

Corporate Governance

In the rapidly changing semiconductor industry environment, Shinko works to facilitate appropriate and swift decision making, giving top priority to compliance and aiming to improve and develop our corporate value more than ever with the JICC consortium, consisting mainly of JIC Capital Ltd., as the partner for Shinko, who basically supports Shinko's business policy of focusing on capital investment and technology development for growth markets and, as a government-affiliated fund, will not be swayed by short-term fluctuations in business performance and will promote initiatives that contribute to the enhancement of corporate value from a medium- and long-term perspective.

Corporate Governance System

Outline

Shinko adopted the structure of a company with an Audit and Supervisory Board. The audit and supervisory system is centered around the supervision of the execution of duties by the Board of Directors, in addition to audits and supervision by the Audit and Supervisory Board. We have appointed multiple Outside Directors to strengthen our function for supervising the fairness of the execution of our operations. Moreover, we have introduced a Corporate Officer system with the goal of building a flexible structure for the execution of operations, by speeding up decision making by the Board of Directors, strengthening the supervisory function, and clarifying authority and responsibilities. Based on this structure, we have striven to further bolster corporate governance and improve corporate management efficiency.

Please refer to the list of Shinko's Directors, Audit and Supervisory Board Members, Corporate Officers.

<https://www.shinko.co.jp/english/corporate/officer/>

■ The Board of Directors

The Board of Directors decides basic policy, matters specified in laws, regulations and our Articles of Incorporation, and important management issues, and supervises the status of the execution. Regular meetings are convened once a month and extraordinary meetings are convened when necessary.

■ The Audit and Supervisory Board

In addition to investigating the state of our operations and finances in accordance with our audit policy and audit plan, the Audit and Supervisory Board audits the execution of duties by Directors and others through the attendance of the Audit and Supervisory Board Members at important meetings, including meetings of the Board of Directors, and by receiving reports from Directors, Corporate Officers, and the internal auditing division, and so on. We have also established an Audit and Supervisory Board's office as an organization for assisting the Audit and Supervisory Board's duties.

■ Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee is responsible for examining matters related to the nomination and remuneration of Directors and reporting their recommendations to the Board of Directors. Members are selected by resolution of the Board of Directors. The Committee is comprised of a majority of Outside Directors.

■ Management Council

Management Council meetings are generally held three times a month with the goal of discussing, examining, reporting, and managing the progress of important matters and challenges facing management, and having free and open dialogue among high-level executives.

■ Corporate Officers' Meeting

Corporate Officers' Meetings are held monthly to deliberate and report on general management matters, including the situation in each division and at Group companies as well as the state of compliance and risk management initiatives.

Additionally, meetings comprised of and attended by the relevant Corporate Officers and division managers are held regularly and as occasion demands regarding the state of profit and loss, sales, production, development, and other matters. In this and other ways, we have put in place a system that can respond flexibly and swiftly to a drastically changing semiconductor market environment, including by considering responses based on quick assessment of the situation and reflecting them in management decisions.

Internal Audit and Accounting Audit Systems

The Audit Division, which is our internal auditing division, conducts internal audits of the Company's overall operations based on our Internal Audit Regulation to contribute to the appropriate and effective implementation of operations, by examining and evaluating systems and the state of execution of operations. Outlines of the results of internal audits are reported to the Board of Directors periodically and as necessary. The Audit Division periodically, and when necessary, reports internal audit plans and results to the Audit and Supervisory Board Members so that the Members can conduct its audits effectively. When the Audit Division receives instructions from the Audit and Supervisory Board Members to conduct additional audits and investigations, in response to its report, the Audit Division gives priority to responding to such instructions.

The business management divisions report and submit materials to the Audit Division as needed and cooperate so that the Audit Division can conduct their audits appropriately.

We have appointed Ernst & Young ShinNihon LLC as our accounting auditor.