's corporate value.

Recipients of Stock Options

Supplementary explanation regarding relevant items
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[Matters related to the compensation for Directors]

Disclosure Status of (Individual Directors' Compensation)

Individual compensation is not disclosed.

Supplementary explanation regarding relevant items

In the business report, we disclose the total amount of compensation for all directors, and as a breakdown, we disclose the total amount for external directors. In the securities report, we disclose the total amount for directors excluding external directors, as well as the total amount for external officers (external directors and external auditors).

For the fiscal year ending March 2024, the total amount of compensation for directors is 441,680 thousand yen for 12 directors (including 2 who have retired), of which 50,358 thousand yen is for 4 external directors.

Existence of policy for determining the amount or calculation method of compensation

Yes

Disclosure of policy for determining the amount or calculation method of compensation

The Company has established a policy regarding the determination of executive compensation and other related matters. The formulation and modification of this policy are decided by the Board of Directors based on recommendations from the Compensation Committee. The outline of the policy concerning executive compensation and other related matters is as follows.

i. Basic policy on directors' compensation

The directors' compensation is designed to attract and retain talented individuals who are the source of the Company's competitiveness, and to emphasize the enhancement of the corporate value of the Company group. Specifically, it consists of fixed compensation as basic remuneration, performance-linked bonuses as executive bonuses, and non-monetary compensation such as restricted stock compensation. The total amount of compensation is determined within the range approved by the General Meeting of Shareholders.

ii. Policy on determining the method for calculating the amount of basic compensation (monetary compensation)

The basic compensation for the Company's directors is a fixed monthly amount. It is determined based on the position and employment status (full-time or part-time) of each director, taking into consideration the difficulty of their duties, the weight of their responsibilities, and prevailing market standards.

iii. Policy on determining the content and method for calculating the amount of performance-linked compensation and non-monetary compensation

Performance-linked compensation is designed to enhance motivation for improving performance and is paid annually in cash as executive bonuses at a specified time each year. The executive bonuses are determined based on a maximum of 7% of the "net income attributable to owners of the parent" for the fiscal year within the Company group. (The Company uses "net income attributable to owners of the parent," which represents the final result of management, as the indicator for evaluating performance-linked compensation, and bases it on actual performance figures.) The individual payment amounts are allocated considering each director's responsibility and performance. Non-monetary compensation is provided in the form of restricted stock. The content of this compensation involves allocating a certain number of shares to eligible directors at a specified time each year, taking into account their responsibilities. Specifically, based on resolutions of the Company's Board of Directors, monetary claims are granted within the range approved by the Annual General Meeting of Shareholders as compensation related to restricted stock, and each director receives an allocation of restricted stock by contributing the entire amount of these monetary claims as in-kind contributions. If any of the eligible directors are non-residents of Japan at the time the Board of Directors determines the amount of monetary claims and the number of allocated shares under this system, no monetary claims or stock allocations will be granted to such directors under this system. Instead, they will receive monetary compensation equivalent to the amount of the monetary claims within the existing monetary compensation framework.

iv. Policy on the ratio of individual directors' compensation amounts for basic compensation (monetary compensation) and performance-linked compensation or non-monetary compensation

The ratio of compensation for different types of directors will be determined based on the compensation levels of companies with a similar business scale and in related industries and business types, which will serve as benchmarks.

v. Matters related to the determination of individual directors' compensation details

The individual payment amounts for fixed compensation, executive bonuses, and restricted stock compensation will be deliberated by the Compensation Committee, which consists of a majority of outside directors. The Board of Directors will then obtain recommendations from the Compensation Committee. Subsequently, the Board of Directors will delegate the determination of individual payment amounts to the President and CEO. In making these determinations, the President and CEO will respect the recommendations of the Compensation Committee and decide the details of individual directors' compensation within the range of the compensation ratios indicated in the recommendations. The Compensation Committee is established under the Board of Directors as a voluntary advisory body. The secretariat of the Compensation Committee is the Human Resources Department, and the committee consists of a majority of outside directors and internal directors. The Compensation Committee has the authority to deliberate and make recommendations to the Board of Directors on policies related to the compensation of directors and executive officers, the details of individual compensation for directors and executive officers, and the establishment, modification, and abolition of necessary rules and procedures for these decisions.

vi. Policy on compensation for Auditors

The compensation for Auditors consists of fixed compensation. The fixed compensation is determined based on the employment status (full-time or part-time) and the responsibilities of each Auditor.

