

MegaChips

MCC REPORT 2021

MegaChips Corporation

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MCC Report for Fiscal Year Ended March 31, 2021

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Editorial Policy
This report is an important communication tool that we edit and publish with the aim of helping all of our shareholders, investors, and various other stakeholders to understand the Company's corporate activities. The emphasis is on communication about the Company's initiatives to create value over the mid- to long-term as well as major environmental, social, and governance issues in an easy-to-understand manner.

Reporting Period
Fiscal year ended March 31, 2021 (April 2020 to March 2021)
However, we will report about matters outside this period when it is appropriate to show past history, data, or recent incidents.

Cautionary Note Regarding Future-Looking Statements
Any statements in this report that are not historical facts are forward-looking statements based on our outlook and plans for the future. These forward-looking statements involve risks, uncertainties, and other factors that may cause our actual results and performance to differ from those discussed in the forward-looking statements. Investors are advised to refer to the Company's future filings under the Financial Instruments and Exchange Act and other materials disclosed by the Company.

経営理念

革新により社業の発展を図り
信頼により顧客との共存を維持し
創造により社会に貢献し続ける
存在でありたい

Management philosophy

“Innovation”: Innovation to fuel our growth

“Trust”: Having a trustworthy relationship with customers

“Creation”: Create products that benefit society

Management Principles

1. Satisfied employees are the core of our Company's growth
2. Expanding as an independent leader in the dynamic industry

MegaChips' Unchanging Core Values

1990 was the year when Japanese electronic giants rapidly increased capital investment in DRAM production and dominated the global semiconductor market.

MegaChips emerged as Japan's first fabless semiconductor manufacturer to provide solutions of innovative system LSI.

Support the business success of customers with creative technology and innovative solutions.

This concept has been our unchanging core values.

History of MegaChips

Since its establishment in 1990, MegaChips has used its proprietary technologies to create a series of market-leading advanced technologies and products. MegaChips will continue to create products that support our customers to solve the problems and contribute to achieving a prosperous future society.

1990-

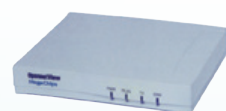
Founded as Japan's first fabless system LSI manufacturer

Main Achievements

- LSI for game consoles (ASIC)
- LSI for facsimile image processing (ASIC)
- LSI for wide TV window control (ASSP)
- Miniature, lightweight video transmission server (System device)



The first 7 employees in a meeting when MegaChips started



Miniature, lightweight video transmission server



LSI for wide TV window control

2000-

Expanded application fields by developing products that capture digitalization trends

Main Achievements

- JPEG2000 LSI (2004) **World's first**
- Multimedia processing LSIs for 3G cell phones (ASSP)
- LSI for single-lens reflex digital cameras (ASSP, ASIC)
- LSI for digital terrestrial broadcasting reception (ASSP)
- Network cameras (System device)
- Digital image transmission servers (System device)
- Digital video recorders (System device)
- Wireless intercom (Adapted wireless LAN in 2007) **World's first**
- JPEG XR IP (2009) **World's first**



Multimedia processing LSIs for 3G cell phones



LSI for single-lens reflex digital cameras



LSI for One-Seg



One-Seg Module



Network cameras



Digital image transmission servers

2013-

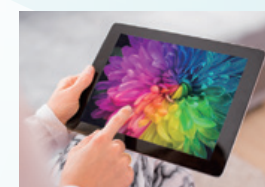
Enlarged business to Global Market

Main Achievements

- LSI for office equipment
- Timing controller LSI for liquid crystal panels
- Intelligent sensor hub LSI
- Full digital video recording and transmission systems
- Intellectual property core and LSI for optical communications
- Analog front-end LSI for home networking
- Analog front-end LSI for access networks
- High-speed PLC communication LSI for industrial applications



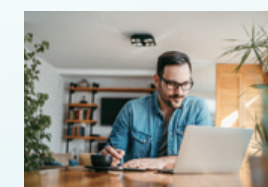
LSI for office equipment



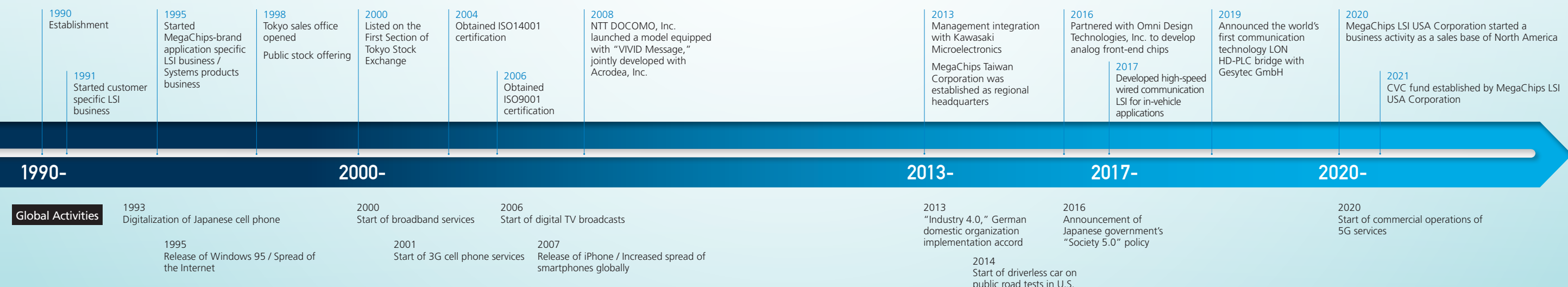
LSIs for liquid crystal panels



LSI for industrial communications

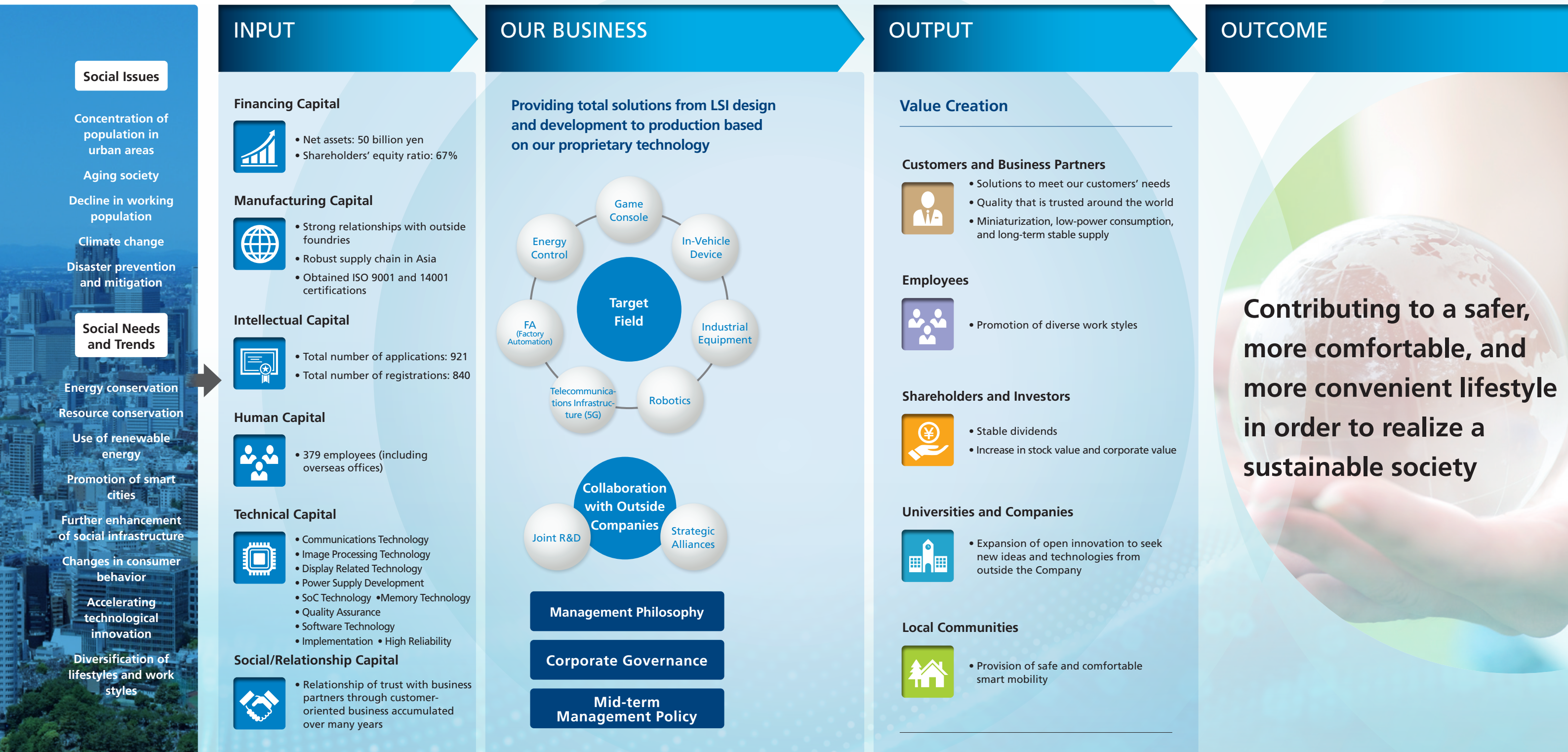


LSI for home networking



Global Activities

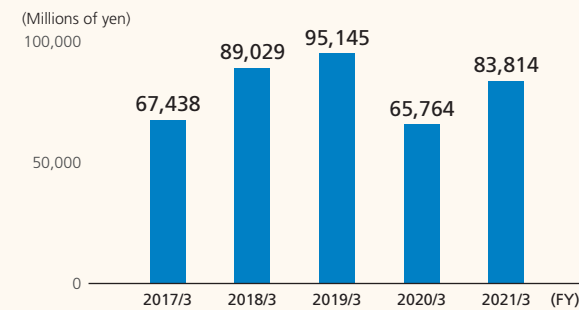
Value Creation Process



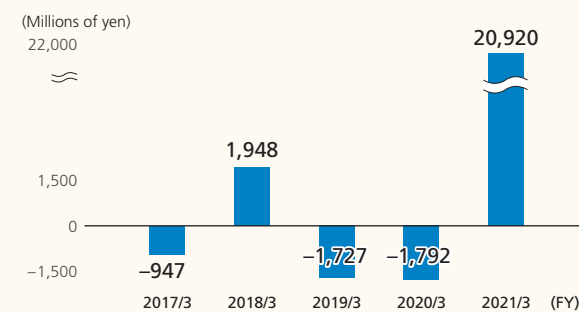
MegaChips in the Numbers

Financial Highlights (Consolidated Basis)

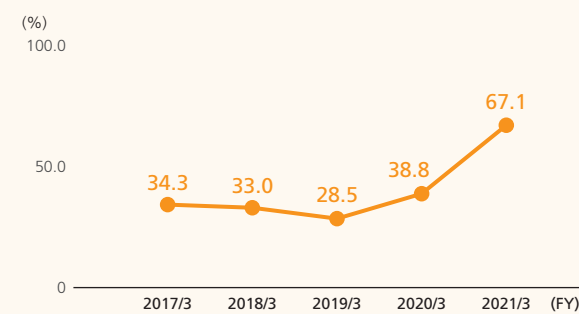
Net Sales



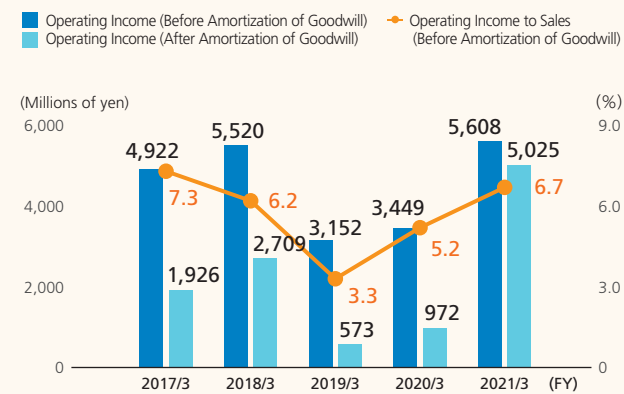
Profit Attributable to Owners of Parent



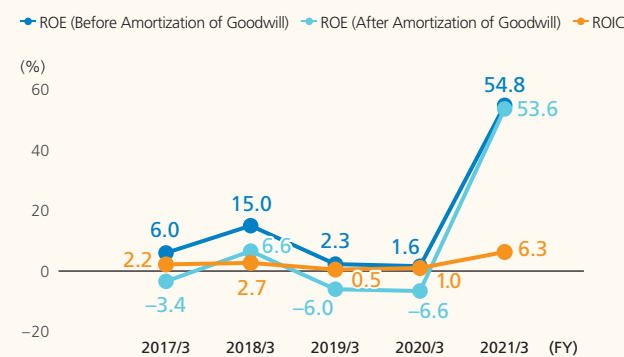
Shareholders' Equity Ratio



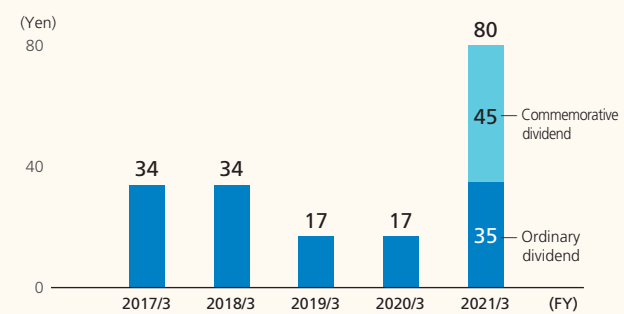
Operating Income and Operating Income to Sales



