Corporate Governance Report

CORPORATE GOVERNANCE | MegaChips Corporation

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MegaChips Coporation

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

I. 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 ended March 2026, the Company held 12 regular Board of Directors meetings, 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/）

[Management that is conscious of cost of capital and stock price]

Content of Disclosure	Disclosure of Initiatives (Initial)
English Disclosure	None

Explanation of applicable item

【Management that is conscious of cost of capital and stock price】

MegaChips Groups aims to achieve both high capital efficiency and sound financial structure. The Company will allocate managerial resources appropriately, taking into account market conditions, competitive circumstances, and growth opportunities. Regarding capital efficiency, the Company recognizes the importance of understanding its cost of capital and regards Return on Equity (ROE), a key indicator of capital profitability, as an important management metric. By adopting a management approach that is conscious of capital costs, we aim to enhance corporate value over the medium to long term. Currently, the MegaChips Group's ROE remains below the level of the Company's recognized cost of capital. Accordingly, the Company has set a target ROE of approximately 8% or higher, which exceeds its estimated cost of capital, and will continue to improve capital efficiency while steadily executing its medium- to long-term management strategies to enhance profitability and achieve this target. In addition, the Company aims to improve market valuation by enhancing capital efficiency and deepening investors' understanding of its growth strategy through active dialogue.

In our IR activities, we will further expand opportunities for communication with institutional investors, including one-on-one IR meetings, to promote constructive dialogue and deepen investors' understanding of our management strategies. We will also share internally the opinions and requests obtained through these dialogues and incorporate them into future initiatives. In addition, we will proactively disclose non-financial information through our website and other channels to provide investors with meaningful information that supports constructive dialogue.

2. Capital Structure

Foreign Shareholding Ratio	10% or more but less than 20%

[Status of Major Shareholders]

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,765,500	11.80
Shindo and Associates Co., Ltd.	1,260,800	8.43
Shindo Corporation	1,239,800	8.29
Masahiro Shindo	560,644	3.75
Ritsuko Shindo	536,600	3.59
Noriko Matsui	507,348	3.39
Mika Aoki	494,848	3.31
The Bank of Mitsubishi UFJ, Ltd.	487,700	3.26
Custody Bank of Japan (Trust Account)	450,900	3.01
Sumitomo Life Insurance Company	400,000	2.67

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

Supplementary explanation

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3. Corporate Attributes

Listed stock exchange and market segment	Tokyo Prime
Fiscal year-end	March
Industry	Electrical Appliances
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

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

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II. 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

[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	6
Status of appointment of outside directors	Appointed
Number of outside directors	3
Number of outside directors designated as independent officers	3

Outside Directors' Relationship with the company (1)

Name	Attributes	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											

※ 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

Outside Directors' Relationship with the Company (2)

Name	Independent officer	Supplementary explanation regarding applicable items	Reasons for Nomination
Junko Nagata	○	——	Ms. Junko Nagata was a pioneer in advancing women's participation in the workforce, becoming the first female student at the Japan Coast Guard Academy and later serving as the youngest and first female captain of the patrol vessel Matsunami in the Japan Coast Guard. In addition, she has engaged in research on policy analysis and management and has been actively involved in developing future leaders, giving her extensive expertise and deep insight in these fields. We recognize that Ms. Junko Nagata has a high level of independence as an outside director for the following reasons: (a) She is not a spouse, relative within the third degree of kinship, or equivalent of any of our directors. (b) She has never been an executive of our company or any of our specified affiliated businesses. (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. 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.
Hirofumi Nagai	○	——	As a certified public accountant and licensed tax accountant, Mr. Hirofumi Nagai possesses extensive expertise and practical experience in finance, corporate accounting, and auditing. Based on this expertise, we expect him to provide valuable advice that contributes to the enhancement of the Company's financial strategy and management decision-making, as well as to appropriately supervise management from the perspective of corporate governance. Accordingly, we have renominated him as an Outside Director. We recognize that Mr. Nagai has a high degree of independence as an Outside Director for the following reasons: (a) He is not the spouse, a relative within the third degree of kinship, or a person equivalent thereto of any Director of the Company. (b) He has never served as an executive person of the Company or any of its specified affiliated business entities. (c) He has not received, and is not expected to receive, substantial monetary or other property benefits from the Company or any of its specified affiliated business entities. Furthermore, as Mr. Nagai satisfies the independence criteria established by the Tokyo Stock Exchange as well as the Company's own standards for assessing independence, we have determined that he is qualified to serve as an Independent Director.