[Support System for Outside Directors (Outside Auditors)]

The Finance Department serves as the secretariat for the Board of Directors, compiling and distributing meeting materials in advance to ensure efficient deliberations during meetings. Additionally, a secretary within the Finance Department is responsible for liaising with outside directors, coordinating schedules, and ensuring that outside directors can attend Board meetings. Furthermore, in preparation for emergencies, we have established an emergency contact network that includes outside directors to ensure a reliable flow of information.

2 . Matters related to business execution, auditing and supervision, nomination, and compensation determination functions (Overview of the current corporate governance system)

The Company is a company with an Audit & Supervisory Board, consisting of 10 directors (including 4 outside directors) and 4 Audit & Supervisory Board members (including 3 outside Audit & Supervisory Board members).

The Board of Directors is positioned as the decision-making and supervisory body for management strategies and business execution. We have established a system that allows for responsible decision-making by a small number of directors to be made quickly. To respond swiftly to changes in the business environment, the term of office for directors is set at one year in the Articles of Incorporation. (Board of Directors members: President and CEO Tetsuo Hikawa (Chairman), Chairman of the Board Masahiro Shindo, Executive Vice President Yoshimasa Hayashi, Directors Ikuo Iwama, Masashi Kuramoto, and Masaaki Iwai, Outside Directors Junko Nagata, Hirofumi Nagai, Heihachi Matsumoto, and Satoshi Nakamura) Additionally, to revitalize the Board of Directors by separating decision-making and supervision from business execution, we have introduced an executive officer system.

Audit & Supervisory Board Members audit the basic management policies, decisions on important company matters, and the status of business execution at the Board of Directors. They also monitor compliance with laws, the Articles of Incorporation, and internal regulations, as well as the legality of business execution at the Audit & Supervisory Board. Each Audit & Supervisory Board Member's role is determined through discussions, and they conduct audits from a specialized perspective in areas such as law, intellectual property rights, financial accounting, taxation, and overall management. (Audit & Supervisory Board members: Full-time Audit & Supervisory Board Member Hiroshi Aoki (Chairman), Keiichi Kitano, Tomoyoshi Furukawa, and Akira Matsushima)

Under the Board of Directors, the Company has established a Management Committee, operated by the management team (executive officers, department heads, etc.), to monitor and oversee the status of business execution and progress management of business plans for each business division. Additionally, as voluntary advisory bodies under the Board of Directors, we have established a Compensation Committee and a Nomination Committee, each consisting of a majority of outside directors and internal directors. The secretariat for each committee is the Human Resources Department. The Compensation Committee deliberates on the compensation levels, compensation system content, and individual compensation amounts for directors, while the Nomination Committee deliberates on proposals for the appointment and dismissal of directors and Audit & Supervisory Board Members, as well as nomination policies, and makes recommendations to the Board of Directors. (The 34th Term Compensation Committee: President and CEO Tetsuo Hikawa (Chairman), Outside Audit & Supervisory Board Members Keiichi Kitano and Tomoyoshi Furukawa)

(The 34th Term Nomination Committee: Executive Vice President Yoshimasa Hayashi (Chairman), Chairman of the Board Masahiro Shindo, Outside Directors Junko Nagata, Kanbun Nagai, Heihachi Matsumoto)

As part of our efforts to enhance the business execution and supervisory functions, we have appointed four outside directors and three outside Audit & Supervisory Board Members who have no direct interest in the Company. This is to ensure transparency and objectivity in management and to provide a check on the legality of the duties performed by directors and executive officers. At the Board of Directors, these highly independent outside directors and outside Audit & Supervisory Board Members provide opinions from an external perspective, thereby enhancing the supervision of business execution.

Furthermore, the Company has entered into liability limitation agreements with outside directors and outside Audit & Supervisory Board Members, stipulating that if they bear liability for damages under Article 423, Paragraph 1 of the Companies Act, they will be liable for damages only to the extent provided by law, provided they have acted in good faith and without gross negligence in performing their duties.