ROE/ROIC

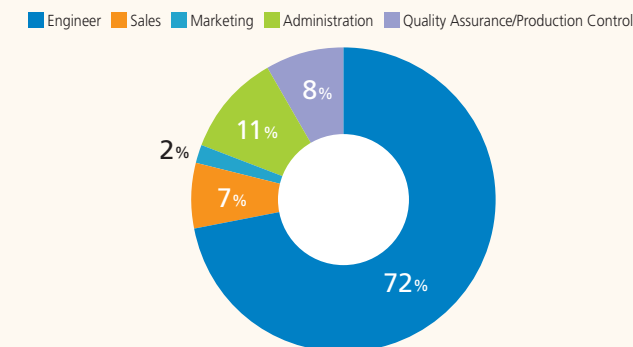


Cash Dividends Per Share

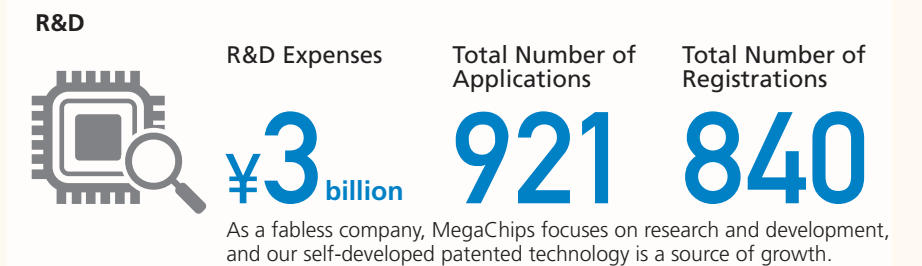
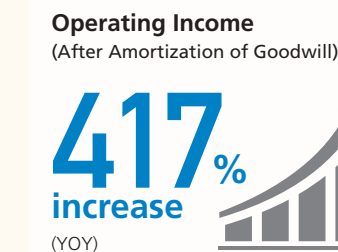
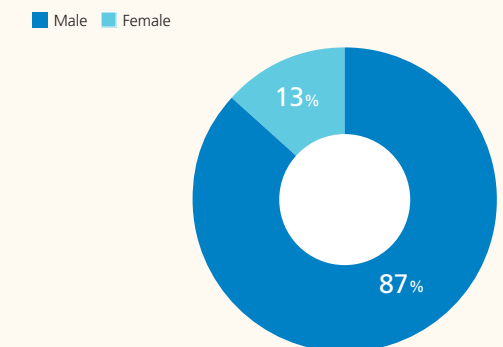


Non-Financial Highlights

Personnel Ratio by Job Category



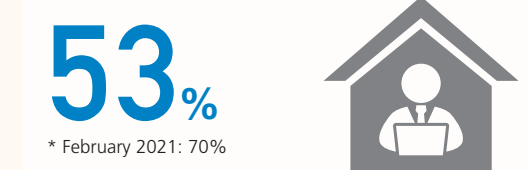
Personnel Ratio by Gender



New Graduate Retention Rate



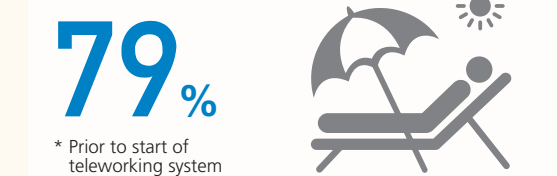
Percentage of Teleworking (Annual Average)



Ratio of Male Childcare Leave



Annual Paid Leave Use Rate



Recruitment of Foreign Nationals





MegaChips

We will contribute to the realization of a safe and prosperous society by providing system LSIs with our proprietary technology.

Tetsuo Hikawa
President and CEO

Looking Back on the Fiscal Year 2020 (Ended March 31, 2021)

The MegaChips Group (the Company) experienced increases in both sales and profits due to strong demand in the amusement field in the ASIC business as well as steady results from its business restructuring, improved business efficiency, and enhanced financial structure.

The global economy in the FY2020 was severely impacted by the outbreak of COVID-19.

At the Company, the amusement field, a core business of the Company, remained strong due to the increase in demand for home video games that came together with the demand from the stay-at-home situation, in addition to which, the FY2020 saw the results of the business restructuring that the Company started in the FY2018. Profitability improved as a result of structural reforms,

including withdrawal from unprofitable businesses, liquidation of assets, and cost reductions.

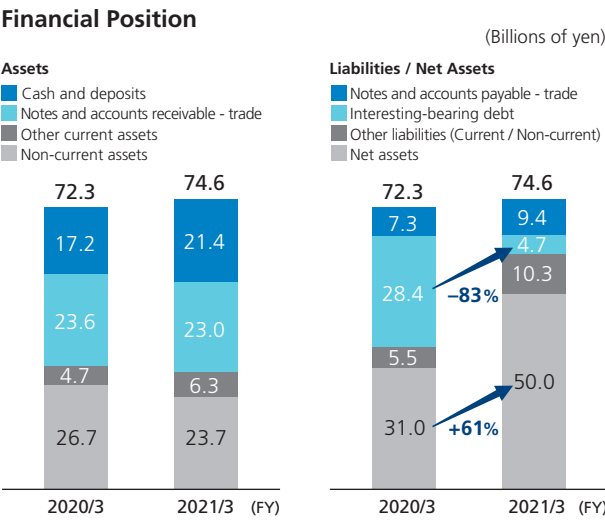
Further, SiTime Corporation (SiTime), the Company's U.S.-based consolidated subsidiary, was listed on the NASDAQ Global Market in 2019, which served as an opportunity to respect the individuality of SiTime's management. In order to increase the respective growth potential of the Company and SiTime, the Company sold a portion of its shares in SiTime in 2020 in conjunction with

the capital increase through the issuance of new shares of SiTime, thereby changing SiTime to an equity-method affiliate.

As described above, the consolidated net sales and income for FY2020 exceeded the previous year's results and the plan at the beginning of the fiscal year, due to,

among other things, improved profitability resulting from business restructuring and a steady demand from customers, especially in the amusement field. In addition, the Company's financial structure improved significantly, with the equity ratio increased from 39% as of the end of FY2019 to 67% as of the end of FY2020.

Consolidated Results (Millions of yen)			
	FY2019 (ended March 2020)	FY2020 (ended March 2021)	Year-on-year Comparison
Net sales	65,764	83,814	+27.4%
Operating income before amortization of goodwill	3,449	5,608	+62.6%
Operating income after amortization of goodwill	972	5,025	+416.7%
Ordinary income	639	3,912	+512.3%
Profit attributable to owners of parent	-1,792	20,920	—



R&D Policy, a Source of Value

As Japan's first fabless manufacturer, we will contribute to the realization of a prosperous society through the creation of innovative technologies.

The basic policy at the time of MegaChips' establishment was "to plan, develop, and provide system LSIs that contribute to improving the competitiveness of our customers' products by concentrating management resources on research and development to refine our proprietary technologies." This basic policy has been handed down to the present day and remains a source of the Company's competitiveness even today.

Although the fabless business model has now become commonplace, we believe that MegaChips is what it is today because the Company was founded as a fabless manufacturer about 30 years ago and was able to consistently focus its management resources on research and development.

Currently, based on the technological capabilities cultivated in research and development thus far, the Company is focusing on various research and development in the high-speed communication field, and as a result, the Company aims to contribute to the improvement of safety and convenience by providing communication solutions in the automotive field,

and to the reduction of environmental burden by achieving high speed, miniaturization, and low power consumption.

As part of our mid- to long-term strategy of fostering and creating new businesses by always looking ahead, MegaChips increased the capital of MegaChips LSI USA Corporation (California, U.S.), its consolidated subsidiary, by approximately ¥4 billion in April 2021 to establish a CVC (Corporate Venture Capital) fund. In the U.S., there are many start-up companies with promising technologies and business ideas. The Company aims to accelerate the launch of its new businesses by investing in these promising start-up companies through the CVC and forming strategic alliances and engaging in joint development with them. Going forward, the Company will contribute to the realization of a prosperous society by proactively striving to develop technology and create advanced technologies to provide our customers with solutions to realize products and services that are needed by the world.

Mid- to Long-Term Vision for FY2025

We have formulated a mid- to long-term management plan starting from the current fiscal year to the fiscal year ending March 31, 2026.

Going forward, in addition to the current pillar of profits, 1. the ASIC business in the amusement field, we aim to build a solid business portfolio by adding the three additional pillars of; 2. the ASIC businesses other than the amusement field, 3. the in-vehicle device business, and 4. new businesses, for a total of four pillars.

1. Amusement Business

For the business in the amusement field, which is still showing steady growth, MegaChips will continue to maintain close and tight relationships with its customers, thereby further strengthening the current business base. In addition, as a fabless manufacturer, the Company will continue to build solid relationships of trust with its contract manufacturing partners and work to establish a seamless supply chain to ensure a stable supply system.

2. ASIC Business

The ASIC business has so far focused on consumer-oriented products such as digital cameras and PCs and office automation equipment. On the other hand, MegaChips, with its high-speed communication analog technology, information security technology, encryption technology, image processing technology, and the like, can provide LSIs that solve the problems of various devices in the factory automation field, where automation and smart

technologies are advancing, and in the telecommunications field, where 5G is rapidly spreading. At the same time, the Company will steadily expand its ASIC business by cultivating new customers while utilizing its expertise in an integrated support system from design to quality inspection.

3. In-Vehicle Device Business

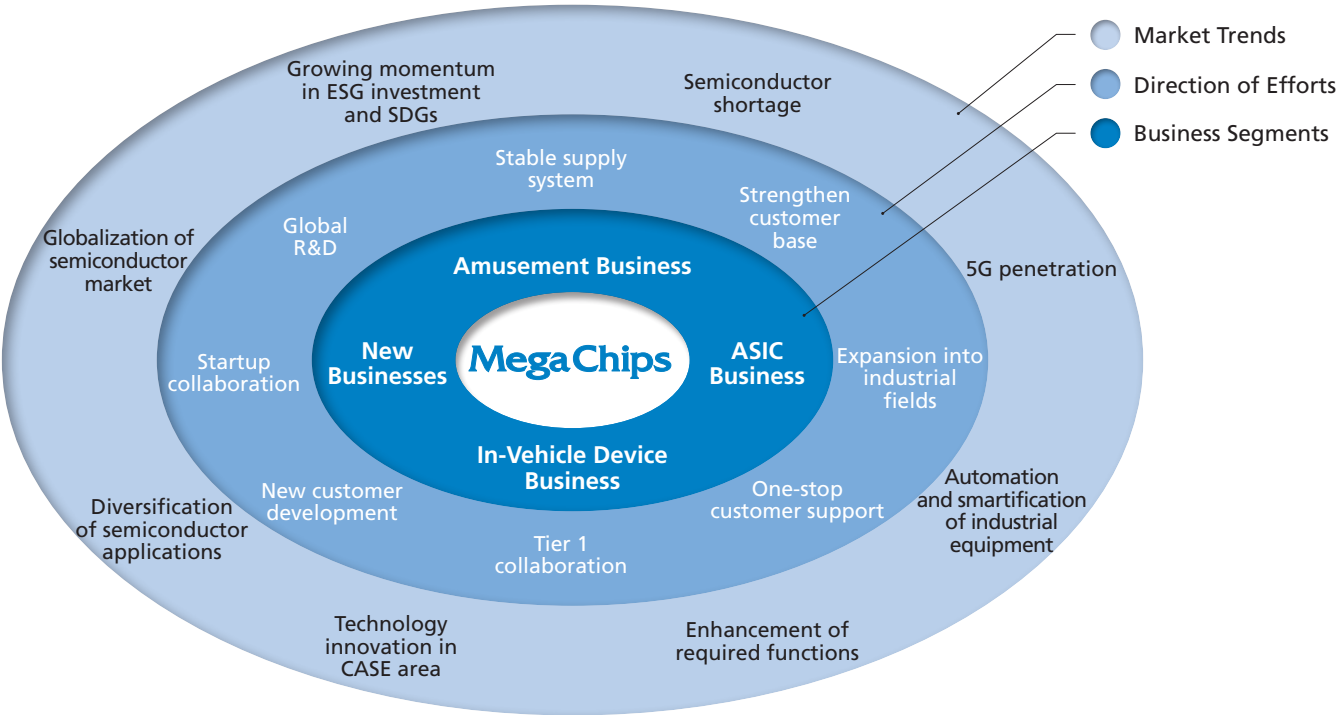
As for the in-vehicle device business, electronics technology is becoming indispensable in the field of advanced technology as the concept of the automobile undergoes a major transformation as typified by CASE with the aim of realizing a decarbonized society. Viewing this as an opportunity to enter the in-vehicle device field with its high-speed wired communication LSIs, MegaChips is collaborating with Tier 1 automotive parts manufacturers, utilizing MegaChips' own technology. In particular, the Company is striving to develop LSIs for network communications for installation in automobiles, with the aim of launching a full-scale business by FY2025. The Company is also actively engaged in the research and development of the next-generation high-speed communications with the aim of realizing an in-vehicle high-speed communications system, such as "Research in OFDM-Based High-Speed In-Vehicle Network Connectivity for Cameras and Displays," which was mentioned in a news release in April 2021. In the in-vehicle device field, the Company will provide products and solutions that satisfy customers in the automotive industry by adding, among other things, a high level of reliability, functional safety, security, and EMC measures required for in-vehicle semiconductors to our analog and communication technologies.

