

Contributing to the development of a sustainable society
by providing creative solutions that realize
“the quality of Japanese *monozukuri* (manufacturing)”

Tetsuo Hikawa
President and CEO

Reflecting on FY2021 ended March 31, 2022

Operating profit, ordinary profit, and net profit reached record highs.

Although the business environment continues to be severe in certain industries due to the spread of COVID-19 from 2020, the electronics industry, to which MegaChips belongs, has seen increased demand mainly for industrial electronics equipment, electronic components and devices.

Supported by increased needs from our customers, there was a solid demand primarily in the ASIC business for game software storage LSI (customized memories). On the other hand, there was a decrease in net sales mainly due to a decrease in sales of SiTime Corporation (“SiTime”) in connection with it becoming an associate company from the second quarter of the previous fiscal year ended March 31, 2021 and a decrease in sales of timing controller LSI for

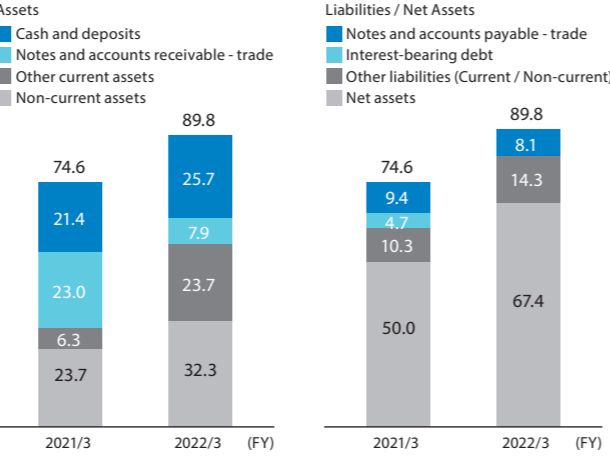
LCD panels, for which orders for major products were terminated in the third quarter of the same fiscal year.

Meanwhile, operating profit, ordinary profit, and net profit all reached record highs. This was due to, among other factors, a decrease in the selling, general and administrative expenses associated with SiTime becoming an associate company from the second quarter of the previous fiscal year, progress in business efficiency, and a gain on sales of shares of subsidiaries and associates due to the sale of a portion of SiTime’s stock, which greatly exceeded the anticipated profit at the beginning of the fiscal year. At the same time, the equity ratio increased, further strengthening our financial structure.

Consolidated Results (Millions of yen)

	FY2020 (ended March 2021)	FY2021 (ended March 2022)	Year-on-year Comparison
Net sales	83,814	75,256	- 10.2%
Operating income	5,025	7,030	+ 39.9%
Ordinary income	3,912	7,857	+ 100.8%
Profit attributable to owners of parent	20,920	27,544	+ 31.7%

Financial Position (Billions of yen)



TOP
MESSAGE

Medium- to long-term vision: Looking three to five years into the future

We will foster the ASSP and module businesses as our new core businesses and strengthen the foundations of the Amusement and ASIC businesses.

As various efforts are required to realize a sustainable society in which low-carbon, material-cycle, and natural symbiosis are achieved in an integrated manner, it is to be expected that our lifestyles will undergo major changes with the advent of an extremely advanced network society in which everything is connected to the Internet and AI technology is installed in everything. In response to these changing times, there is an increasing need for high performance and multifunctionality in the electronic components used in the devices surrounding us in various fields. As such, demand for LSI products is expected to increase as key devices that contribute to, among others, high performance, multifunctionality, downsizing, and low-power consumption.