3 . Reasons for choosing the current corporate governance system

The Company has chosen to be a company with an Audit & Supervisory Board as its organizational structure. Under an internal control system suitable for the Company, which includes a small number of directors, the introduction of an executive officer system, and the establishment of voluntary advisory bodies, we strive to ensure compliance with laws and regulations, transparency, fairness, and speed, while always being mindful of corporate governance in our management practices. In the current governance system, we have established a structure in which highly independent outside directors and outside Audit & Supervisory Board Members enhance the audit and supervisory functions over management from an objective and neutral perspective.

Implementation status of measures concerning shareholders and other stakeholders

1. Efforts to revitalize general meetings of shareholders and facilitate the exercise of voting rights

	Supplementary explanation
Early dispatch of notice of general meeting of shareholders	The Company dispatches the notice of convocation for the general meeting of shareholders three weeks prior to the meeting date. Additionally, we strive to post the notice of convocation on our company's website and the Tokyo Stock Exchange website at least five business days before the dispatch date.
Exercise of voting rights by electronic means	Since the 30th Annual General Meeting of Shareholders, the Company has implemented the exercise of voting rights via Internet and other means.
Participation in the electronic voting platform and other efforts to improve the voting environment for institutional investors	Since the 32nd Annual General Meeting of Shareholders, the Company has implemented the exercise of voting rights for institutional investors through the electronic voting platform for institutional investors.
Provision of English translation of the summary of the notice of convocation	Since the 29th Annual General Meeting of Shareholders, the Company has been preparing an English version of the notice of convocation and posting it on our company's website.

2. Status of IR Activities

	Supplementary explanation	Explanations by the representative
Formulation and disclosure of disclosure policy	The Company has formulated an "IR Policy" as its disclosure policy and posted it on its website.	
Regular briefings for analysts and institutional investors	The Company holds briefings for analysts, fund managers, and other institutional investors after the announcement of each quarterly and annual financial results. Additionally, after each financial results announcement, we arrange individual visits to explain the status of our business and other relevant information.	Yes
Posting of IR materials on the website	The Company posts financial results summaries, financial presentation materials, securities reports, and other documents on its website. Additionally, after the financial results announcement, the Company provides a summary of the current situation based on the performance results.	
Establishment of a department (person in charge) for IR	The Company has a total of five members responsible for IR-related tasks, consisting of one head of the finance department and four staff members.	

3. Status of efforts to respect the position of stakeholders

	Supplementary explanation
Provision for respecting the position of stakeholders through internal regulations and other measures	The Company has established standards of conduct and rules for compliance with regulations and laws in the "Basic Policy on Megachips' Internal Control System," "Compliance Regulations," "Compliance Committee Regulations," and other documents, thereby instilling the importance of compliance within the organization. These regulations clearly state the Company's commitment to conducting timely and appropriate information disclosure with integrity and respecting the stakeholders surrounding the Company.
Implementation of environmental conservation activities, CSR activities, and other initiatives	<p>The Company believes that promoting environmental conservation is essential to realizing a safer future society. To contribute to the environment by achieving "coexistence of the environment and management," we have established an environmental management system in compliance with the international standard ISO 14001.</p> <p>The main environmental conservation activities are as follows:</p> <ul style="list-style-type: none"> · "Environmentally conscious, high-circulation product development," which involves considering environmental impacts and working on reducing power consumption and miniaturization of products. · "Reduction of environmentally hazardous substances and green procurement" based on our unique Green Procurement Guidelines. · "Promotion of eco-office activities" that focus on energy and resource conservation within our business locations. · Compliance with "regulations on conflict minerals" and "compliance with laws and other requirements."

1. Basic concept and development status of the internal control system

(Development of internal control system)

The Company develops and operates its internal control system based on the "MegaChips' Basic Policy on the Internal Control System" as determined by the Board of Directors. The Board of Directors regularly reviews and supervises the operation status of the internal control system.

(System to ensure the appropriateness of operations)

1. System to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation

To ensure transparency and objectivity in management and to secure the legality of the execution of duties by directors and executive officers, the Company actively invites independent outside directors and outside auditors. These individuals are expected to provide a check-and-balance function and monitor business execution from an external perspective. The President and CEO ensures that compliance is thoroughly understood as a prerequisite for corporate activities. Additionally, the President and CEO continuously works on the development and operation of the internal control system and the enhancement of its functions, promoting the creation of an internal environment where proper business execution is carried out.