4. New Businesses

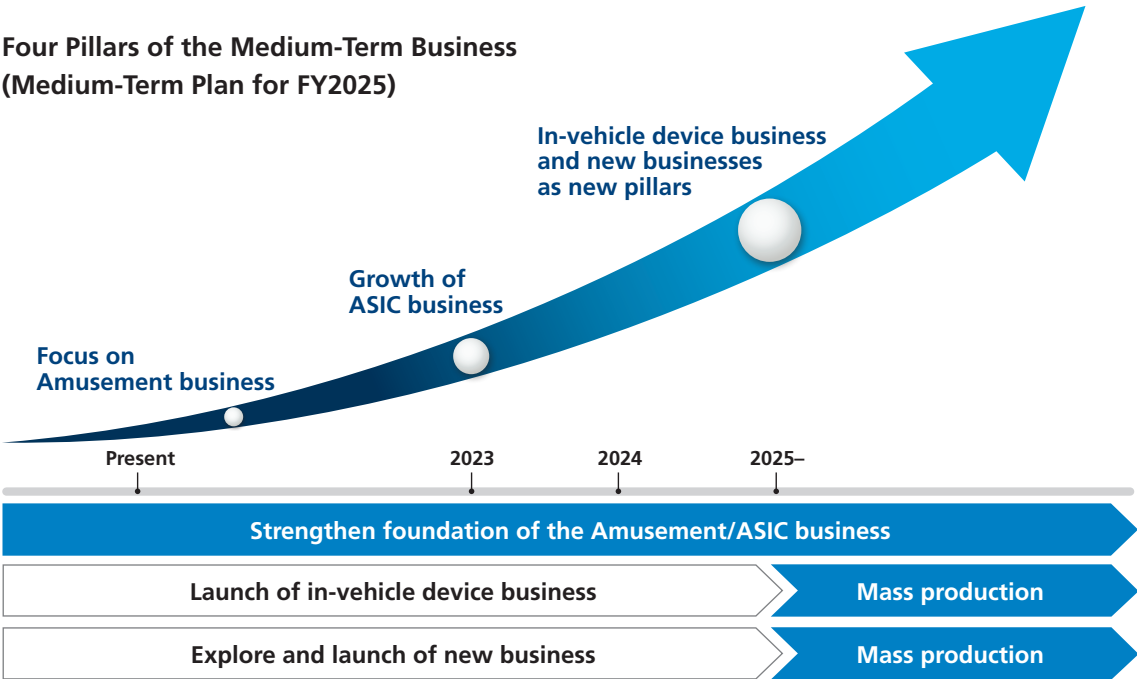
As for new businesses, the Company will reap the seeds of new businesses at an early stage and connect them to commercialization by actively pursuing strategic alliances and investments in start-up companies, mainly in the U.S. In addition to AI, information security, and robotics, the

Company believes that the fields of health and medical care and telecommunications infrastructure, centered on 5G, will continue to grow in the future, so the Company plans to narrow down its research and development to promising fields in order to promote the launch of businesses.

Business Environment surrounding MegaChips



Four Pillars of the Medium-Term Business (Medium-Term Plan for FY2025)



Forecast for the First Fiscal Year of the Mid-Term Management Plan

In the consolidated fiscal year ending March 31, 2022, the Company forecasts consolidated net sales of ¥65,500 million (a 21.9% decrease from the previous consolidated fiscal year), consolidated operating income of ¥4,300 million (a 14.4% decrease from the previous consolidated fiscal year), and ordinary profit of ¥3,700 million (a 5.4%

Realization of a Sustainable Society

Contributing to Global Environmental Conservation

The Company's LSI products are key devices that are capable of contributing to society's energy and resource conservation through higher speed, miniaturization, and lower power consumption. MegaChips will contribute to the conservation of the global environment by improving the functional performance of LSI products and providing the optimal solutions for its customers' products, while utilizing its proprietary technological capabilities specialized in research and development.

Although MegaChips, as a fabless manufacturer itself, does not directly impose a high burden on the environment, it requires its contract manufacturers to comply with strict guidelines regarding the use and

decrease from the previous consolidated fiscal year).

In the ASIC business, the performance of the business in the amusement field, which is MegaChips' core business, is expected to decrease compared to the previous consolidated fiscal year. The forecast values are based on solid assumptions due to the difficulty in predicting the impact of changes in the external environment attributable to the outbreak of COVID-19 pandemic, despite the expectation that the home video game console market will remain strong in FY2021.

emission of hazardous chemical substances and to ensure compliance with emission standards for CO₂ and hazardous substance emitted into the air in order to ensure that the manufacturing process of its products does not impose a burden on the global environment.

Promoting Diversity and Fostering Human Resources

Believing that it is important to attract and retain excellent personnel (human resources) regardless of gender or nationality, and to provide them with a place where they can grow and play an active role in their work, the Company is striving to promote diversity initiatives. The Company's efforts to promote the advancement of women includes inviting lecturers from various fields to conduct educational programs for its employees, appointing many women employees in its recruitment activities as interviewers and in introduction sessions so that students can visualize their own career development path as well as actively supporting women's universities to play a role in fostering outstanding women engineers and technicians. Going forward, the Company will strive to support the emergence of numerous excellent engineers and technicians who will support Japan in the future by continuing to implement diversity measures.

Investing in Future Engineers and Technicians

Although MegaChips has been engaged in joint research and other activities with a number of universities for a while, it first started to make donations to universities as a part of its corporate social responsibility (CSR) in March 2021. The Company believes that donations will help provide a cutting-edge research environment so that the young researchers of the future of Japan will be able to research without restraint. In addition, diversification of the engineers and technicians is

essential for MegaChips to increase its global competitiveness. The Company hopes that many young researchers, engineers, and technicians will become active in the electronics field, including at MegaChips, as a result of the Company's donations to universities and fostering of women researchers.

Providing an Environment Where Employees Can Work Comfortably

The "Workstyle Reform Act" was enacted in July 2018. Even before that, the Company had embarked on creating an environment where employees on business trips and employees who have difficulty coming into the office can

work from home in the same way as they are in the office. Furthermore, in May 2020, when the wide spread of COVID-19 infection became a major problem in Japan, the Company strengthened its communication environment, which resulted in the current system that allows all employees to work from home in a stable, remote access environment. MegaChips believes that it is important to establish a system that allows employees to work comfortably from the perspective of business continuity, and we further believe that diverse work styles will minimize our business continuity risks and help us contribute to our customers' business continuity.

Approach to Shareholders and Investors

We will strive to proactively return profits to our shareholders, improve share value and capital efficiency, and achieve sustainable growth.

MegaChips believes that the most important thing to meet the expectations of our shareholders and other stakeholders is to achieve sustainable growth for the Company. MegaChips also believes that maintaining a sound financial structure, securing investment funds to achieve future growth strategies, and providing a stable return of profits to our shareholders in response to their support to date are all important policies.

With respect to the dividends for the current fiscal year, the Company paid an ordinary dividend of ¥35 per share for ordinary shares, which was funded by profits from its core business. The Company also paid a commemorative

dividend of ¥45 per ordinary share, funded by the gain on the sale of SiTime shares, to express appreciation for the shareholders' support up until now as the Company welcomes the successful 30th anniversary of MegaChips' founding, which, together with the ¥35 ordinary dividend, amounts to an ¥80 dividend.

At the same time, the Company decided to repurchase up to 1.6 million treasury shares for a total of ¥5 billion as a way of returning profits to its shareholders. Going forward, MegaChips will continue to strive for sustainable return of profits and growth of the Company.

Conclusion

Based on our advanced technological capabilities, we will contribute to society by creating products and services that are needed by the world. As a fabless manufacturer, we will fulfill our corporate social responsibility by developing technologies that are useful for the preservation of the global environment and society, and by continuing to supply products. In addition, in order to meet the expectations of all our stakeholders, we will contribute to the development of a sustainable society, and aim to continuously increase our corporate value.



Tetsuo Hikawa
President and CEO





Joint Project with Santa Clara University

These days, “open innovation” is gaining attention as an ecosystem that will give birth to the next-generation industries.

Open innovation is the process that accelerates the creation of internal innovation by using knowledge and know-how from the outside to achieve targets. In order to achieve sustainable growth over the mid- to long-term, MegaChips is working to launch new businesses through collaborations with companies and universities with cutting-edge technologies and ideas, mainly in the United States.

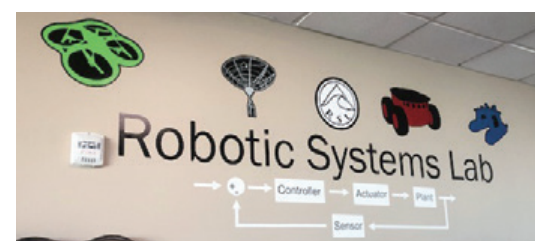
Here, we would like to explain about one such example, the joint project between MegaChips and Santa Clara University.

Background of Project Launch

Until now, the use of robots has been limited mainly to automated production scenes. What was required of robots at the production sites was the performance of predetermined actions with high precision and speed. In the future, we can expect to see the arrival of an era in which robots will be used in various fields and situations that have been difficult to automate, such as logistics, agriculture, and food products, as well as medical care and nursing care. Seeing this as a target that holds the key to the Company's future growth, MegaChips has added robotics as one of its new business targets. To expand our business in this market, it is necessary to have cutting-edge technology and know-how to realize our products.

In 2019, through its U.S. business advisor Mr. Balleto,

MegaChips formed a partnership with the SCU Robotic Systems Laboratory (SCU), a research institute at Santa Clara University with particular expertise in the field of robotics, to focuses on the acquisition of cutting-edge IT technologies and. Thereby, we have launched a joint project with Santa Clara University in the field of robotics.



SCU Robotic Systems Lab

Santa Clara University

Located in the heart of the Silicon Valley, the hub of the world's IT companies, Santa Clara University was founded in 1851 as the first private, four-semester university in California. While preserving the traditions of a devout Roman Catholic education, the university also focuses on practical fields such as business and engineering that are in keeping with the times.

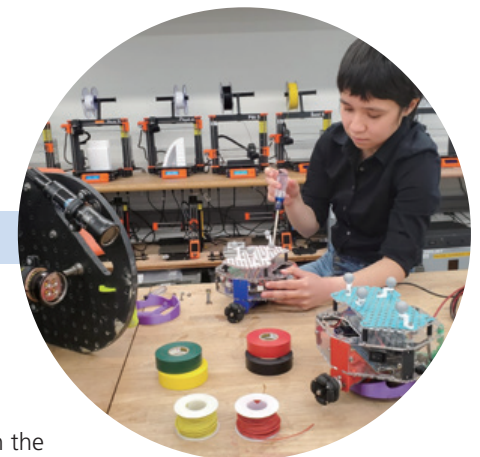
Projects (Technologies) Currently under Development

One of the key elements required in future robots is the ability to operate flexibly and accurately according to the surrounding environment and conditions. The robot needs to be able to accurately recognize the surrounding environment and conditions from various sensors, decide how to move based on its results, and accurately control the motor and other drive components in accordance with these decisions.

MegaChips had been examining the project's concept since January 2020 in this technical area and launched a

full-scale project in December 2020.

MegaChips is currently working on the development of a prototype for the proof of concept as well as suggesting to customers. The Company is also working closely with SCU on the project through implementing individual courses by Professor Kitts of SCU to our employees and support for the development of the prototype.



Future Outlook

Compared to closed innovation, where knowledge and information are kept within a company and within Japan, MegaChips believes this joint project with SCU offers very valuable discovery and is a meaningful initiative for the

Company. MegaChips will continue to move forward on this project and developing of enhanced products for a sustainable society where the synergies of humans and robots can be maximized.

MegaChips has set up a corporate venture capital (CVC) fund through investment by MegaChips LSI USA Corporation, its consolidated subsidiary, to promote the launch of new businesses in the MegaChips' target fields by forming strategic alliances and business investments with start-up companies having cutting-edge technologies and ideas, mainly in the United States. In the future, MegaChips will continue to grow this strategic new business by prompting the collaboration not only with robotics, but also with the automotive, industrial equipment, and communication infrastructure fields where markets are expecting to expand.



Professor Kitts has been providing detailed support to us from the initial stage of planning the project concept. His support covers not only technical aspects but also a wide range of areas related to the launch of a business, such as ideas for application study and advice for proposals to customers. This joint project has been a very stimulating opportunity for new discoveries and ideas. MegaChips will continue to work closely with SCU and Professor Kitts to move the project toward commercialization.



Mr. Balleto and Prof. Kitts

Motoaki Yasui
Project Leader
New Business Department



ASIC Services

Proposing the best customized solutions for our customers through collaboration with the world's most advanced companies, using MegaChips' technology and expertise and knowledge of systems

Solution-Based ASIC Services

ASIC (Application Specific Integrated Circuit) is an LSI designed exclusively for a particular application. Many ASICs are used in various electronic devices and automobiles as well as in infrastructure systems such as wired and wireless communication networks. MegaChips has built an integrated support system from development of product specifications and logic design to physical design, production, and quality, which is capable of quickly responding to customers' needs.

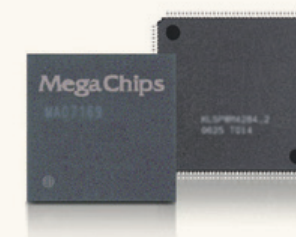
Review of FY2020

Supply of Large-Volume Products

Although the supply of ASIC products was negatively affected by the wide spread of COVID-19 in certain business fields, overall performance exceeded plans with strong sales of products for telecommunications equipment and game consoles due to the development of online systems and stay-at-home demand. On the other hand, due to short supply of semiconductors on a global scale, MegaChips has been striving to ensure manufacturing quotas and handle soaring components price. This trend is expected to continue into the future and MegaChips will strive to minimize impact on its customers.

New ASI Developments

Although orders for new ASIC developments saw curbs and delays in development costs on the part of MegaChips' customers due to the impact of COVID-19, by the end of FY2020, this trend had subsided and MegaChips received a certain number of orders. MegaChips is currently developing ASICs for a wide range of applications in various fields, including the game consoles, telecommunications, FA/Industrial, OA, medical, and video/audio fields.



Future Initiatives

Targeted Expansion Areas

Strengthening ASIC Development Capabilities for 5G Communications

A 5G communication system that relays a large volume of communication data requires a combination of advanced technologies, such as ultrafast data converters, high-capacity modems, and high-capacity serial communications, as well as advanced manufacturing processes to realize these circuits with high integration and low power consumption. MegaChips has built cooperative relationships with foundries and IP vendors around the world and is embarking on research and development to realize this complex system.