Heihachi Matsumoto	○	——	Mr. Heihachi Matsumoto has been engaged in research and development and business operations in the semiconductor field, including quality assurance, system LSIs, and LCD-related businesses, at Mitsubishi Electric Corporation. Through these roles, he has acquired extensive knowledge and experience in the semiconductor industry. In addition, he has served as a Visiting Professor at Kochi University of Technology, bringing broad academic and technical expertise. We expect Mr. Matsumoto to provide valuable advice and recommendations from diverse and objective perspectives by leveraging his extensive knowledge and experience. Accordingly, we have renominated him as an Outside Director. We recognize that Mr. Matsumoto has a high degree of independence as an Outside Director for the following reasons: (a) He is not the spouse, a relative within the third degree of kinship, or a person equivalent thereto of any Director of the Company. (b) He has never served as an executive person of the Company or any of its specified affiliated business entities. (c) He has not received, and is not expected to receive, substantial monetary or other property benefits from the Company or any of its specified affiliated business entities. Furthermore, as Mr. Matsumoto satisfies the independence criteria established by the Tokyo Stock Exchange as well as the Company's own standards for assessing independence, we have determined that he is qualified to serve as an Independent Director.

Presence of Voluntary Committees equivalent to Nomination or Compensation Committees	Yes

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	4	1	1	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 one internal Director and three Outside Directors of the Company. The Chairperson is elected by mutual vote of the committee members.
The Remuneration Committee consists of one internal Director and two Outside Audit & Supervisory Board Members of the Company. The Chairperson is elected by mutual vote of the committee members.

[Matters related to the auditors]

Presence of Board of Auditors	Yes
The number of auditors stipulated in the Articles of Incorporation	2
Number of auditors	4

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

At the beginning of each fiscal year, the Audit & Supervisory Board Members discuss the audit plan and audit policy with the Independent Auditor. Throughout the year, they maintain close communication with the Independent Auditor and regularly exchange views on the audit procedures performed, including the audit methods, results, and evaluations.
The Audit & Supervisory Board Members work closely with the Internal Audit Department, which is responsible for internal audits, to enhance the effectiveness of audits conducted by the Audit & Supervisory Board Members. Although the Company does not hold regular meetings consisting solely of Outside Directors and Outside Audit & Supervisory Board Members, they exchange information and coordinate with one another as necessary.

The appointment status of outside auditors	Appointed
The number of outside auditors	2
The number of outside auditors designated as independent officers	2

Outside Auditors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Keiichi Kitano	Certified tax accountant													
Tomoyoshi Furukawa	Attorney													

※ Selection items regarding the relationship with the company 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

Outside Auditors' Relationship with the Company (2)