2. System for the preservation and management of information related to the execution of duties by directors

The Company preserves and manages information related to the duties and business execution of officers and employees based on regulations and other rules concerning the preservation of internal documents. Additionally, the Company establishes a system that can respond promptly to requests for access from officers and accounting auditors for the purpose of understanding the status of business execution and collecting information for audits.

3. Regulations and other systems for managing the risk of loss

To recognize and address risks that could significantly impact management in a timely and appropriate manner, the Company promotes risk management based on established rules. The internal audit department regularly evaluates the appropriateness, effectiveness, and efficiency of each department's business execution and risk management status, and provides instructions and recommendations for identifying and improving risks. Additionally, the Company establishes a system for the proper dissemination of information in the event of incidents that could significantly impact management, ensuring appropriate information disclosure. Furthermore, to ensure early response to fraudulent activities and other issues, the Company establishes an internal reporting system that protects whistleblowers.

4. System to ensure the efficient execution of duties by directors

In the business execution line, the Company ensures the efficiency of directors' execution of duties by establishing a system in which control and monitoring function appropriately, as outlined below.

i. The Company establishes regulations concerning the division of duties, authority, and meeting bodies to ensure that the exercise of duties and decision-making by directors and employees are conducted appropriately and efficiently based on rules.

ii. The President and CEO shares the Company's management philosophy, management principles, code of conduct, and the Company's mission with officers and employees, and operates the organization based on these principles.

iii. The President and CEO sets company-wide goals as a medium-term management plan each fiscal year to enhance awareness of goal achievement. Additionally, to crystalize the medium-term management plan, the President and CEO formulates performance targets and budgets for each business division annually and determines the allocation of management resources.

iv. To enhance the functionality of the Board of Directors by separating decision-making and supervision by directors from business execution, the Company adopts an executive officer system to ensure efficient organizational management.

5. System to ensure that the execution of duties by employees complies with laws, regulations, and the Articles of Incorporation

The Company will establish an independent monitoring system separate from the business execution line as outlined below, in order to ensure the legality of employees' performance of their duties.

i. The Company will establish an internal reporting system that allows employees and others to directly provide information when they discover risks or signs of risks in business execution, or fraudulent activities by employees and others. This system will be operated in accordance with regulations that prohibit any disadvantageous treatment of the whistleblower.

ii. When information is provided through the internal reporting system, the Company will conduct an investigation of the facts based on the regulations, recommend the cessation of any illegal activities if necessary, and consider measures to prevent recurrence.

iii. If any illegal activities are confirmed, the Company will report the causes and measures to prevent recurrence to the President and CEO.

6. System to ensure the proper execution of business within the corporate group consisting of the company, its parent company, and subsidiaries

The company will strive to ensure the proper execution of business by applying the internal control system to the entire group, including subsidiaries. By receiving reports from each subsidiary, the company will regularly grasp the status of business execution and financial conditions, and confirm the propriety of business operations at the company's board of directors and management meetings.

7. Matters concerning employees requested by the Audit & Supervisory Board Members to assist in their duties, and matters concerning the independence of such employees from the Directors

Although there are no permanent employees assigned to assist the Audit & Supervisory Board Members, we will discuss and respond before conducting business audits. Additionally, in response to requests from the Audit & Supervisory Board Members, we will provide opportunities to obtain advice from accounting auditors or external experts and ensure a system where employees can be instructed and directed in audit operations. We will also ensure the independence of employees who receive instructions and orders from the Audit & Supervisory Board Members from the parties subject to the audit.

8. System for Directors and employees to report to the Audit & Supervisory Board Members, and other systems related to reporting to the Audit & Supervisory Board Members

Directors and employees will promptly report the necessary information to the Audit & Supervisory Board Members when requested for information necessary for the execution of their duties. Furthermore, we will ensure that the Audit & Supervisory Board Members have opportunities to obtain important information related to the status of internal audits, compliance with laws and regulations by Directors and employees, and significant risks affecting company management and business operations, in addition to statutory matters, at important meetings such as the Board of Directors.