Strengthening ASIC Development Capabilities for Industrial Applications (e.g., FA systems, Robots)

There is a wide variety of devices in industrial fields, with the scope of ASICs' applications and required specifications covering a broad range. However, since MegaChips believes that, among these applications, low power consumption and high efficiency that take the global environment into account will become common requirements in the future,

MegaChips is suggesting optimal SoC (System on Chip) ASICs to its customers to achieve these requirements. MegaChips is also moving forward with the selection of dedicated manufacturing processes for low power consumption from foundries around the world and the development of low-power consumption IP.

Strengthening Specifications Design and Upstream Design / Customer-Centric Development

MegaChips believes that, as an ASIC vendor, it should contribute to society by highlighting the capabilities of semiconductors to the greatest extent possible. To achieve this, MegaChips aims to go even one step further by deepening its understanding of customers' products and systems and participating in specifications design and upstream design. Specifically, the first steps include optimizing the functions integrated into the ASIC and "eliminating waste in specifications." Looking beyond that, MegaChips will continue to develop products that provide new value to the environment, society, and people's lives.

Main Features

01

As a fabless semiconductor manufacturer, building strong partnerships with our outside foundries

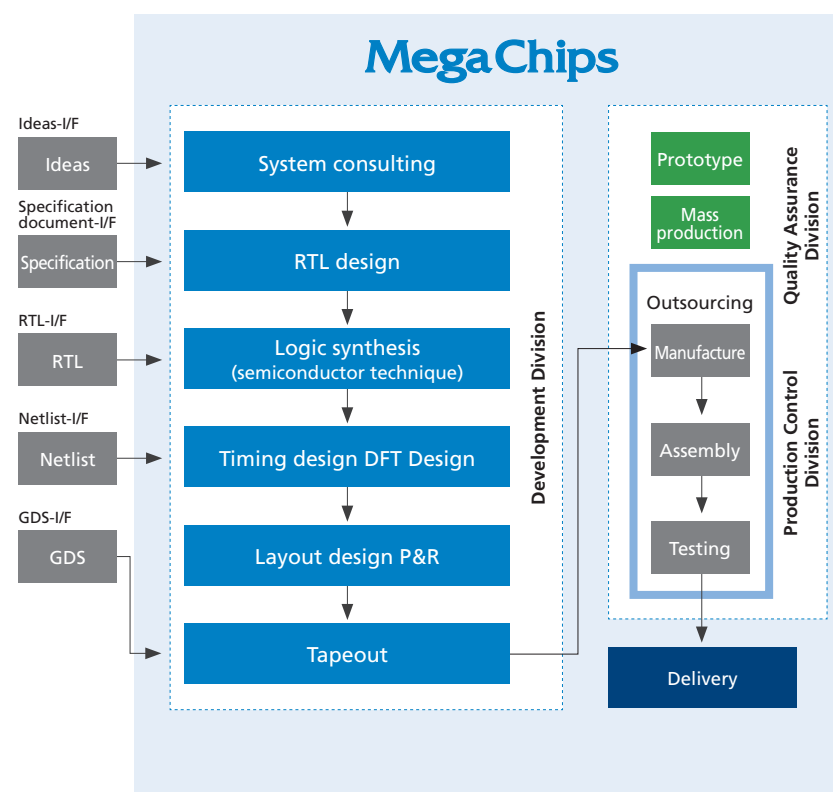
02

A wide range of selections of the best customized fabs in Japan and overseas suited for features and functions of products to be manufactured

03

Achieving high-quality product supply under a strict quality assurance system in cooperation with MegaChips' outside foundries

ASIC Development Flow



Products for In-Vehicle Network

Realizing high-speed, high-capacity, safe, and secure communications



As the concept of the automobile undergoes major innovation, as typified by CASE, with the aim of realizing a carbon-neutral and decarbonized society, electronics technology is becoming indispensable in the field of advanced technology. To respond to these market needs, MegaChips has embarked on semiconductor development for automobiles as a new pillar of the Company's business. By adding the high level of reliability, functional safety, security, and EMC measures required for automotive semiconductors to our experience and achievements to date, MegaChips will provide products and solutions that satisfy customers in the automotive industry.

Main Features

Products for In-vehicle network have the three major requirements below, which MegaChips will tackle by utilizing its own existing communication technology and offering a full range of products from the in-vehicle network (Ethernet) field.

01 High reliability

- Resistance to noise unique to the in-vehicle environment
- Support for functional safety through diagnostic functions
- Enhanced security

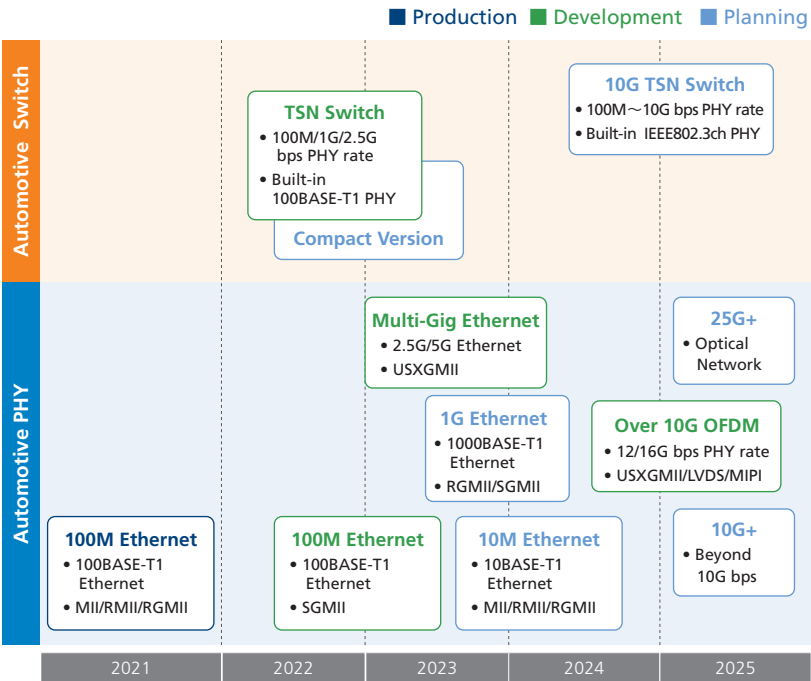
02 High speed and capacity

- Support for high-capacity communications for automated driving
- Ensuring the real-time performance required for control
- Low power consumption for the entire system

03 Interconnectivity

- Communication that does not require protocol conversion
- Scalability for systems integration outside the vehicle

Products for In-Vehicle Network Roadmap



Review of FY2020

In the in-vehicle network field, MegaChips has completed the development of a 100M Ethernet PHY and is now preparing for mass production, including the creation of an in-vehicle quality assurance system. This is the only automotive Ethernet PHY compliant with 100BASE-T1 by a Japanese manufacturer. It operates at reduced power consumption to meet in-vehicle requirements and has a sleep mode function that stands by with small current consumption. It is equipped with an echo cancellation function and a transmission filter to meet automotive EMC requirements. In addition, the judgment function for disconnection and short circuit of the wiring contributes to functional safety requirements.

Future Initiatives

Cameras and displays installed in automobiles are becoming increasingly high-resolution, with data transmission speed in excess of 10 Gbps required. In addition, unlike data centers and corporate networks that operate in a stable, indoor environment, in-vehicle communications must be able to operate stably under harsh temperatures and noise conditions. To achieve fast data communication speed in such a harsh environment, significant improvements to not only higher speed and higher reliability of the LSI controlling the communication, but also of the anti-noise performance of the cable are required, which in turn would increase the cost of the in-vehicle high-speed communication system, making it difficult to spread widely.

To be able to respond to these issues, MegaChips has embarked on the development of the Multi-Gig PHY. In addition to the standard IEEE 802.3ch-compliant technology, Multi-Gig PHY also uses a new modulation method known as OFDM (orthogonal frequency division multiplexing) for the LSIs that control in-vehicle communications as the Company's proprietary technology, and applies subcarrier boosting. By doing so, MegaChips



100M Ethernet PHY Package

Main Features of 100M Ethernet PHY

- 1. Ethernet PHY compliant with 100BASE-T1 standards**
 - Capable of 100Mbps full-duplex communication with a pair of UTP cables
 - Lightweight, low-cost wire harnesses enable high-speed communication
- 2. Low power consumption**
 - Operates at low power consumption to meet in-vehicle requirements
 - Equipped with a sleep mode that stands by with small current consumption
- 3. Compliant with AEC-Q100 in-vehicle quality assurance standards**
 - Warranty of quality in compliance with in-vehicle quality assurance standards

aims to realize a low-cost, in-vehicle high-speed communication system using affordable communication cables. This technology was announced in a publication as "Research in OFDM-Based High-Speed In-Vehicle Network Connectivity for Cameras and Displays" by the US-based Society of Automotive Engineers International (SAE) at the SAE World Congress held April 13-15, 2021 and is currently being developed for commercialization.

In addition to the above, MegaChips is also striving to develop TSN switches for next-generation in-vehicle Ethernet, capable of highly reliable, high-speed, high-capacity communications required for automated driving. The TSN switch that MegaChips is developing has ports with different communication rates, making it ideal for a variety of In-vehicle applications including computer graphics.

Moreover, MegaChips will continue to provide information by presenting these initiatives and technological development at the Automotive Engineering Exposition and the SAE World Congress, as well as at the Automotive Ethernet Seminar and the Automotive Functional Safety Conference.

LSIs for High-Speed PLC Communications

Realizing High-Speed Wired Networks for Industrial IoT



BlueChip Plus Series

While using twisted pair cables, coaxial cables, power cables, and the like installed in facilities, it is possible to build high-speed wired networks required in the IoT era. It provides a highly reliable communication solution for advanced applications such as building automation, smart grid, and smart homes.

Main Features

- 01

IEEE 1901-2020 compliant low-power consumption broadband LSI for PLC communication
- 02

Compatible with a wide variety of wiring, and provide excellent noise resistances, high quality and strong security
- 03

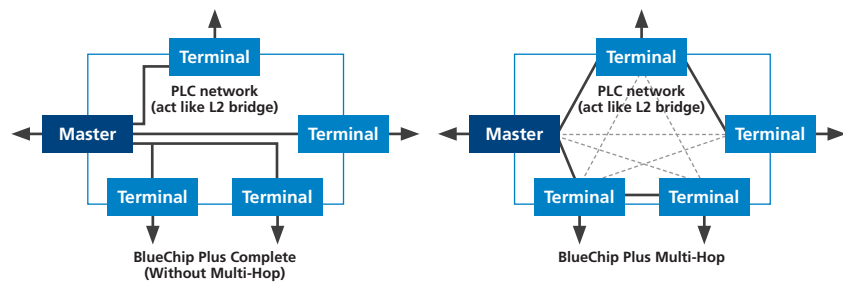
The maximum transmission rate (PHY rate) achieves high-speed communication of 240 Mbps
- 04

Construction of a multi-unit network up to 64 nodes (non-multi-hop compatible) or 1024 nodes (multi-hop compatible)
- 05

Compatible with IPv4 and IPv6, and provides optimal solutions for device controls over the internet

Provides two methods depending on the application

“BlueChip Plus Complete” is ideal for applications that use images such as surveillance cameras and signage, and “BlueChip Plus Multi-Hop” is ideal for sensing and device controls in lighting and air conditioning.



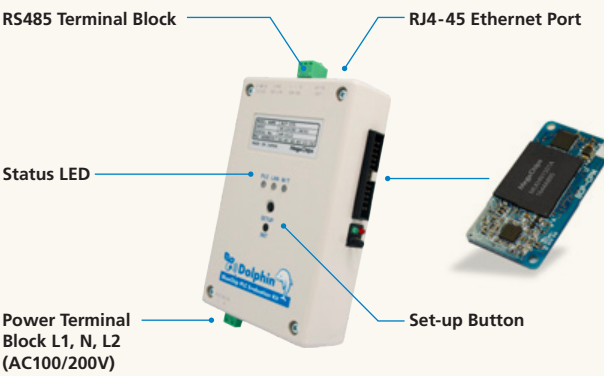
Review of FY2020

As products compliant with IEEE 1901-2020 (Standard for Broadband over Power Line Networks, hereafter, “BPL”^{*1}), an international standard that enables high-speed communications in a wide area over any metal wiring, including power lines, and ITU-T G.9905 (a multi-hop standard, CMSR: Centralized Metric-based Source Routing), LSIs are increasingly being adopted in many applications. In particular, there has been an increase in the number of evaluations and use by customers who are considering using existing wiring effectively for building automation, street lighting control, solar panels, home security, home automation, and the like, to establish IP communications, increase speed or distance, enhance security, or connect to more terminals.

In February 2020, BPL was adopted as ANSI/CTA 709.8 for LonWorks^{*2}, an international communication standard for various automation applications. One of the key requirements for these industrial and commercial products with long life cycles is the stable and long-term supply of products. From this perspective, we have been supplying

BPL products for more than 10 years, and our track record has been highly evaluated by our customers. We will continue our activities to meet the expectations of our customers, including the development of new products, and strive to earn their further trust and confidence.

^{*1}: Broadband Power Line Communication
^{*2}: LonMark International, a standards organization, has more than 70 members.



HD-PLC EVK/SDK

Future Initiatives

In the three fields of “smart cities,” “renewable energy,” and “international standards for control system communications,” MegaChips will calmly assess the time frame, scale, and feasibility and make appropriate investments, with the aim of growing together with our customers.

In the field of “smart cities,” MegaChips will contribute to the realization of a better society by promoting the deployment of the BPL communication system in many applications as a new solution that complements the Ethernet, WiFi, mobile communication (4G/5G), optical communication, and long-range wireless communication

systems that are indispensable for the realization of such a society. In the field of “renewable energy,” MegaChips will view the efforts of countries around the world to combat global warming as a major growth opportunity, and will actively propose the BPL communication method to system and equipment vendors participating in demonstration experiments. In the field of “international standards for control system communications,” following LonWorks, MegaChips will focus on the adoption of BPL communication methods in standards such as BACnet, KNX, and DALI to develop new markets.