Name	Designation as Independent Audit and Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Keiichi Kitano	○	——	Mr. Keiichi Kitano possesses extensive professional knowledge and broad experience as a licensed tax accountant, as well as expertise in the semiconductor industry. We have appointed Mr. Kitano because he has reflected his expertise and insights in the Company's audits with a high level of attention to detail, and we expect him to continue strengthening the Company's audit framework. We recognize that Mr. Kitano has a high degree of independence as an Outside Audit & Supervisory Board Member for the following reasons: (a) He is not the spouse, a relative within the third degree of kinship, or a person equivalent thereto of any Director of the Company. (b) He has never served as an executive person of the Company or any of its specified affiliated business entities. (c) He has not received, and is not expected to receive, substantial monetary or other property benefits from the Company or any of its specified affiliated business entities. Furthermore, as Mr. Kitano satisfies the independence criteria established by the Tokyo Stock Exchange as well as the Company's own standards for assessing independence, we have determined that he is qualified to serve as an Independent Officer.
Tomoyoshi Furukawa	○	——	Mr. Tomoyoshi Furukawa possesses extensive knowledge and broad experience in corporate law and international legal affairs as an attorney-at-law, together with extensive global business experience. We have appointed Mr. Furukawa because we expect him to reflect his professional expertise and broad experience in the Company's audit activities and to oversee management's decision-making from the perspectives of corporate law and compliance, thereby contributing to the enhancement of the Company's corporate governance. We recognize that Mr. Furukawa has a high degree of independence as an Outside Audit & Supervisory Board Member for the following reasons: (a) He is not the spouse, a relative within the third degree of kinship, or a person equivalent thereto of any Director of the Company. (b) He has never served as an executive person of the Company or any of its specified affiliated business entities. (c) He has not received, and is not expected to receive, substantial monetary or other property benefits from the Company or any of its specified affiliated business entities. Furthermore, as Mr. Furukawa satisfies the independence criteria established by the Tokyo Stock Exchange as well as the Company's own standards for assessing independence, we have determined that he is qualified to serve as an Independent Officer.

[Matters related to the independent officers]

The number of independent officers	5

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

Supplementary explanation regarding relevant items

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, the Company discloses the total amount of remuneration for all Directors, together with the total amount paid to Outside Directors as a breakdown thereof. In the Annual Securities Report, the Company separately discloses the total amount of remuneration paid to Directors excluding Outside Directors and the total amount paid to Outside Officers (Outside Directors and Outside Audit & Supervisory Board Members).
For the fiscal year ended March 31, 2026, the total amount of remuneration paid to 10 Directors was ¥384,508 thousand, including ¥58,635 thousand paid to four Outside 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. The Board of Directors consists of six Directors, including three Outside Directors, and the Audit & Supervisory Board consists of four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members.

The Board of Directors is responsible for determining management strategies and supervising the execution of business operations. The Company has established a governance structure that enables prompt and responsible decision-making by a small number of Directors. To ensure a swift response to changes in the business environment, the term of office of Directors is set at one year in the Articles of Incorporation.
(Members of the Board of Directors: Tetsuo Hikawa, Representative Director and President (Chairperson); Yoshimasa Hayashi, Director and Executive Vice President; Masaaki Iwai, Director; Junko Nagata, Outside Director; Hirofumi Nagai, Outside Director; and Heihachi Matsumoto, Outside Director)
To further enhance the effectiveness of the Board of Directors by separating decision-making and supervisory functions from business execution, the Company has introduced an Executive Officer system.

The Audit & Supervisory Board Members audit the Company's basic management policies, decisions on important corporate matters, and the execution of business operations at meetings of the Board of Directors. At meetings of the Audit & Supervisory Board, they also monitor compliance with applicable laws, the Articles of Incorporation, internal regulations, and the legality of business execution. Each Audit & Supervisory Board Member is assigned specific responsibilities through mutual consultation and conducts audits based on his or her respective expertise in such areas as legal affairs and intellectual property, finance, accounting and taxation, and overall corporate management.
(Members of the Audit & Supervisory Board: Hiroshi Aoki, Full-time Audit & Supervisory Board Member (Chairperson); Yasuto Shimomae, Full-time Audit & Supervisory Board Member; Keiichi Kitano, Audit & Supervisory Board Member; and Tomoyoshi Furukawa, Audit & Supervisory Board Member)

Under the Board of Directors, the Company has established a Management Committee, which is operated by the management team, including Executive Officers and department heads. The Management Committee monitors the execution and progress of business plans for each business division.

