

Corporate Governance

Understanding that sustainable growth requires us to have the confidence of our stakeholders, we continuously work to improve corporate governance to maintain sound corporate management with greater transparency and efficiency.

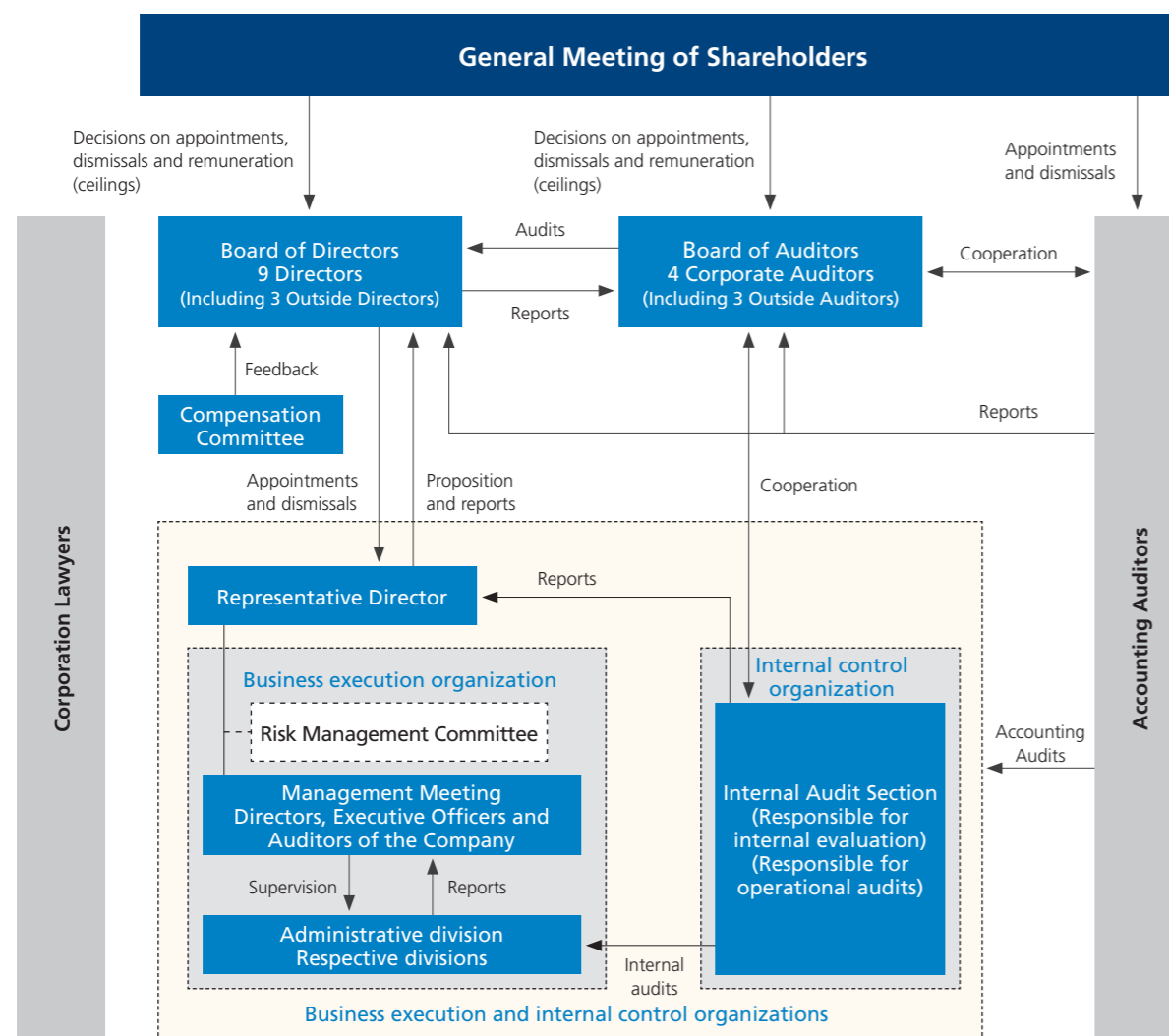
Our Basic View

We place considerable importance to the legal compliance, timely disclosure of significant information, development of high-quality products that make full use of our original technology, thorough quality control, and environmental protection to sincerely respond to the expectations of society with original high-tech technology and earn the trust of society as the management and all employees

recognize that it will lead to the continuous growth of MegaChips Group.

Based on this vision, we seek to continuously improve our corporate governance to ensure appropriate decisions, management transparency and efficiency, and a demonstrate accountability.

Corporate Governance Structure



Board of Directors

The Board of Directors consists of nine directors elected at the Annual General Meeting of Shareholders, three* of whom are outside directors to ensure objectivity and transparency in management.

The Board of Directors is positioned as a supervisory body for decision-making of business strategies and business execution, and stipulates the term of office of directors to be

one year in the Articles of Incorporation in order to quickly respond to changes in the business environment.

In addition, we have introduced an executive officer system in order to revitalize the Board of Directors by separating the decision-making and supervision from business execution.

Auditors and the Board of Auditors

The Company has a Board of Auditors. Three* of the Company's four Auditors appointed at General Meetings of Shareholders are outside auditors and we emphasize the independence of auditors from directors.

Each of the Auditors conducts audits to determine whether or not the Board of Directors is making decisions on basic management policies and important matters for the Company, and is executing operations appropriately.

The Board of Auditors monitors the compliance of executed tasks with laws, the Articles of Incorporation and internal regulations and determines their legality. Each of the Auditors decides on the division of roles through discussions, and conducts audits from a professional perspective, with their respective roles covering legal and intellectual property, taxation and finance, and general management.

Internal Control System

MegaChips has developed and operates an internal control system based on the "MegaChips Basic Policy on Internal Control System" determined by the Board of Directors. The Board of Directors periodically checks and monitors the operational status of the internal control system. In the execution of business, we are moving forward with management that emphasizes corporate governance by thoroughly developing and implementing internal rules and enhancing the internal audit system.

The Company strives to ensure the appropriateness of its operations by applying its internal control system to the entire MegaChips Group, including its subsidiaries. Each subsidiary periodically reports to the Company on the status of its business execution, financial conditions, and the like, and the Company's Board of Directors and

Management Meeting confirm the appropriateness of the business operations. In addition, the Internal Auditing Dept. conducts internal audits on a regular basis and strives to identify compliance issues and problems from the perspective of business efficiency.

In accordance with the internal control reporting system based on the Financial Instruments and Exchange Act, the Company evaluates the developmental and operational condition of the internal control system and, when necessary, recommends operational improvements to those responsible for each operation. The status and results of these activities are reported to the Representative Director.

For FY2020, the Company has received from its Accounting Auditors an internal control audit report with an unqualified opinion for the same fiscal year.

* No Outside Directors nor Outside Auditors have been employed by the Company prior to their current appointments. The Company has no personnel, financial, technical, trade or any other relationship with any company for which any Outside Directors or Outside Auditors, or any of their close relatives has served as an officer or an employee over the last ten years.