Creating Unique Products by Fusing Analog and Digital Technologies

MegaChips meets customers’ needs based on its proprietary technologies and put all its effort into the research and development of application technologies to distinguish its products from those of competitors. To ensure our superiority and uniqueness through research and development, we promote the protection of our own intellectual property rights.

R&D Policy

Provide system LSIs and solutions with our unique analog and digital technologies

Major Achievements in R&D for FY2020

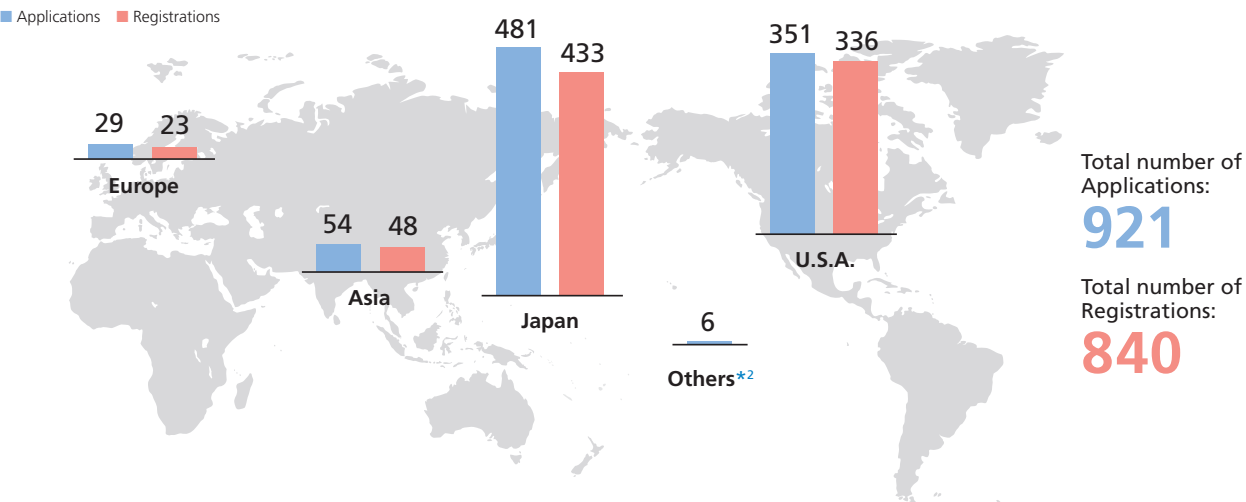
Game software storage LSI	LSI for in-vehicle high speed wired communications
Intellectual property core and LSIs for optical communications	Support development of optical transceivers for 5G base stations and metro core networks
LSI for wired (twisted pair cable, coaxial cable, power cable) multi-hop communications	

Intellectual Property Strategy

Since MegaChips is a fabless manufacturer, our unique ideas, expertise, and other intellectual properties derived from R&D activities constitute the foundation of our competitive advantage. Accordingly, protecting our intellectual property rights will lead to greater competitiveness and growth potential.

In FY2020, the Company filed patent applications such as performance improvement technology in high-speed wired communications, clock recovery technology in high-speed wired communications, reliability enhancement technology for memory in game consoles, and LED driver control technology. A patent application was also submitted for application technology for game consoles, security technology for IoT devices and motion control for IoT devices.

Patent Applications and Registrations by Region*1



*1 The number of cases shown are the cumulative total as of the end of March 2021.
*2 "Others" denotes the number of applications for patents that are valid under international patent treaties in multiple countries where MegaChips may begin operations in the future.

Environmental and Quality Initiatives

We will contribute to society by creating services and products that are needed by the world

MegaChips has grown through the philosophy of "innovation" to develop the Company's business, "trust" to maintain its coexistence with customers, and "creativity" to continue to contribute to society. Based on this management philosophy, MegaChips will develop and grow together with its customers and contribute to the conservation of the global environment by using its unique technological capabilities to improve the functions, performance, and quality of LSIs, including low power consumption, miniaturization, and high-speed processing, as well as by providing solutions that save energy and resources.

Environmental Management System

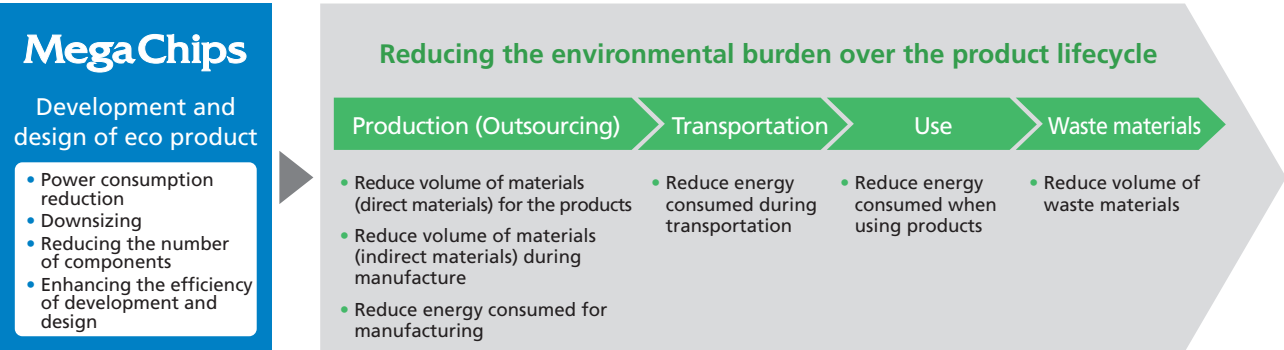
MegaChips understands the importance of protecting the planet for future generations. Based on this understanding, we are committed to achieving symbiosis between our business and the environment, contributing to a greener and cleaner Earth. To achieve this, we have developed an environmental management system complying with ISO14001.

Major environmental preservation activities

- Provide "Eco-Friendly and Recycling-Oriented Products" of low-power consumption and small size
- Work on to "Reduce Environmentally Hazardous Chemical Substances and Conduct Green Procurement" based on our unique green procurement guideline
- Put in an effort to "Promote Eco-Office Activities" for saving energy and natural resources
- Strictly "Observe Regulations on Conflict Minerals Reporting requirements" and "Compliance with Laws and Other Requirements"



Environmental load reduction effects with the development of eco products



Certified to the ISO 14001 standard

ISO 14001 is an international standard for environmental management systems. It has been created for the purpose of minimizing the environmental impact of corporate activities. MegaChips has established an environmental management system based on the ISO 14001 standard, as part of its ongoing commitment to reducing its global environmental impact.



Quality Management System

Our Quality Policy

Our greatest strengths are the “fabless business model” which outsources all production and our business development based on the original, proprietary technology. We are committed to our customers’ satisfaction by improving the quality of all aspects of our operations from product designs, R&D and production management to shipment and after-sale services.

We implement the following measures to build, operate, and continuously improve effectiveness of our quality assurance system.

- With law-abiding spirits, we comply with laws and regulations with ethical responsibility, and strive to satisfy customers’ needs
- Set quality goals company-wide and at each business division and promote activities to achieve those goals
- Conduct assessment of the effectiveness of our quality management system and regularly review the management system to maintain quality
- Notify all employees of the quality policy through all-hands meetings, bulletin boards, training and seminars and share as necessary according to positions and functions for quality enhancement activities.

Certified to the ISO 9001 standard

ISO 9001 is an international standard for quality management systems. Its objective is to improve product quality assurance frameworks and to increase customer satisfaction.

MegaChips has built a quality management system based on the ISO 9001 standard that complies with requirements for the automotive products, and established an organization to deliver higher quality products and services by making efforts to go beyond customer satisfaction.



Outline of ISO 9001:2000 certification

Registrar	Japan Audit and Certification Organization for Environment and Quality (JACO)
Registered company	MegaChips Corporation
Locations	Head Office: 1-1-1, Miyahara, Yodogawa-ku, Osaka 532-0003, Japan Tokyo Office: 17-6, Ichibancho, Chiyoda-ku, Tokyo 102-0082, Japan Makuhari Office: 1-3, Nakase, Mihama-ku, Chiba 261-8501, Japan
Certified units	Planning, design/development, and manufacturing outsourcing of System LSI
Exceptions	None
Registration date	March 27, 2006
Approval Certificate No.	QC05J0270
Certificate Expiry	March 26, 2024

Donating to Universities

Donations were made to Osaka University, Kobe University, and Nara Women's University to provide opportunities for young researchers in the field of electronics to focus on research and development of advanced technologies and to support the improvement of the environment. As part of its CSR activities, MegaChips will contribute to the fostering of future human resources.

President Imaoka, Nara Women's University (center)

Commitment to quality assurance

For comprehensive quality management and assurance, MegaChips has built a system centered on the Quality Assurance Department. Through this system, appropriate guidance and supervision are provided to internal design sections and to contracted production plants.



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.

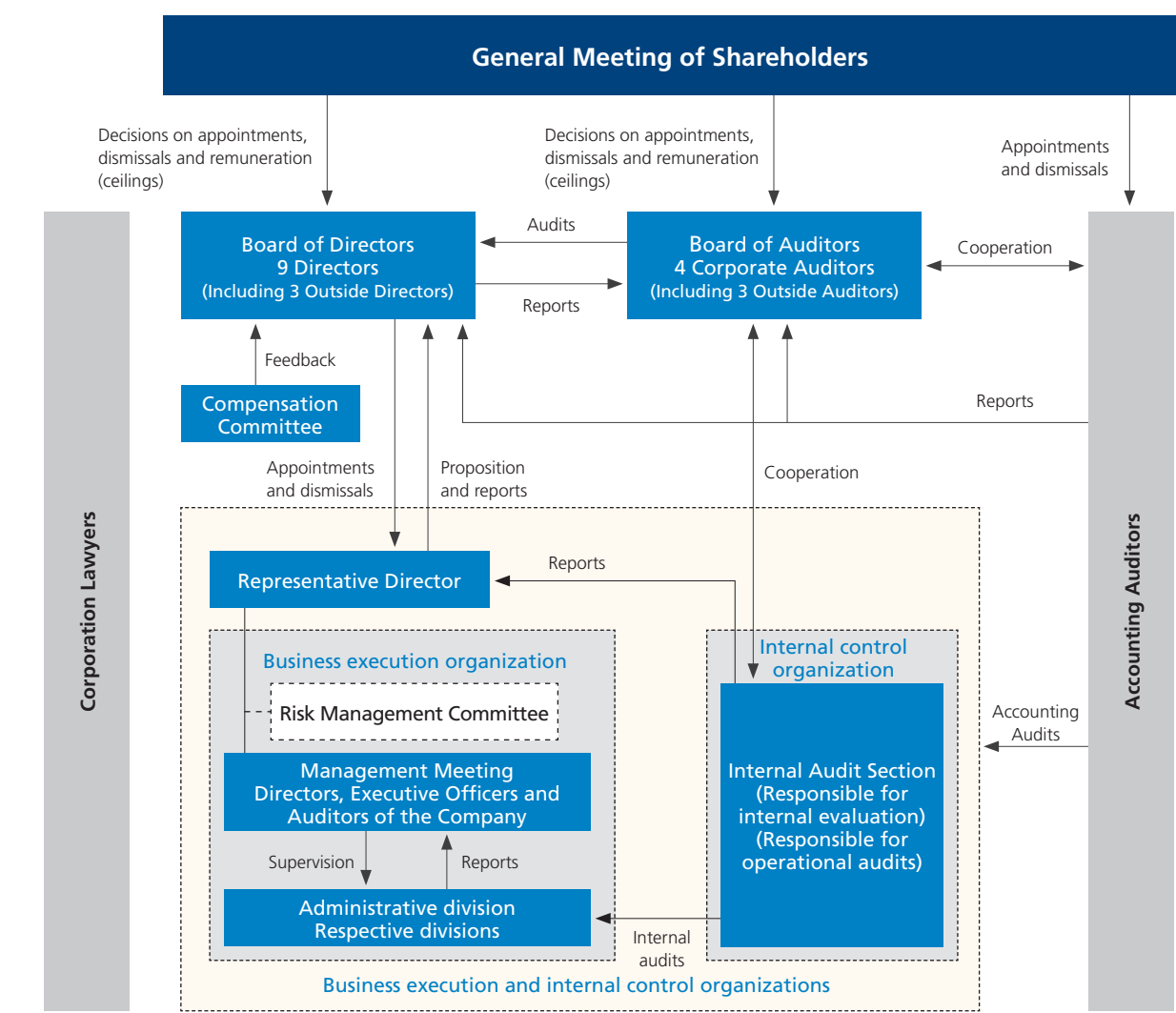
Our Basic View

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.

Introduction of Board Members

Directors



Tetsuo Hikawa

President and CEO

As President and CEO since 2019, Mr. Hikawa has demonstrated strong leadership in managing the MegaChips Group, and by tackling management issues such as business structural reforms from a mid- to long-term perspective and by working to enhance the corporate value of the MegaChips Group through his initiatives, Mr. Hikawa has a proven track record of steadily implementing a wide range of management plans. Mr. Hikawa contributes greatly to the enhancement of the corporate value with his rich experience, knowledge, and achievements in corporate management.



Masahiro Shindo

Chairman of Board of Director

As the founder of MegaChips, Mr. Shindo has exhibited great leadership over many years, including having MegaChips listed on the First Section of the Tokyo Stock Exchange in 2000, and has been the Company's driving force. Since 2002, Mr. Shindo has been proactively engaged both at the Company and outside, including mentoring talented personnel, and in FY2020, Mr. Shindo took the lead in structural reforms and made efforts to build a strong management foundation. With his rich experience, knowledge and achievements in matters related to corporate management and personnel training, in a drastically changing environment, Mr. Shindo contributes greatly to enhance the corporate value by appropriately overseeing the Company as a whole, orienting it in the proper direction.