The Company has also established a Compensation Committee and a Nomination Committee as voluntary advisory bodies to the Board of Directors. Each committee consists of internal Directors and Outside Officers, with a majority of its members being Outside Officers. The Human Resources Department serves as the secretariat for both committees. The Compensation Committee deliberates on the remuneration levels, remuneration system, and individual remuneration for Directors and other officers, while the Nomination Committee deliberates on proposals regarding the appointment and dismissal of Directors and Audit & Supervisory Board Members, as well as nomination policies, and submits its recommendations to the Board of Directors.
(Compensation Committee for the 37th Fiscal Year: Tetsuo Hikawa, Representative Director and President (Chairperson); Keiichi Kitano, Outside Audit & Supervisory Board Member; and Tomoyoshi Furukawa, Outside Audit & Supervisory Board Member)
(Nomination Committee for the 37th Fiscal Year: Yoshimasa Hayashi, Director and Executive Vice President (Chairperson); Junko Nagata, Outside Director; Hirofumi Nagai, Outside Director; and Heihachi Matsumoto, Outside Director)

As part of its efforts to strengthen the execution and oversight of business operations, the Company has appointed three Outside Directors and two Outside Audit & Supervisory Board Members who have no direct interest in the Company. These appointments are intended to enhance the transparency and objectivity of management and to provide effective oversight of the legality of the execution of duties by Directors and Executive Officers. At meetings of the Board of Directors, these highly independent Outside Directors and Outside Audit & Supervisory Board Members express their views from an external perspective, thereby strengthening oversight of business execution.

Furthermore, the Company has entered into agreements with its Outside Directors and Outside Audit & Supervisory Board Members to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. Under these agreements, if they have acted in good faith and without gross negligence in the performance of their duties, their liability for damages shall be limited to the maximum extent permitted by applicable laws and regulations.

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.

III. 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 the IR policy	The Company has formulated an IR Policy as its disclosure policy and has posted it on its website.	
Regular briefings for analysts and institutional investors	The Company holds briefings for analysts, fund managers, and other institutional investors following the announcement of each quarterly and annual financial results. In addition, after each earnings announcement, the Company conducts individual meetings with institutional investors to explain its business performance and other relevant matters.	Yes
Posting of IR materials on the website	The Company posts its financial results summaries, presentation materials, annual securities reports, and other IR materials on its website. In addition, following each earnings announcement, the Company posts a summary of its current business performance based on the financial results.	
Establishment of a department (person in charge) for IR	The Company has a total of four personnel responsible for IR activities: one General Manager in charge of IR, one IR staff member, and two accounting 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	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. The main environmental conservation activities are as follows: 1. "Environmentally conscious, high-circulation product development," which involves considering environmental impacts and working on reducing power consumption and miniaturization of products. 2. "Reduction of environmentally hazardous substances and green procurement" based on our unique Green Procurement Guidelines. 3. "Promotion of eco-office activities" that focus on energy and resource conservation within our business locations. 4. Compliance with "regulations on conflict minerals" and "compliance with laws and other requirements."

IV. Matters related to internal control systems

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" approved by the Board of Directors. The Board of Directors regularly reviews the status of the operation of the internal control system and supervises its effectiveness.

〔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 the legality of the execution of duties by Directors and Executive Officers, the Company appoints independent Outside Directors and Outside Audit & Supervisory Board Members, who monitor business execution from an independent and external perspective.
The Representative Director and President ensures that compliance is thoroughly recognized as a fundamental prerequisite for all corporate activities. The Representative Director and President also continuously promotes the development and operation of the internal control system and the enhancement of its effectiveness, thereby fostering an internal environment that supports the proper execution of business operations.

2. System for the preservation and management of information related to the execution of duties by directors
The Company preserves and manages information relating to the duties and business execution of Directors, Officers and employees in accordance with internal regulations governing the retention of corporate documents and records.
The Company also maintains a system that enables Directors, Audit & Supervisory Board Members and the Independent Auditor to access such information whenever necessary for understanding the status of business execution or conducting audits.