9. Other systems to ensure that audits by the Audit & Supervisory Board Members are conducted effectively

To enhance the effectiveness of audits by the Audit & Supervisory Board Members, we will ensure opportunities for regular exchanges of opinions between the Audit & Supervisory Board Members and the President & CEO and accounting auditors, and opportunities to hear from executive officers, etc., about the status of business execution upon request by the Audit & Supervisory Board Members. Additionally, by receiving reports from the internal audit department on the results and status of internal audits, we will confirm the propriety of business execution and compliance with laws and regulations.

· Board of Directors

· The Board of Directors is positioned as the decision-making and supervisory body for management strategy and business execution. To ensure responsible decision-making can be carried out swiftly by a small number of directors, the term of office for directors is set at one year in the Articles of Incorporation, allowing for quick adaptation to changes in the business environment. Additionally, to revitalize the Board of Directors by separating decision-making and supervision from business execution, we will introduce an executive officer system.

· Management Meeting

Under the Board of Directors, a Management Meeting is established, operated by the management team (executive officers, department heads, etc.), to monitor and oversee the execution of business plans for each business division and manage their progress.

· Nominating Committee (Members: Directors and Audit & Supervisory Board Members)

A Nomination Committee is established under the Board of Directors as a voluntary advisory body. The Nomination Committee, with the Human Resources Department as its secretariat, deliberates on proposals for the appointment and dismissal of directors and audit & supervisory board members, nomination policies, and make recommendations to the Board of Directors. The committee is composed of a majority of outside officers and internal directors.

· Compensation Committee (Members: Directors and Audit & Supervisory Board Members)

A Compensation Committee is established under the Board of Directors as a voluntary advisory body. The Compensation Committee, with the Human Resources Department as its secretariat, deliberates on the compensation levels, compensation systems, and individual compensation amounts for directors and make recommendations to the Board of Directors. The committee is composed of a majority of outside officers and internal directors.

· Audit by Audit & Supervisory Board Members

To strengthen the audit function, multiple outside audit & supervisory board members are appointed, and a system emphasizing independence from the directors is established. In monitoring management and compliance with laws and regulations, individuals with considerable knowledge in areas such as financial accounting, taxation, law, and intellectual property are invited as outside audit & supervisory board members. They audit the execution of duties by directors from an external and professional perspective and play a central role in fostering a compliance-oriented mindset.

In order for the Audit & Supervisory Board Members to properly perform their duties, they are ensured opportunities to express their opinions by attending meetings where important matters related to the company's business execution are deliberated and decided. Additionally, by receiving reports from the internal audit department on the results of business audits and the status of internal control evaluations, they confirm whether business operations are being executed properly and in compliance with laws and the Articles of Incorporation. For important matters, they can make direct recommendations to the President and CEO.

· Internal Audit

The internal audit department is established directly under the President and CEO, responsible for the internal checks of daily inter-departmental operations. The internal audit department conducts business audits based on the audit plan and report the audit results to the President and CEO and the Audit & Supervisory Board Members. When issues are identified, the department issues improvement orders under the direction of the President and CEO, monitors the improvement status, and summarize the 'business audit results' for the fiscal year, reporting them to the Board of Directors through the President and CEO.

In addition, a system is established and defined in the internal regulations that allows the internal audit department to report directly to the President and CEO, the Audit & Supervisory Board Members, and some or all of the Board of Directors as deemed appropriate. Regarding issues in business execution, reports are made as necessary to the responsible directors and the Audit & Supervisory Board Members, in addition to the President and CEO. Under the internal control reporting system based on the Financial Instruments and Exchange Act, the internal audit department evaluates the establishment and operation of internal controls and report to the President and CEO. When necessary, the department recommends improvements to the responsible persons for each business operation and report these recommendations as well.

· Human Capital Policy

In our human capital policy, we aim to enhance corporate value by ensuring that both employees and the company continue to grow together, based on our values (management philosophy and management principles).

The first policy is aimed at employees. As a fabless manufacturer, the Company's greatest asset is its human resources, and we believe that the development and retention of excellent talent is the foundation of our growth. Therefore, through human resource development and the improvement of the internal environment, we aim to enhance employee motivation and create an environment where individuals can maximize their abilities regardless of nationality, gender, age, etc.