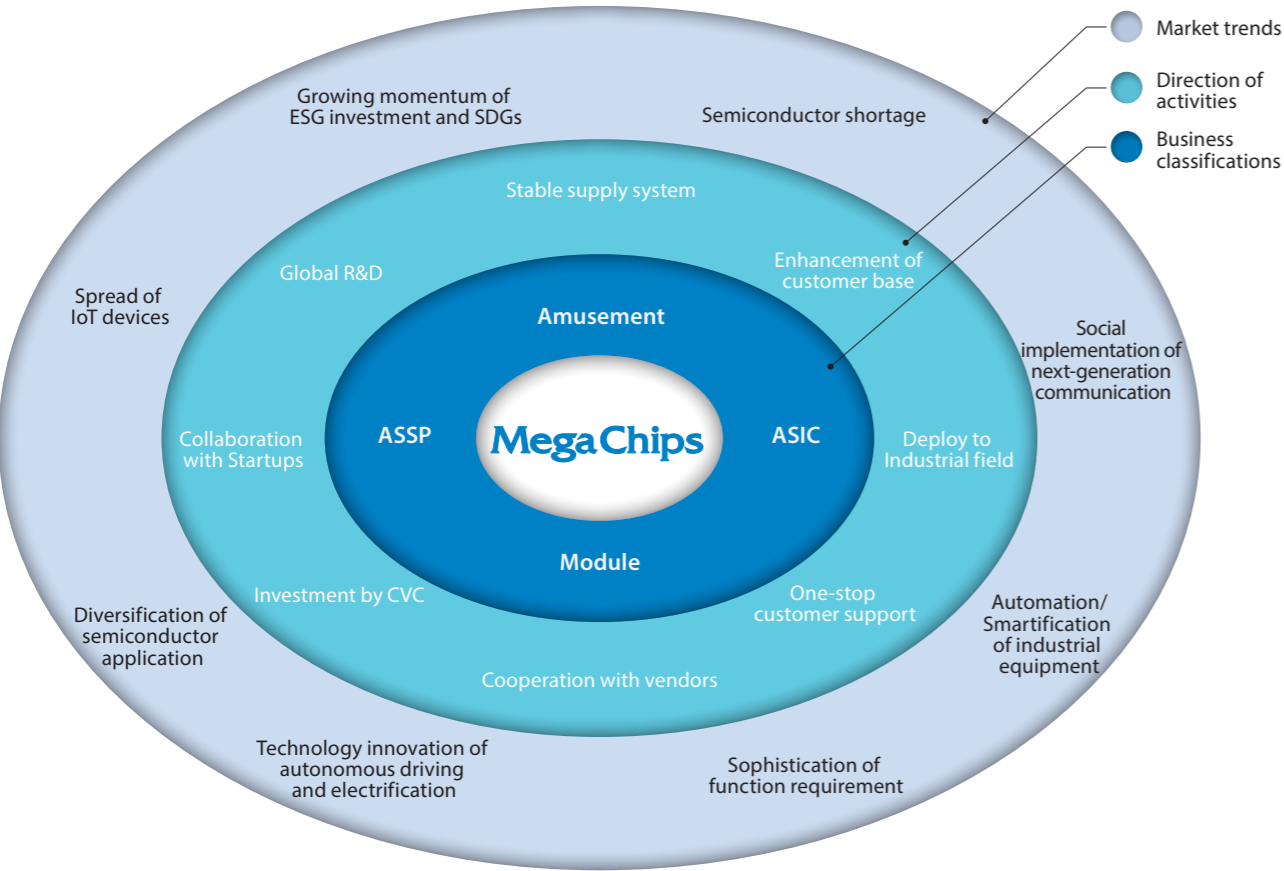
Against this backdrop, the MegaChips Group has

formulated a medium- to long-term vision for the next three to five years in order to fulfill its role in the LSI field and take part in the development of the industry.