Yoshimasa Hayashi

Senior Managing Director, Executive Officer

As a founding member of MegaChips, Mr. Hayashi has contributed to the growth of the Company for many years as the person responsible for operations in various fields ranging from the Product Development Business Division to the Human Resources Division and the Sales Division, and simultaneously contributed to the expansion and development of the Company as a member of the management team. Currently, as the head of the New Business Division, Mr. Hayashi is responsible for expanding the Company's business domain, while at the same time, he has contributed to strengthening the management base. Therefore, with his rich experience, knowledge and achievements relating to corporate management, Mr. Hayashi is making a significant contribution to the enhancement of the corporate value.



Yasuto Shimomae

Director, Executive Officer

Since joining the Company, Mr. Shimomae has played an instrumental role using his high degree of expertise to contribute to strengthening the Company's business base by enhancing the Company's compliance and risk management functions involved in the management of wide-ranging areas, while at the same time, promoting various projects, including customer-based strategies. Currently, Mr. Shimomae is concentrating on the development of new products for the automotive and industrial equipment market, which we expect to grow in future, and is playing a vital role in acquiring new customers. Mr. Shimomae has contributed greatly to the enhancement of corporate value with his extensive experience, achievements, and high communication skills over many years.



Ikuo Yamaguchi

Director, Executive Officer

Mr. Yamaguchi has been engaged in semiconductor development for many years and since joining the Company, has been involved in product development in the amusement business, which is core business. In addition, he has contributed to the Company's growth and expanded development over many years as the person in charge of that business division. Currently, Mr. Yamaguchi is concentrating on the development of new LSI technologies and products for particular customers as the General Manager of ASIC No.1 Division, a key division, where he shows great skills in attracting new customers. Mr. Yamaguchi contributes greatly to the enhancement of corporate value with his rich experience, achievements, and communication skills over many years.



Ikuo Iwama

Director, Executive Officer

Mr. Iwama has broad expertise in management based on his extensive knowledge and experience in semiconductor-related fields over many years, including semiconductor technology and manufacturing processes as well as his experience in overseas business operations. With this experience and these achievements, Mr. Iwama contributes to the continuous enhancement of corporate value through the promotion of business at our U.S. subsidiary.

	Mr. Hikawa	Mr. Shindo	Mr. Hayashi	Mr. Shimomae	Mr. Yamaguchi	Mr. Iwama	Ms. Nagata	Mr. Nagai	Ms. Yamakawa	Mr. Kitano	Mr. Furukawa
Attendance at Board of Directors meetings (April 2020 – March 2021)	15/15	15/15	15/15	15/15	15/15	10/11	15/15	11/11	15/15	15/15	15/15
	100%	100%	100%	100%	100%	91%	100%	100%	100%	100%	100%



Outside Director

Independent Officer

Junko Nagata

Outside Director

Ms. Nagata entered the Japan Coast Guard Academy as the first female student when it opened its doors to women for the first time. Following graduation, she worked for the Japan Coast Guard and became the first female captain of “Matsunami,” a patrol boat. She also became one of the pioneers to open careers for women. Thereafter, she researched and studied policy analysis, decision-making, and management to develop leadership in organizations. Through these rich experience and networks, Ms. Nagata contributes greatly to strengthen the Company's management structure to provide advice from a multifaceted and objective perspective for the future growth of the Company.



Outside Director

Independent Officer

Hirofumi Nagai

Outside Director

As a certified public accountant and certified tax accountant, Mr. Nagai has extensive expertise in finance, accounting, and auditing as well as a rich career and high degree of insight. Therefore, as an Outside Director, Mr. Nagai contributes greatly to strengthening the Company's management structure by providing advice on the Company's overall management.



Outside Director

Independent Officer

Kunihiro Yamada

Outside Director

Mr. Yamada has served and been an Outside Officer of the Company and its subsidiaries in the past and has a wealth of experience as a manager of the MegaChips Group. He is also highly regarded for his achievements and insight with respect to technical specialties that he has cultivated as a university professor and has sufficient insight to oversee all aspects of corporate management. Mr. Yamada contributes greatly to strengthening the Company's management structure by providing advice on the Company's overall management.

Auditors



Makiko Yamakawa

Standing Statutory Auditor

Since Ms. Yamakawa joined the Company, she has taken the initiative to recruit promising personnel and conduct personnel training. In addition, as the person in charge of the Internal Auditing Division, she promoted the strengthening of corporate governance through the design and operation of an internal control system, which in turn led to improved business operations in every division. Ms. Yamakawa performs highly effective audits for the Company utilizing her experience and knowledge gained over many years.



Outside Auditor

Independent Officer

Keiichi Kitano

Outside Auditor

Mr. Kitano contributes greatly to strengthening 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.



Outside Auditor

Independent Officer

Tomoyoshi Furukawa

Outside Auditor

As a lawyer, Mr. Furukawa has extensive experience and a high degree of knowledge about corporate legal matters and international legal matters. In addition to reflecting such legal perspective and broad insight into the audit function, Mr. Furukawa contributes greatly to overseeing the appropriateness of business judgement in audits from a compliance perspective and improving society's trust in the Company.



Outside Auditor

Independent Officer

Akira Matsushima

Outside Auditor

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 mid- to long-term management strategies. Therefore, Mr. Matsushima contributes greatly to strengthening the Company's auditing system by providing advice on the Company's overall management.

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- Financial Position
- R&D and Patents, and Other Intellectual Property
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Financial Section

Five-Year Summary

MegaChips Corporation and Consolidated Subsidiaries
For the five years ended March 31

	Millions of yen					Millions of U.S. dollars*
	2017	2018	2019	2020	2021	2021
Operating Results						
Net sales	¥ 67,438	¥ 89,029	¥ 95,145	¥ 65,764	¥ 83,814	\$ 757
Operating income (before amortization of goodwill)	4,922	5,520	3,152	3,449	5,608	50
Operating income (after amortization of goodwill)	1,926	2,709	573	972	5,025	45
Profit attributable to owners of parent	(947)	1,948	(1,727)	(1,792)	20,920	188
R&D expenses	5,199	6,253	7,843	6,581	3,058	27
Financial Position						
Total assets	¥ 80,465	¥ 94,633	¥ 91,977	¥ 72,347	¥ 74,627	\$ 674
Net assets	27,631	31,184	26,223	31,031	50,043	452
Other Information						
Employees (Person)	851	883	719	588	379	
Stock Information						
Net income per share (Yen / U.S. dollars)	¥ (44.14)	¥ 90.05	¥ (79.40)	¥ (82.35)	¥ 961.28	\$ 8.68
Net assets per share (Yen / U.S. dollars)	1,280.71	1,435.37	1,204.98	1,289.72	2,299.49	20.77
Cash dividends per share (Yen / U.S. dollars)	34	34	17	17	80	0.72
Stock price at March 31 (Yen / U.S. dollars)	3,050	3,830	1,699	1,555	3,530	32
PER (Times)	(69.10)	42.53	(21.40)	(18.88)	3.67	
Market capitalization	¥ 70,267	¥ 88,237	¥ 39,142	¥ 35,824	¥ 81,325	\$ 734
Indicators						
Operating income to sales (after amortization of goodwill) (%)	2.9	3.0	0.6	1.5	6.0	
ROE (%)	(3.4)	6.6	(6.0)	(6.6)	53.6	
ROA (%)	(1.3)	2.2	(1.9)	(2.2)	28.5	
Shareholders' equity ratio (%)	34.3	33.0	28.5	38.8	67.1	
Sales to total assets ratio (Times)	0.90	1.02	1.02	0.80	1.14	
EBITDA	¥ 5,394	¥ 7,100	¥ 6,138	¥ 6,334	¥ 6,022	\$ 54

* The U.S. dollar amounts are provided solely for the convenience of the readers at the rate of ¥110.71 / U.S.\$1, the rate prevailing on March 31, 2021.

Analysis of Sales and Financial Status

MegaChips Corporation and its Consolidated Subsidiaries

■ Analysis of Business Results

● Net Sales

MegaChips recorded the net sales of ¥83,814 million for the current consolidated fiscal year (an increase of 27.4% from the previous consolidated fiscal year), resulted from the steady demand for LSIs for storing game software (customized memories) in the ASIC business, while there was a decrease in sales due to the transfer of our Smart Connectivity LSI business for video interfaces in the third quarter of the previous fiscal year and a decrease in sales from the second quarter onward due to SiTime Corporation’s change to an affiliated company in the first quarter.

● Cost of Sales, SG&A Expenses, and Operating Income

The cost of sales for the current consolidated fiscal year was ¥70,504 million. The cost of sales ratio for the current consolidated fiscal year was 84.1%, a decrease of 9.5 points from the previous consolidated fiscal year, due to changes in the product mix of sales, and the gross profit amounted to ¥13,310 million (a decrease of 20.3% from the previous consolidated fiscal year).

Selling, general, and administrative (SG&A) expenses were ¥8,285 million, a decrease of ¥7,438 million from the previous consolidated fiscal year, reflecting a decrease in selling, general and administrative expenses from the second quarter onward due to SiTime Corporation’s change to an affiliated company in the first quarter and the progress in reducing fixed costs and improving business efficiency, for which MegaChips has been working on as part of its business restructuring, while making future-oriented research and development investments into growth areas. These expenses mainly consist of personnel expenses, including salaries and provisions for bonuses, of ¥3,075 million (a decrease of 24.1% from the previous consolidated fiscal year), R&D expenses of ¥3,058 million (a decrease of 53.5% from the previous consolidated fiscal year), and the amortization of goodwill and intangible assets of ¥583 million due to the acquisition of the Company in the past consolidated fiscal year.

As a result, MegaChips saw the operating income before amortization of goodwill and other items of ¥5,608 million and the operating income after amortization of goodwill and other items of ¥5,025 million (an increase of 416.7% from the previous consolidated fiscal year).

● Net Income before Income Taxes

MegaChips had dividend income of ¥99 million as non-operating income, posted interest expenses for loans from financial institutions of ¥208 million as non-operating expenses, and had a share of loss of entities accounted for using equity method of

¥899 million as a result of SiTime Corporation’s change to an affiliated company, resulting in an expense of ¥1,112 million between non-operating income and non-operating expenses. While posting ¥26,387 million for a gain on sales of shares of subsidiaries and associates due to the partial sale of SiTime Corporation’s shares and its capital increase by issuing new shares at market price as an extraordinary income, MegaChips posted extraordinary losses, consisting of an impairment loss of ¥703 million due to the non-current assets of its Makuhari office and MegaChips LSI USA Corporation’s office, a loss on transfer of lease contract of ¥191 million, and a loss on liquidation of business of ¥160 million due to the termination of new development of timing controller LSI for liquid crystal panels and the termination of receiving orders for major products, resulting in a profit of ¥22,921million between extraordinary profits and extraordinary losses.

As a result, a profit before income taxes for the current consolidated fiscal year was ¥26,834 million (compared to a loss before income taxes of ¥1,965 million in the previous consolidated fiscal year).

● Profit (Loss) Attributable to Owners of Parent

As a result of income taxes - current of ¥6,564million (an increase of 3,614.0% from the previous consolidated fiscal year) and income taxes - deferred of negative ¥398 million (compared to negative ¥317 million in the previous consolidated fiscal year), a profit attributable to owners of parent was ¥20,920 million (compared to a loss attributable to owners of parent of ¥1,792 million in the previous consolidated fiscal year).

● Dividends

MegaChips regards the appropriate distribution of dividends to its shareholders as an important management issue and strives to actively distribute dividends, all the while considering its future financial situation to ensure further growth and sustainable dividend distribution. The basic policies are as follows:

(1) MegaChips 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 related to accounting, financial settlement, and tax adjustments given due consideration) as the aggregate amount of dividends, while taking the medium-term business outlook into consideration, and dividing this amount by the number of shares that have been issued at the end of the period, less the number of shares held by MegaChips at the end of the period.

(2) Aiming at sustainable improvements to its corporate value, MegaChips will allocate funds to basic research to create innovative new technologies, development of unique products, achievement of an appropriate business portfolio, and the securing of skilled personnel to achieve mid- to long-term growth. MegaChips will also consider maintaining a sound financial position capable of withstanding fluctuations in the business environment.

(3) To improve capital efficiency, MegaChips will strive to return profits to shareholders by acquiring treasury shares expeditiously, taking into consideration such factors as market conditions, movements of stock prices, and MegaChips’ financial situation.

■ High Liquidity and Outstanding Reserves

● Cash Flow

Cash and cash equivalents (“Capital”) were recorded at ¥21,407 million at the end of the current consolidated fiscal year, an increase of ¥4,188 million from the previous consolidated fiscal year (compared to an increase of ¥7,037 million in the previous consolidated fiscal year). The status of cash flows at the end of the consolidated fiscal year was as follows.

Cash flows from operating activities acquired as capital amounted to ¥5,513 million (compared to ¥28,256 million acquired as capital in the previous consolidated fiscal year). This was mainly due to a profit before income taxes of ¥26,834 million (compared to a loss before income taxes of ¥1,965 million in the previous consolidated fiscal year), depreciation of ¥1,514 million, a share of loss of entities accounted for using equity method of ¥899 million, a loss on retirement of non-current assets of ¥2,543 million, an increase of ¥2,581 million in notes and accounts payable - trade, a gain on sales of shares of subsidiaries and associates of ¥26,387 million, and an increase of ¥2,141 million in inventory.

Cash flows from investing activities acquired as capital reached ¥17,022 million (compared to ¥2,541 million used as capital in the previous consolidated fiscal year). This was mainly attributable to ¥19,151 million in proceeds from sales of shares of subsidiaries and associates. As a result, free cash flow, the sum of cash flow from operating activities and cash flow from investing activities amounted to ¥22,536 million acquired as capital (compared to ¥25,715 million acquired as capital in the previous consolidated fiscal year).