The second policy is aimed at social contribution. By providing educational support to students who will be the future competitive force of Japanese industry, and by supporting research and joint development with universities both domestically and internationally, we aim to contribute to solving social issues and support the creation of new innovations. This will help solve social issues and contribute to human resource development.

In summary, through the Company's human capital policy, which comprehensively addresses the enhancement of individual employee value, the resulting increase in the Company's corporate value, and our initiatives towards students and the industrial world, we aim to contribute to the realization of a better society.

· Crisis Management Committee

The Company establishes necessary measures for crisis management in response to risks such as large-scale natural disasters, accidents, and incidents. These measures aim to prevent and avoid risks, ensure the safety of human lives during emergencies, minimize and mitigate damage, prevent secondary disasters, and achieve early resumption of business operations. Additionally, to fulfill the Company's social responsibility as a corporate citizen, we implement disaster prevention and response measures based on the 'Crisis Management Manual.' In the event of a disaster, a Crisis Management Committee is established as the central organization for crisis management to address the situation.

The Company's approach to corporate governance and decision-making bodies is as described above. Under an internal control system suitable for the Company, which includes a small number of directors, the introduction of an executive officer system, and the establishment of voluntary advisory bodies, we strive to ensure compliance with laws and regulations, transparency, fairness, and speed, while always being mindful of corporate governance in our management practices. Furthermore, with a focus on shareholder value, the management team takes the lead in public relations and investor relations (IR) activities to form an appropriate stock price and enhance the company's reputation. The Company will also work to establish a system that ensures timely disclosure and accountability.

2 . Basic approach and measure for eliminating anti-social forces

(Basic approach to eliminating anti-social forces (basic policy))

The Company adopts a basic policy of taking a resolute stance against anti-social forces that threaten public order, safety, and the sound activities of enterprises, and never compromises in dealing with such forces.

(Measures for eliminating anti-social forces)

The Company has established specific corporate behavior guidelines (compliance regulations) to ensure adherence to laws, social norms, and internal standards. These guidelines stipulate that the Intellectual Property and Legal Affairs Department serve as the coordinating department to address the elimination of anti-social forces across the organization. The guidelines also outline specific procedures for dealing with unjust demands, crisis management, and emergency situations, and the Company is committed to adhering to these standards. Additionally, we have established cooperative relationships with relevant police departments and other authorities to obtain their support

1 . takeover defense measures

Takeover defense measures

No

Supplementary explanation regarding the relevant item

2 . Other matters related to the corporate governance system

In order to enhance management transparency, the Company actively engages in IR (Investor Relations) activities based on the IR policy outlined below. When significant matters arise concerning the business or management of the Company Group, we disclose this information without delay and strive to provide timely and appropriate reports on the management situation to our stakeholders. For the internal structure diagram related to the timely disclosure of company information, please refer to the reference materials.

[IR Policy]

1 . Basic stance

The Company, with consideration for "fairness," "timeliness," "accuracy," and "continuity," disseminates information about its management strategies and financial status to enhance management "transparency." The management itself actively engages in IR activities to earn trust and appropriate evaluation from shareholders, investors, and securities analysts.

2 . Standards for information disclosure

The Company conducts disclosures in compliance with the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations (hereinafter referred to as "Laws and Regulations"), as well as the "Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities" set forth by the Tokyo Stock Exchange where the Company's shares are listed (hereinafter referred to as "Timely Disclosure Rules"). Even if the information does not meet the disclosure standards stipulated by the Laws and Regulations or the Timely Disclosure Rules, the Company actively discloses information that is considered to affect the investment decisions of shareholders, investors, and securities analysts, or that is deemed useful for a better understanding of the Company.

3 . Methods of Information Disclosure

The Company discloses information that meets the disclosure standards stipulated by the Laws and Regulations or the Timely Disclosure Rules, as well as information that is considered to affect the investment decisions of shareholders, investors, and securities analysts, through the Electronic Disclosure for Investors' NETwork (EDINET) operated by the Financial Services Agency and the Timely Disclosure Network (TDnet) operated by the Tokyo Stock Exchange. This information is also promptly posted on the Company's website (hereinafter referred to as the "Website"). Additionally, information that is deemed useful for understanding the Company, even if it does not fall under the aforementioned categories, is disseminated through news releases and postings on various contents of the Website.