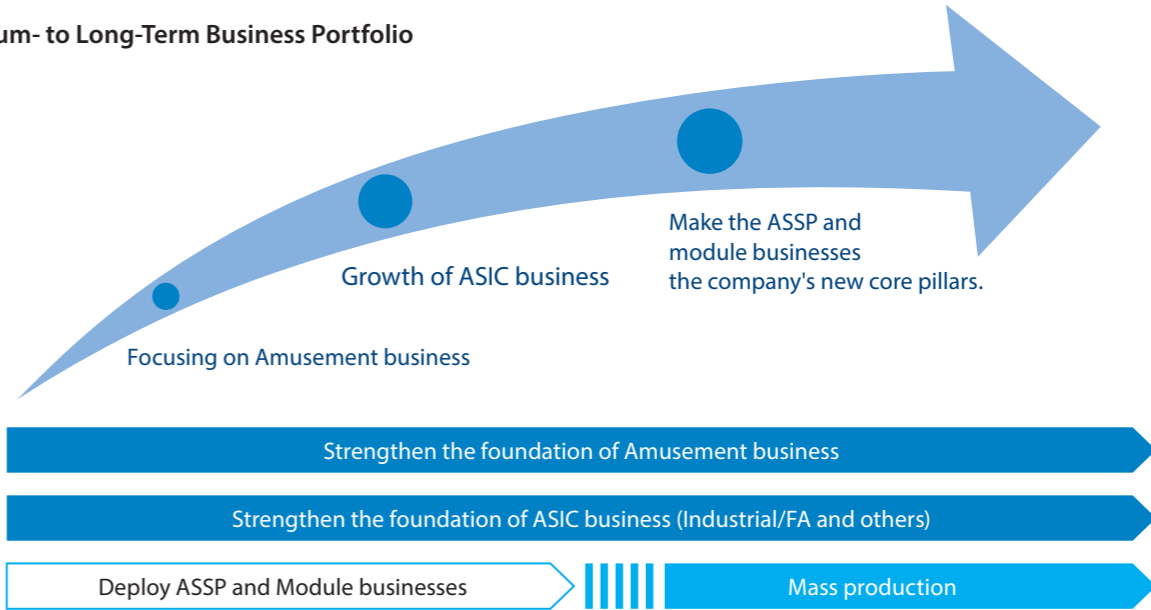
In the current fiscal period, while continuing to strengthen the business foundations of our mainstay Amusement and ASIC businesses, we intend to realize medium-to long-term growth by investing management resources in the ASSP and Module businesses for the growing fields of telecommunications, AI, robotics, and others.

In addition, we will promote business expansion in new fields and long-term business restructuring, while continuing to strengthen our financial position to withstand changes in the business environment and support long-term growth.

Business Environment Surrounding MegaChips



Medium- to Long-Term Business Portfolio



Measures to Establish New Business Pillars

MegaChips intends to expand its Amusement, ASIC, ASSP, and Module businesses. The measures and progress in the medium- to long-term management plan are as follows.

Amusement Business

In the amusement field, which is one of our core businesses, we are strengthening our sales force by aggressively promoting customer-oriented and proposal-based marketing and are striving to develop new technologies and improve quality. Further, we are strengthening our business foundation by focusing on, among other things, information sharing and ensuring production systems to fulfill our responsibility as part of the supply chain to provide a stable supply of products and optimal solutions that meet our customers' needs.

ASIC Business (Industrial/FA and others)

In addition to the business field of LSI for office automation (OA) equipment that we have been focusing on, we are making an effort to cultivate new areas by expanding our businesses including LSI for industrial and factory automation (FA) fields, where we have stepped up our order taking efforts in recent years. In terms of technology, MegaChips is working toward providing even better

solutions, such as promoting the development of intellectual property that achieves low-power consumption.

We also have our own analog design technology and have provided many digital/analog mixed ASICs. In the future, we will also expand the analog custom LSI in the areas that need high voltage resistance.

ASSP Business

In the telecommunications field, in order to meet the needs of the IoT era, the development of communications technology is progressing apace, including the realization of higher transmission speeds, reduced time lags, and multi-connection capable of connecting many devices simultaneously. In particular, the IoT for industrial applications is used in various fields, such as the automation of logistics and manufacturing and electric power smart grids, and is expected to revolutionize the industrial world. In addition to the communications technology that enables the high-speed wired networking, with wireless communications technology we have through strategic alliances, as the core, MegaChips intends to expand the provision of optimal solutions combining not only LSI, but also modules and software, targeting such markets as industrial equipment including robots, agriculture, and public infrastructure.

Top Message

• Module Business

As one of the ways to support our customers’ needs, MegaChips provides user-friendly or value-added modules to our customers, by combining technology and LSI products with our partner companies. MegaChips offers optimal solutions by maximizing the use of our semiconductor technology, knowledge, and systems know-how, to build an integrated support system from product concept design to circuit diagram design, physical design, production, and quality assurance. Looking to a future where various devices in different fields will be equipped with technologies of learning, inference, and AI functions, we also componentize edge AI functions and provide services as solutions. We aim to expand our business and acquire new customers by proving solutions with edge AI.

■ Creation of New Businesses

To launch new projects with a view toward long-term growth, MegaChips is striving to create new businesses by strengthening the structure of its North American base, promoting joint research and development of cutting-edge technologies with universities, and involvement with strategic alliances and business investments with startups with advanced technologies and ideas, primarily in the U.S., through the Corporate Venture Capital fund (CVC).
Specifically, in the AI field, MegaChips concluded strategic partnership agreements with BrainChip in Australia in November 2021 and Quadric in the United States in January 2022 to develop our business. In September 2022, we entered into a partnership with Morse Micro, an Australian company with the world’s leading technology in “Wi-Fi HaLow™”, a new wireless communication standard with lowest power and long range, and started business development of wireless communications technology.