3. Regulations and Other Systems for Managing the Risk of Loss
The Company promotes risk management in accordance with established rules in order to identify, assess and respond appropriately and promptly to risks that may have a material impact on management.
The Internal Audit Department periodically evaluates the appropriateness, effectiveness and efficiency of business execution and risk management in each department and provides instructions and recommendations for identifying and improving risks.
The Company has also established procedures governing the flow of information in the event of incidents that could have a material impact on management, thereby ensuring timely and appropriate disclosure of information. In addition, the Company has established an internal whistleblowing system that protects whistleblowers in order to facilitate the early detection of misconduct and other inappropriate activities.

4. System to Ensure the Efficient Execution of Duties by Directors
To ensure the efficient execution of duties by Directors, the Company has established the following framework under which appropriate internal controls and supervisory functions are maintained throughout the business execution process.
i. The Company establishes regulations governing the division of responsibilities, authority, and decision-making bodies to ensure that the exercise of authority and decision-making by Directors and employees are carried out appropriately and efficiently in accordance with established rules.
ii. The Representative Director and President shares the Company's management philosophy, management principles, code of conduct, and corporate mission with Directors, Executive Officers, and employees, and manages the organization based on these principles.
iii. The Representative Director and President establishes company-wide objectives each fiscal year as part of the Medium-Term Management Plan to enhance awareness of achieving those objectives. In addition, in order to implement the Medium-Term Management Plan, the Representative Director and President establishes annual performance targets and budgets for each business division and determines the allocation of management resources.
iv. To enhance the effectiveness of the Board of Directors by separating the decision-making and supervisory functions of Directors from the execution of business operations, the Company has adopted an Executive Officer system, thereby promoting 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 has established an independent monitoring system, separate from the business execution line, as described below, to ensure that employees perform their duties incompliance with applicable laws, regulations, and the Articles of Incorporation.
i. The Company has established an internal whistleblowing system through which employees and other personnel may directly report risks or signs of risks in the course of business operations, as well as misconduct or other improper acts by employees or other personnel. The system is operated in accordance with internal regulations that prohibit any disadvantageous treatment of

whistleblowers.
ii. Upon receiving a report through the internal whistleblowing system, the Company investigates the relevant facts in accordance with its internal regulations. Where necessary, it recommends the suspension of any unlawful conduct and considers measures to prevent its recurrence.
iii. If any violation of laws, regulations, or other improper conduct is confirmed, the causes of such conduct and measures to prevent recurrence are reported to the President and CEO.

6. System to Ensure the Proper Conduct of Business within the Corporate Group Consisting of the Company, Its Parent Company and Subsidiaries
The Company applies its internal control system to the entire corporate group, including its subsidiaries, in order to ensure the proper conduct of business operations throughout the Group.
The Company regularly receives reports from its subsidiaries regarding the status of business execution, financial conditions, and other relevant matters, and confirms the appropriateness of business operations at meetings of the Board of Directors and the Management Committee.
In addition, the Internal Audit Department periodically conducts internal audits of subsidiaries and strives to identify compliance issues and operational issues.

7. Matters Concerning Employees Requested by the Audit & Supervisory Board Members to Assist in Their Duties, and the Independence of Such Employees from Directors
Although the Company does not maintain permanent employees dedicated to assisting the Audit & Supervisory Board Members or the Audit & Supervisory Board, it will consult with the Audit & Supervisory Board Members and provide appropriate support prior to the commencement of audits. In addition, at the request of the Audit & Supervisory Board Members, the Company provides opportunities to obtain advice from the accounting auditor or external experts and ensures that employees may receive instructions and directions from the Audit & Supervisory Board Members in connection with audit activities.
The Company also gives due consideration to ensuring the independence of employees acting under the instructions or directions of the Audit & Supervisory Board Members from the parties subject to audit.