4 . Future Outlook

Descriptions related to performance forecasts and future predictions in the information disclosed by the Company are based on the judgments made by the management at the time of disclosure, using the information available to the Company. These descriptions may include uncertainties and potential risks (hereinafter referred to as "Risks"). However, actual performance and other results may differ from these forecasts due to various changing factors. These Risks will be disclosed as "Business Risks," so please refer to them.

5 . Investment Decisions

The information disclosed by the Company is intended to deepen the understanding of the Company and is not meant to solicit investments. Investment decisions should be made based on your own judgment.

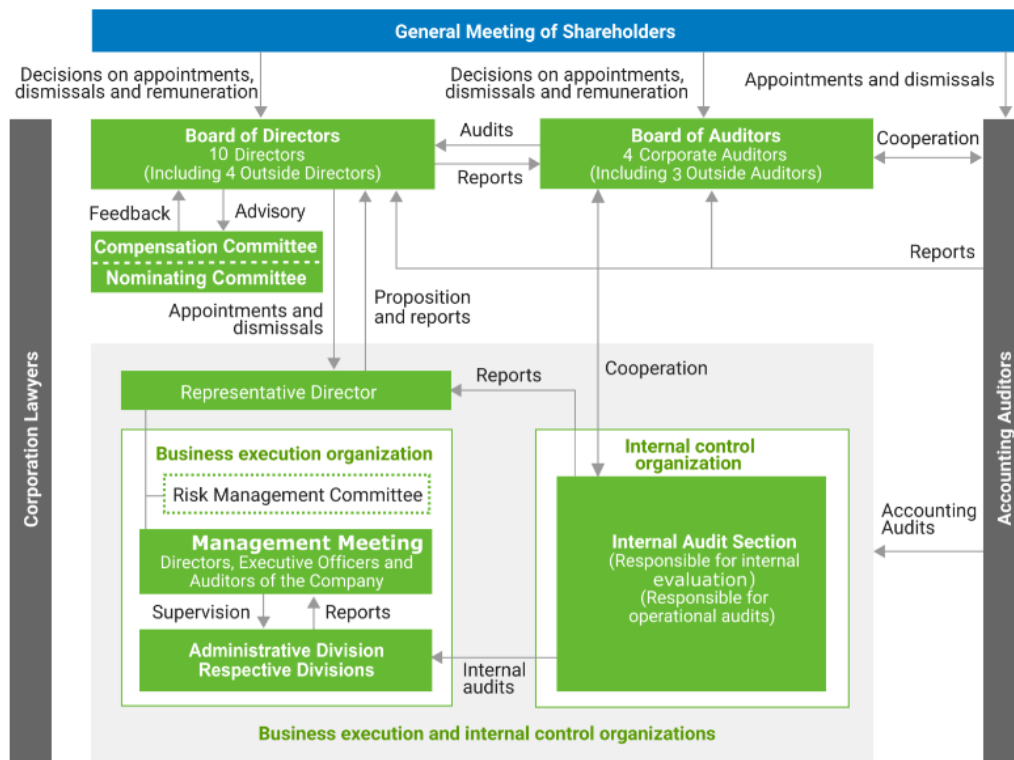
6 . Response to information Issued by third parties

The Company does not comment on or endorse information, performance forecasts, or other various information about the Company issued by third parties such as securities analysts, media organizations, or various information sites on the internet. However, if such information contains obvious errors that could damage the trust in the Company and prevent appropriate evaluations, the Company will take necessary actions to correct the errors and convey accurate information.

7 . IR silent period

To prevent the leakage of financial information that could affect stock prices and to ensure fairness, the Company designates the period from five business days before the end of each quarter to the day of the financial results announcement as a silent period. During this period, the Company refrains from commenting on inquiries related to financial results. However, even during the silent period, the Company will respond to inquiries after disclosing information that falls under the Laws and Regulations or the Timely Disclosure Rules.

【Reference:Diagram of the corporate governance structure, including the internal control system】



【Reference:Diagram of the internal structure related to timely disclosure】