Toward the Realization of a Sustainable Society

Initiatives for Challenges in the Preservation of the Global Environment and Supply Chain

As a fabless manufacturer that outsources the manufacture of all its products, MegaChips continues to work toward building a sustainable supply chain for our contract manufacturing foundries, as well as it promotes eco-office activities, including reduction of office energy consumption and waste matter, such as requiring compliance with guidelines on the use of hazardous chemical substances and standards for the emission of CO₂. In addition, MegaChips will analyze and consider the risks and opportunities related to climate change in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework and will work toward disclosure of information.

Promoting Diversity and Fostering Engineers in the Electronics Field

With the thought of supporting the creation of an environment where young researchers, the future leaders of Japan, can fully devote themselves to research, we have been making donations to universities since March 2021. In order to surmount the current situation in Japanese electronics fields in which the

majority of engineers are male, we are proactively involved in efforts to mentor and support women engineers.
The key to increasing global competitiveness is acquiring excellent human resources, regardless of gender, race, ethnicity, religion, disability, and other diverse backgrounds, and providing a place where such staff can grow and play an active role through their work. Going forward, MegaChips will continue to develop sustainability by nurturing many talented engineers.

Creating a Diverse Organization and Workplace

MegaChips promotes diversity not only among its employees, but among its core workforce as well, in the belief that creating an environment where employees can work with peace of mind and that accommodating varied work styles can minimize business continuity risks and contribute to our customers’ business continuity. As part of those efforts, we conduct fair and impartial personnel evaluations that support a merit-based approach and a performance-based system that enables diverse human resource to demonstrate their abilities and have built a working environment that allows many different work styles,

including complete flex-time, a telecommuting system, and a childcare leave system. We are working to make a comfortable working environment for all employees and to promote the

human resource development, including educational programs by lecturers in various fields of expertise, language training, and training based on job level.

Supply Chain

Creating a Trust Relationship with Corporate Partners that Value Mutual Understanding

The companies to which MegaChips outsources the manufacture of its products are extremely important business partners for us, as a fabless company. We are deepening the trust relationships with these corporate partners by not pursuing one-sided benefits on either side,

but by sincerely aiming for optimal solutions based on a deep mutual understanding. We will also continue to address the current global issue of the difficulty in procuring semiconductor materials in terms of both delivery time and cost.

To All of Our Stakeholders

We will strive to improve equity value and capital efficiency, achieve sustainable growth, and return profits to our stakeholders.

Thanks to the tremendous support of all our stakeholders, we have been able to continue to grow to this day. Going forward, MegaChips will strive to improve its corporate value and capital efficiency, in the belief that achieving both sustainable and stable return of profits and corporate growth is the most important measure to meet the expectations of our stakeholders.

For the fiscal year ended March 31, 2022, MegaChips paid an ordinary dividend of 40 yen per share which was funded from the profits from our business. In addition, a

special dividend based on the gain on the partial sale of shares of SiTime (a U.S. affiliate company) held by the Company was set at 50 yen per share, which together with the ordinary dividend amounted to a dividend of 90 yen per share.
In order to return profits to shareholders, the Company repurchased 2,613,200 shares and cancelled 1,070,700 shares of treasury stock. We will continue to strive for sustainable growth in profits and return of profits to meet the expectations of our stakeholders.

In Conclusion

From April 2022, MegaChips has belonged to the Prime Market of the Tokyo Stock Exchange. As a result, this involves strong requirements for market capitalization (i.e., liquidity) on a scale sufficient to become a target for investment, higher standards of governance, and increased corporate value over the medium-to long-term to achieve sustainable growth. We will continue to achieve extended growth by faithfully meeting society’s expectations with creative, high-tech technologies, and as a leading fabless manufacturer in Japan, we will fulfill our

responsibilities by persisting to develop technologies that protect the global environment and are useful to society.
Going forward, we will strive to improve our corporate value so that we can contribute to the sustainable development of society while maintaining good communication with shareholders, customers, production contractors, suppliers, employees, and local communities.