With respect to the dividends of surplus for the current consolidated fiscal year, MegaChips has decided to pay an annual dividend of ¥80 per share consisting of ¥35 per share as an ordinary dividend and ¥45 per share as a commemorative dividend to express appreciation for the 30th anniversary of MegaChips’ founding (compared to an annual dividend of ¥17 per share in the previous consolidated fiscal year) to those who are MegaChips’ shareholders as of March 31, 2021 based on the basic policies for profit sharing discussed above.

Cash flows from financing activities used as capital amounted to ¥18,807million (compared to ¥18,599 million used as capital in the previous consolidated fiscal year). This was mainly due to a net increase in short-term loans payable of ¥2,979 million and repayments of long-term loans payable of ¥21,210 million.

● Capital Requirements and Financial Policy

MegaChips borrows funds from financial institutions to raise ordinary working capital when necessary. Working capital is used for operating expenses, such as research and development expenses for new technology and new products, cost of goods, sales expenses as well as general management expenses, with the contract manufacturing expenses for the LSI products as the major operating cost.

MegaChips strives to maintain its sound asset structure and financial condition, and believes it can raise the funds it needs for growth by selling accounts receivable on hand, borrowing from financial institutions, and increasing its capital.

In the current consolidated fiscal year, ¥19,377 million acquired as capital due to the partial sale of SiTime Corporation’s shares. This was mainly applied to the repayment of interest-bearing debt from financial institutions. Therefore, the balance of interest-bearing debt at the end of the current consolidated fiscal year was ¥4,790 million in total, a decrease of ¥23,701 million from the end of the previous consolidated fiscal year.

Financial Position

Total assets at the end of the current consolidated fiscal year amounted to ¥74,627 million (an increase of ¥2,279 million from the end of the previous consolidated fiscal year). Current assets, mainly for cash and deposits, notes and accounts receivable - trade, inventories, and merchandise and finished goods amounted to ¥50,866 million (an increase of ¥5,237 million from the end of the previous consolidated fiscal year). Comparing major assets with the previous consolidated fiscal year, cash and deposits increased by ¥4,152 million, merchandise and finished goods increased by ¥1,134 million. Among non-current assets, shares of subsidiaries and associates increased by ¥11, 958 million, while software decreased by ¥1,985 million due to the retirement of internally developed software, and goodwill and technical assets decreased by ¥7,985million and ¥2,504 million, respectively, due to SiTime Corporation’s change from a consolidated subsidiary to an affiliated company.

MegaChips’ asset structure is characterized by its high liquidity. Although investments and other assets, mainly stocks of subsidiaries and affiliates made up a certain percentage, current assets accounted for 68.2% of total assets. Meanwhile, the current ratio was 213.5% (up 87.0 points from the end of the previous consolidated fiscal year), as a result of current liabilities of ¥23,825 million (a decrease of ¥12,247 million from the end of the previous consolidated fiscal year) mainly due to a decrease of interest-bearing debt. The asset amount, obtained by deducting inventories of ¥3,995 million from current assets, was ¥46,870 million, accounted for 62.8% of total assets. This asset structure is attributable to the fact that MegaChips has been conducting business as a fabless manufacturer who does not have any production facilities or assets that immobilize funds for

Research and Development, Patents, and Other Intellectual Property Rights

MegaChips invested a consolidated total of ¥3,058 million in R&D expenses for the current fiscal year.

MegaChips sets its policy to provide System LSI and solutions based on analog/digital technologies, and actively promotes research and development activities.

MegaChips also emphasizes the protection of intellectual property rights in the form of patents and other industrial property rights as part of its management strategies. As of the end of the fiscal year under review, the details of the industrial property rights MegaChips holds and the details of those patents among the industrial property rights MegaChips holds by country are as follows:

a long period of time. Going forward, MegaChips will continue to strive to improve its liquidity and maintain a balance sheet with a sound asset structure.

Total liabilities at the end of the current consolidated fiscal year were ¥24,583 million (a decrease of ¥16,732 million from the end of the previous consolidated fiscal year). They mainly consist of trade payables of ¥9,486 million, primarily comprising outstanding payments to contracted manufacturers of LSIs, short-term loans payable of ¥2,000 million, and the current portion of long-term loans payable of ¥2,790 million. Comparing major liabilities with the previous consolidated fiscal year, while notes and accounts payable - trade increased by ¥2,169 million, short-term loans payable decreased by ¥2,491 million and long-term loans payable (including the current portion of long-term loans payable) decreased by ¥21,210 million.

Net assets were ¥50,043 million (an increase of ¥19,012 million from the end of the previous consolidated fiscal year). Non-controlling interests decreased by ¥2,844 million due to SiTime Corporation’s change from a consolidated subsidiary to an affiliated company. In addition, a profit attributable to owners of parent was ¥20,920 million, dividends of surplus were ¥369 million, valuation differences on available-for-sale securities increased by ¥467 million, and foreign currency translation adjustment increased by ¥913 million.

As a result, MegaChips’ equity was ¥50,043 million and equity ratio was 67.1% (up 28.3 points from the end of the previous consolidated fiscal year) due to MegaChips’ efforts to reduce interest-bearing debt. MegaChips will continue to strive to strengthen its financial base to respond flexibly to changes in the business environment.

Industrial Property Rights				(As of March 31, 2021)
	Patents	Trademarks	Total	
Issued	840	34	874	
Applied for	81	4	85	
Total	921	38	959	

Patents by Country							(As of March 31, 2021)
	Japan	North America	Asia (excluding Japan)	EU	Other	Total	
Issued	433	336	48	23	—	840	
Applied for	48	15	6	6	6	81	
Total	481	351	54	29	6	921	

Business and Other Risks

MegaChips has identified the following risks pertaining to its operations and other matters that may have a material impact on the financial position and the cash flow of the Group.

Forward-looking statements in this section represent the judgment of MegaChips as of March 31, 2021.

Dependence on specific customers

(1) Purchasers

MegaChips principally sells LSIs for a game software storage (custom memory) for the amusement field; LSIs for game consoles and peripheral devices; LSIs for digital cameras and other image processing; LSIs for OA equipment. The percentage of net sales involving LSIs for storing game software (custom memory) to Nintendo Co., Ltd. (“Nintendo”) is increasing and accounts for 78.0% of the sales for the current fiscal year.

Therefore, the performance of the Company could fluctuate depending on the sales trend of the game consoles and software that use our LSI products, and the market of LSI.

The risk is not something that can be completely eliminated, we have the good and close relationship with Nintendo and aim to meet customer satisfaction with our products by providing ideal solution and stable supply and minimize the possible risks. Besides, we focus on the development of the new business in the fields including in-vehicle device, industrial equipment, telecommunications infrastructure, energy control and robotics as well as improve the business portfolio in the mid- to long-term.

(2) Contract manufacturers (suppliers)

Since its foundation, MegaChips has adopted a business model in which it operates as an R&D-oriented fabless enterprise, concentrating its management resources on research and development and contracting out the manufacture of its products to third parties. Consequently, we have been able to develop products that best meet customers’ needs based on our proprietary technological capabilities and to expand our business without needing to invest in plant and equipment that require substantial investments. We work with a number of different manufacturers, percentage of purchases from Macronix International Co., Ltd. (“Macronix”), which manufactures LSIs for storing game software (custom memory) supplied to our major customer, Nintendo, and LSIs for game consoles and peripheral devices is becoming higher, and accounts for 62.6% in the current fiscal year.

Therefore, if Macronix becomes unable to manufacture, for whatever reason, MegaChips’ operating results may be impacted.

Currently, there is no sign that the said risk would become apparent. Further, we have entered into manufacturing consignment contracts with Nintendo and Macronix, respectively. We intend to build solid and close ties with these companies to ensure a stable supply of products.

Operations

(1) Risks associated with LSI products

MegaChips has adopted a fabless business model, where we do not have manufacturing capacity, but instead outsource manufacturing to third parties. We established the network with major foundries in Japan and overseas such as Taiwan, and outsource the manufacturing of LSI products depending on the customer demand.

Therefore, the demand and supply balance in the semiconductor market may affect the quantities and prices of products that we procure, and we may not be able to procure products in the quantities and at the prices that we desire.

Although our LSI products are used in state-of-the-art digital devices, since the pace of technological innovation is rapid, there is no guarantee that our Group’s products will continue to be used. Moreover, demand fluctuates due to the effect of fierce competition as well as the spread of CSR Procurement Policy to which our end products using our LSIs are subject.

To deal with the risks, our Group aim to minimize risks by flexibly providing optimal production technology along with working on optimization of purchase cost, production quantity and production schedule while assuming the competitive price that differentiate with the products of other companies.

(2) Research and development

Based on the management philosophy of building MegaChips’ business through “Innovation,” coexisting with customers over the long term through “Trust,” and making an ongoing contribution to society through “Creativity,” we have expanded our operations with our technological development capabilities as a base. Our competitiveness lies in our uniqueness leveraging analog and digital technology.

Currently MegaChips Group focuses its management resources in the growth areas such as in-vehicle device, industrial equipment, telecommunication infrastructure, energy control and robotics and working on the research and development to provide state-of-the-art technology and products to the customers. The R&D expenditures totaled ¥3,058 billion and accounted for 3.6% of consolidated sales.

However, in our industry, advances in technology occur at remarkable speed and the market may change rapidly, with technologies that were considered new suddenly becoming

obsolete and new technologies and services surging in popularity. There is no assurance that we can always respond quickly to these changes, and we may be required to invest a large sum in research and development. This will, in turn, likely affect our operating results. Also, when other companies have an advantage in the competition of the technology development, the share of our Group would drop and causes an impact on the performance.

MegaChips makes every effort to develop cutting-edge technologies based on our unique analog and digital technology and continuously provide attractive products in the market, and to maintain a competitive edge in its technologies and products.

(3) Ensuring skilled personnel

MegaChips is expanding operations based on its technological development capabilities leveraging unique analog and digital technology and its business growth depends heavily on skilled personnel. Therefore, we recognize that it is an extremely major challenge of our personnel policy to secure and retain excellent skilled personnel, as well as to determine how to treat and train these skilled personnel.

If we cannot maintain, hire, develop and globalize skilled personnel in Japan or overseas in the future, it might have an impact on MegaChips' corporate value and competitiveness.

To cope with these issues, MegaChips Group will streamline a personnel treatment system and implement a personnel policy based on the development plan according to investment in human resources for mid- to long-term new business development. We put an effort in measures including language education, new employee training, and diversity promotion to develop human resources that can display personnel abilities in various environment and maximize company's outcome.

Management

(1) Valuation of Goodwill, etc. included in stocks of subsidiaries and affiliates

The MegaChips owns shares of SiTime Corporation (listed on the NASDAQ Global Market) (SiTime), which was acquired in November 2014, and currently is an equity-method affiliate of the Company. These investments, including intangible assets, primarily goodwill (Goodwill, etc.) are posted in the consolidated balance sheet as "shares of subsidiaries and affiliates." As of the end of the current consolidated fiscal year, the balance of the shares of subsidiaries and affiliates was ¥11,958 million, accounting for 16.0% of consolidated total assets.

Although, as a listed company, SiTime operates based on its own policies and strategies, the deterioration of its business performance and financial position may affect the MegaChips' business performance.

Goodwill, etc. included in the aforementioned shares of subsidiaries and affiliates are evaluated based on the net realizable value using the market value of the shares. However, if the net realizable value falls below the carrying amount due to a decline in the share price of SiTime, the MegaChips' business performance may be affected by an impairment loss.

At present, the Company has determined that it is not necessary to recognize impairment in the evaluation of Goodwill, etc.

(2) Risks in strategic investment

MegaChips Group may make strategic alliances, including investments, when we determine that it will contribute to the enhancement of our corporate value through business collaboration with other companies and information gathering. The balance of investment securities for the current fiscal year is ¥3,590 billion and accounts for 8.0% of consolidated total assets, including shares of Macronix that is our major supplier.

In the strategic collaboration including investment to accelerate business growth, it may not be possible to achieve the results expected by the Company in building complementary relationships and expanding business results. It also might have an impact on the Group's performance due to the appraisal loss from the drop in the book value of the investment shares or a sharp decline of the net asset value.

The meeting structure consisting of directors and outside experts decides these strategic investments, comprehensively considering business collaboration, information gathering status and a future revenue, verifying effects and risks and implement it with the approval of the BOD meeting.

(3) Exchange rate fluctuations

MegaChips owns overseas subsidiaries as the business bases and a portion of our business transactions are denominated in currencies other than Japanese yen, notably US dollars and Taiwan dollars. The figures in the financial statement of the overseas subsidiaries are converted into Japanese yen for the consolidated financial statement, consequently, exchange rate varies, especially fluctuations in the yen/dollar rate, may affect our operating results. If the foreign exchange rate moves in the direction of the yen's appreciation, it has negative effect on the performance, and the greater the fluctuation range, the greater the possibility of the risk becoming apparent.

MegaChips uses forward currency contracts as needed to reduce foreign exchange risk.

(4) Intellectual property rights

As an R&D-oriented fabless enterprise, MegaChips recognizes that the protection of its intellectual property rights is materiality in its business development.

However, there exists no assurance that all patents or trademarks for which we file applications will be registered. Additionally, it is impossible to fully investigate the technologies and rights of other companies prior to publication thereof. If lawsuits are filed against us alleging infringements of the intellectual property rights of other companies, our operating results may be affected.

MegaChips' independently developed proprietary technologies may not be fully protected under intellectual property legislation in specific countries and regions. Under such conditions, we may be unable to effectively prevent other companies from using our intellectual property without our permission and from introducing similar products into the market.