8. System for Directors and Employees to Report to the Audit & Supervisory Board Members and Other Systems for Reporting to the Audit & Supervisory Board Members
Directors and employees promptly report any information requested by the Audit & Supervisory Board Members that is necessary for the performance of their duties.
The Company also ensures that the Audit & Supervisory Board Members have opportunities to obtain, at important meetings such as meetings of the Board of Directors, not only information required by law but also information regarding the status of internal audits, compliance by Directors and employees with laws, regulations and internal rules, and other significant information concerning risks that may affect the Company's management or business operations.

9. Other Systems to Ensure the Effectiveness of Audits Conducted by the Audit & Supervisory Board Members
To enhance the effectiveness of audits conducted by the Audit & Supervisory Board Members, the Company provides opportunities for regular exchanges of opinions between the Audit & Supervisory Board Members and the President and CEO, as well as with the accounting auditor. The Company also provides opportunities for the Audit & Supervisory Board Members to receive reports from Executive Officers and other relevant personnel regarding the status of business execution upon request.
Furthermore, by receiving reports from the Internal Audit Department on the results and implementation status of internal audits, the Audit & Supervisory Board Members verify the appropriateness of business execution and compliance with applicable laws, regulations, and internal rules.

(Details of the Internal Control System)
Board of Directors
The Board of Directors serves as the decision-making body for management strategies and the supervisory body for the execution of business operations. The Company has established a governance structure that enables a small number of Directors to make prompt and responsible decisions. To ensure a swift response to changes in the business environment, the term of office of Directors is set at one year in the Articles of Incorporation. In addition, to enhance the effectiveness of the Board of Directors by separating decision-making and supervisory functions from business execution, the Company has introduced an Executive Officer system.

Management Committee
Under the Board of Directors, the Company has established a Management Committee operated by the management team, including Executive Officers and department heads. The Management Committee monitors and oversees the status of business execution, including the progress of business plans of each business division.

Nomination Committee (Members: Directors and Audit & Supervisory Board Members)
As voluntary advisory bodies to the Board of Directors, the Company has established a Compensation Committee and a Nomination Committee, each consisting of internal Directors and Outside Officers, with Outside Officers comprising a majority of the members. The Human Resources Department serves as the secretariat for both committees. The Compensation Committee deliberates on the remuneration levels, remuneration systems, and individual remuneration amounts for Directors and other officers, while the Nomination Committee deliberates on proposals regarding the appointment and dismissal of Directors and Audit & Supervisory Board Members, as well as nomination policies, and submits its recommendations to the Board of Directors.

Audit & Supervisory Board Audits
The Company has established an Audit & Supervisory Board structure that emphasizes independence from Directors. For monitoring management and compliance, the Company has appointed Mr. Keiichi Kitano, a certified tax accountant, and Mr. Tomoyoshi Furukawa, an attorney-at-law, as Outside Audit & Supervisory Board Members. They possess considerable expertise in areas such as finance, accounting, taxation, legal affairs, and intellectual property.
In addition to providing an external perspective, they conduct audits of the execution of duties by Directors from a professional standpoint and are expected to play a central role in promoting awareness of compliance throughout the Company.
To enable the Audit & Supervisory Board Members to appropriately perform their duties, the Company ensures that they have opportunities to attend meetings where important matters related to management execution are deliberated and decided, thereby allowing them to express their opinions.
Furthermore, by receiving reports from the Internal Audit Department regarding the results of operational audits and the status of internal control evaluations, the Audit & Supervisory Board Members verify whether business operations are properly conducted and whether any actions violating laws, regulations, or the Articles of Incorporation have occurred. For important matters, they may directly make recommendations to the Representative Director and President.

Internal Audit
The Company has established an Internal Audit Department directly reporting to the Representative Director and President as an organization responsible for internal checks and balances among business divisions in daily operations. Based on the audit plan, the Internal Audit Department conducts operational audits and reports the audit results to the Representative Director and President and the Audit & Supervisory Board Members. When issues are identified, the Internal Audit Department issues improvement instructions under the direction of the Representative Director and President, monitors the status of improvements, and reports a summary of the "Operational Audit Results" for the fiscal year to the Board of Directors through the Representative Director and President.
In addition, the Company has established a system, stipulated in its internal regulations, whereby the Internal Audit Department may directly report to the Representative Director and President, the Audit & Supervisory Board Members, and appropriate members of the Board of Directors, either individually or collectively, as deemed necessary. Issues related to business execution are reported as appropriate to the Representative Director and President, the relevant Directors, and the Audit & Supervisory Board Members.
Under the internal control reporting system pursuant to the Financial Instruments and Exchange Act, the Company evaluates the development and operation of internal controls and reports the results to the Representative Director and President. Where necessary, the Company recommends improvements in business processes to the persons responsible for each operation and reports such recommendations accordingly.

Human Capital Policy
Under its human capital policy, the Company aims to enhance corporate value by enabling both employees and the Company to continue growing together based on its corporate values, including its management philosophy and principles. Specifically, the Company implements the following initiatives:
First, regarding policies for employees, as a fabless manufacturer, the Company considers human resources to be its greatest asset and believes that developing and securing outstanding talent is the foundation of corporate growth. Accordingly, the Company strives to enhance employee engagement through talent development and the improvement of the workplace environment, while creating an environment in which each individual can maximize their abilities regardless of nationality, gender, age, or other attributes.
Second, the Company supports the creation of new innovations that contribute to solving social issues by providing educational support for students, who will become the driving force of Japan's future industrial competitiveness, and by supporting research and joint development with universities in Japan and overseas. Through these initiatives, the Company contributes to solving social issues and developing human resources.
Through its human capital policy, which comprehensively addresses the enhancement of individual employee value, the improvement of corporate value, and initiatives for students and industry, the Company contributes to the realization of a better society.

Crisis Management Committee
Based on its Crisis Management Regulations, the Company establishes necessary measures for managing risks associated with large-scale natural disasters, accidents, incidents, and other emergencies. These measures aim to prevent and avoid risks, ensure the safety of human life in the event of a disaster, minimize and mitigate damage, prevent secondary disasters, and achieve early business recovery, while fulfilling the Company's social responsibilities as a corporate citizen.
In the event of an emergency, the Company establishes the Crisis Management Committee as the central organization responsible for crisis management and responds appropriately to the situation.

The Company's approach to corporate governance and its decision-making bodies is described above. Through an internal control system appropriate for the Company, including a streamlined Board of Directors structure with a limited number of Directors, the introduction of an Executive Officer system, and the establishment of voluntary advisory bodies, the Company strives to conduct corporate management with a strong awareness of corporate governance while ensuring compliance, transparency, fairness, and speed.

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

〔Basic Policy Regarding Exclusion of Anti-Social Forces〕
The Company’s basic policy is to take a firm stance against anti-social forces that threaten public order and safety or sound corporate activities, and to have no involvement whatsoever with such forces and never compromise with them.

〔Development Status for the Exclusion of Anti-Social Forces〕
The Company has established specific corporate behavior guidelines (Compliance Regulations) to ensure compliance not only with laws and regulations but also with social norms and internal standards. These corporate behavior guidelines stipulate that, in order to exclude anti-social forces, the Intellectual Property and Legal Department serves as the department responsible for overall coordination, that the Company responds to such forces on an organizational basis, and that employees follow established behavioral standards setting forth specific procedures for handling unjust demands, crisis management, and emergencies. The Company strives to ensure compliance with these guidelines and has also established cooperative relationships with relevant authorities, including the local police department, to obtain necessary support.

V. Others

1. Takeover defense measures

Takeover defense measures	No

Supplementary explanation regarding the relevant item

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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.

〔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.

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