MegaChips Group enhances an intellectual property-related internal system and a collaboration with a patent firm and actively files and registers patents and trademark to secure our products and services, while thoroughly investigates right of other companies to minimize risks of the possibility of infringement of a third party's intellectual property rights.

(5) Risk factors associated with an accident or natural disaster

A natural hazard such as a large-scale earthquake, the widespread outbreak of serious infectious disease, acts of terrorism have the potential to become risks for the Group's businesses and could affect the Group's business bases, the foundries and manufacturers, or customers. Also, such an event can cause suspension of business activities of the Group and might have substantial impact on the financial position of the Group.

The Group has formulated a Business Continuation Plan (BCP) and prepared a Crisis Management Manual to prevent a secondary disaster and minimize damage and losses of the disaster.

(6) In Response to the COVID-19

Our response to the COVID-19 is to ensure the physical and life safety of executives and employees and temporary employees who work at our Group's offices, as well as the safety of related parties of our business partners with the highest priority. We take various measures to prevent the infection, though will continue to take necessary measures promptly according to the information from the government and future infection circumstances and strive to reduce the risk.

Consolidated Balance Sheet

As of March 31, 2020 and 2021

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Assets			
Current assets			
Cash and deposits	¥ 17,255	¥ 21,407	\$ 193
Notes and accounts receivable - trade	23,671	23,071	208
Merchandise and finished goods	1,982	3,116	28
Work in process	1,320	650	5
Raw materials and supplies	230	227	2
Other	1,183	2,392	21
Allowance for doubtful accounts	(15)	(1)	(0)
Total current assets	45,628	50,866	459
Non-current assets			
Property, plant and equipment			
Buildings	4,499	2,431	21
Accumulated depreciation	(3,338)	(2,107)	(19)
Buildings, net	1,161	324	2
Land	198	116	1
Construction in progress	378	631	5
Other	9,275	6,604	59
Accumulated depreciation	(7,811)	(6,178)	(55)
Other, net	1,463	426	3
Total property, plant and equipment	3,201	1,498	13
Intangible assets			
Goodwill	7,985	—	—
Technical assets	2,504	—	—
Software	2,536	551	4
Other	4	6	0
Total intangible assets	13,031	558	5
Investments and other assets			
Investment securities	3,059	3,590	32
Shares of subsidiaries and associates	—	11,958	108
Long-term prepaid expenses	1,931	1,247	11
Deferred tax assets	1,515	1,864	16
Other	3,978	3,044	27
Total investments and other assets	10,485	21,704	196
Total non-current assets	26,718	23,761	214
Total assets	¥ 72,347	¥ 74,627	\$ 674

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 7,317	¥ 9,486	\$ 85
Short-term borrowings	4,491	2,000	18
Current portion of long-term borrowings	21,000	2,790	25
Accounts payable - other	1,467	1,572	14
Income taxes payable	110	6,762	61
Provision for bonuses	429	664	6
Provision for loss on construction contracts	51	16	0
Other	1,205	533	4
Total current liabilities	36,073	23,825	215
Non-current liabilities			
Long-term borrowings	3,000	—	—
Deferred tax liabilities	676	—	—
Other	1,566	758	6
Total non-current liabilities	5,243	758	6
Total liabilities	41,316	24,583	222
Net assets			
Shareholders' equity			
Share capital	4,840	4,840	43
Capital surplus	9,318	9,362	84
Retained earnings	13,896	34,446	311
Treasury shares	(1,609)	(1,609)	(14)
Total shareholders' equity	26,445	47,039	424
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,586	3,054	27
Foreign currency translation adjustment	(964)	(50)	(0)
Total accumulated other comprehensive income	1,622	3,003	27
Share acquisition rights	118	—	—
Non-controlling interests	2,844	—	—
Total net assets	31,031	50,043	452
Total liabilities and net assets	¥ 72,347	¥ 74,627	\$ 674

Consolidated Statement of Income and Comprehensive Income

For the fiscal years ended March 31, 2020 and 2021

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Net sales	¥65,764	¥83,814	\$ 757
Cost of sales	49,068	70,504	636
Gross profit	16,695	13,310	120
Selling, general and administrative expenses	15,723	8,285	74
Operating profit	972	5,025	45
Non-operating income			
Interest income	13	10	0
Dividend income	98	99	0
Receiving dispatching fee	100	33	0
Gain on investments in investment partnerships	1	6	0
Miscellaneous income	13	8	0
Total non-operating income	228	157	1
Non-operating expenses			
Interest expenses	482	208	1
Borrowing fee	0	0	0
Loss on sale of receivables	39	43	0
Share of loss of entities accounted for using equity method	—	899	8
Foreign exchange losses	28	53	0
Miscellaneous losses	10	63	0
Total non-operating expenses	562	1,269	11
Ordinary profit	639	3,912	35
Extraordinary income			
Gain on sale of shares of subsidiaries and associates	—	26,387	238
Gain on change in equity	—	117	1
Gain on liquidation of subsidiaries and associates	599	—	—
Gain on sale of businesses	—	41	0
Total extraordinary income	599	26,546	239
Extraordinary losses			
Loss on retirement of non-current assets	167	2,543	22
Impairment losses	271	703	6
Loss on valuation of investment securities	546	—	—
Loss on liquidation of subsidiaries and associates	—	26	0
Loss on liquidation of business	—	160	1
Loss on sale of businesses	2,092	—	—
Extra retirement payments	125	—	—
Loss on transfer of lease contracts	—	191	1
Total extraordinary losses	3,203	3,625	32
Profit (loss) before income taxes	(1,965)	26,834	242
Income taxes - current	176	6,564	59
Income taxes - deferred	(317)	(398)	(3)
Total income taxes	(140)	6,166	55
Profit (loss)	¥ (1,824)	¥20,668	\$ 186
Profit (loss) attributable to			
Owners of parent	¥ (1,792)	¥20,920	\$ 188
Non-controlling interests	(32)	(252)	(2)
Other comprehensive income			
Valuation difference on available-for-sale securities	¥ 1,545	¥ 467	\$ 4
Foreign currency translation adjustment	(788)	1,004	9
Share of other comprehensive income of entities accounted for using equity method	—	(107)	(0)
Other comprehensive income	756	1,364	12
Comprehensive income (loss)	¥ (1,067)	¥22,032	\$ 199
Comprehensive income (loss) attributable to			
Owners of parent	¥ (1,072)	¥22,300	\$ 201
Non-controlling interests	4	(267)	(2)

Consolidated Statement of Changes in Net Assets

For the fiscal years ended March 31, 2020 and 2021

	Millions of yen										
	2020										
	Shareholders' equity					Accumulated other comprehensive income					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	¥4,840	¥6,183	¥16,058	¥(1,608)	¥25,473	¥1,041	¥(291)	¥ 750	¥ —	¥ —	¥26,223
Changes during period											
Dividends of surplus			(369)		(369)						(369)
Profit (loss) attributable to owners of parent			(1,792)		(1,792)						(1,792)
Purchase of treasury shares				(0)	(0)						(0)
Capital increase of consolidated subsidiaries		3,110			3,110						3,110
Change in ownership interest of parent due to transactions with non-controlling interest		23			23						23
Net changes in items other than shareholders' equity						1,545	(673)	871	118	2,844	3,834
Total changes during period	—	3,134	(2,162)	(0)	972	1,545	(673)	871	118	2,844	4,807
Balance at end of period	¥4,840	¥9,318	¥13,896	¥(1,609)	¥26,445	¥2,586	¥(964)	¥1,622	¥ 118	¥ 2,844	¥31,031

	Millions of yen										
	2021										
	Shareholders' equity					Accumulated other comprehensive income					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	¥4,840	¥9,318	¥13,896	¥(1,609)	¥26,445	¥2,586	¥(964)	¥1,622	¥ 118	¥ 2,844	¥31,031
Changes during period											
Dividends of surplus			(369)		(369)						(369)
Profit (loss) attributable to owners of parent			20,920		20,920						20,920
Purchase of treasury shares				(0)	(0)						(0)
Capital increase of consolidated subsidiaries					—						—
Change in ownership interest of parent due to transactions with non-controlling interest		44			44						44
Net changes in items other than shareholders' equity						467	913	1,381	(118)	(2,844)	(1,581)
Total changes during period	—	44	20,550	(0)	20,594	467	913	1,381	(118)	(2,844)	19,012
Balance at end of period	¥4,840	¥9,362	¥34,446	¥(1,609)	¥47,039	¥3,054	¥ (50)	¥3,003	¥ —	¥ —	¥50,043

	Millions of U.S. dollars										
	2021										
	Shareholders' equity					Accumulated other comprehensive income					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	\$ 43	\$ 84	\$ 125	\$ (14)	\$ 238	\$ 23	\$ (8)	\$ 14	\$ 1	\$ 25	\$ 280
Changes during period											
Dividends of surplus			(3)		(3)						(3)
Profit (loss) attributable to owners of parent			188		188						188
Purchase of treasury shares				(0)	(0)						(0)
Capital increase of consolidated subsidiaries											—
Change in ownership interest of parent due to transactions with non-controlling interest		0			0						0
Net changes in items other than shareholders' equity						4	8	12	(1)	(25)	(14)
Total changes during period	—	0	185	(0)	186	4	8	12	(1)	(25)	171
Balance at end of period	\$ 43	\$ 84	\$ 311	\$ (14)	\$ 424	\$ 27	\$ (0)	\$ 27	\$ —	\$ —	\$ 452

Consolidated Statement of Cash Flows

For the fiscal years ended March 31, 2020 and 2021

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Cash flows from operating activities			
Profit (loss) before income taxes	¥ (1,965)	¥ 26,834	\$ 242
Depreciation	3,511	1,514	13
Amortization of goodwill	1,715	396	3
Amortization of long-term prepaid expenses	805	730	6
Increase (decrease) in allowance for doubtful accounts	(5)	(8)	(0)
Increase (decrease) in provision for bonuses	23	234	2
Increase (decrease) in provision for loss on construction contracts	(97)	(34)	(0)
Interest and dividend income	(112)	(109)	(0)
Interest expenses	482	208	1
Share of loss (profit) of entities accounted for using equity method	—	899	8
Loss (gain) on investments in investment partnerships	(1)	(6)	(0)
Foreign exchange losses (gains)	65	(268)	(2)
Loss on retirement of non-current assets	167	2,543	22
Impairment loss	271	703	6
Loss (gain) on valuation of investment securities	546	—	—
Loss (gain) on sale of shares of subsidiaries and associates	—	(26,387)	(238)
Loss (gain) on change in equity	—	(117)	(1)
Loss (gain) on liquidation of subsidiaries and associates	(599)	18	0
Loss on liquidation of business	—	160	1
Loss (gain) on sale of businesses	2,092	—	—
Extra retirement payments	125	—	—
Decrease (increase) in trade receivables	15,896	(1,151)	(10)
Decrease (increase) in inventories	3,593	(2,141)	(19)
Increase (decrease) in trade payables	553	2,581	23
Decrease (increase) in other assets	2,774	(1,314)	(11)
Increase (decrease) in other liabilities	(339)	114	1
Other	168	269	2
Subtotal	29,672	5,669	51
Interest and dividends received	112	109	0
Interest paid	(535)	(185)	(1)
Extra retirement payments	(327)	(26)	(0)
Income taxes refund	8	173	1
Income taxes paid	(673)	(225)	(2)
Net cash provided by (used in) operating activities	28,256	5,513	49
Cash flows from investing activities			
Proceeds from withdrawal of time deposits	—	38	0
Purchase of property, plant and equipment	(844)	(649)	(5)
Purchase of intangible assets	(789)	(378)	(3)
Purchase of investment securities	—	(55)	(0)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	225	2
Proceeds from sale of shares of subsidiaries and associates	—	19,151	172
Purchase of long-term prepaid expenses	(816)	(738)	(6)
Proceeds from collection of loans receivable	7	5	0
Loan advances	(3)	—	—
Proceeds from refund of guarantee deposits	11	10	0
Payments of guarantee deposits	(2)	(16)	(0)
Proceeds from sale of businesses	297	—	—
Payment for transfer of business	—	(226)	(2)
Other	(401)	(344)	(3)
Net cash provided by (used in) investing activities	(2,541)	17,022	153
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(15,775)	2,979	26
Proceeds from long-term borrowings	1,000	—	—
Repayments of long-term borrowings	(9,500)	(21,210)	(191)
Proceeds from share issuance to non-controlling shareholders	6,081	—	—
Dividends paid	(369)	(369)	(3)
Other	(36)	(207)	(1)
Net cash provided by (used in) financing activities	(18,599)	(18,807)	(169)
Effect of exchange rate change on cash and cash equivalents	(77)	459	4
Net increase (decrease) in cash and cash equivalents	7,037	4,188	37
Cash and cash equivalents at beginning of period	10,182	17,219	155
Cash and cash equivalents at end of period	¥ 17,219	¥ 21,407	\$ 193

Corporate Data

(As of March 31, 2021)

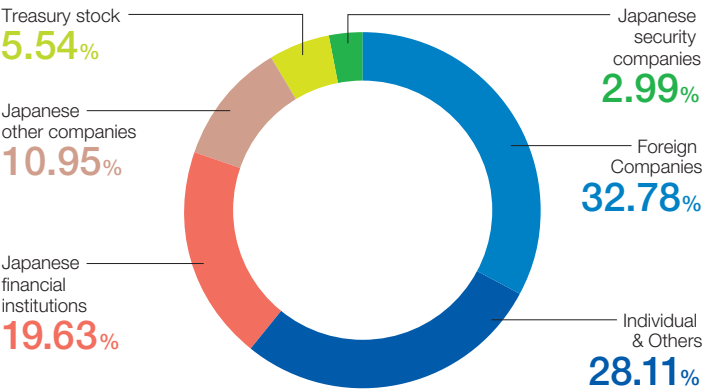
Corporate Profile

Company Name	MegaChips Corporation
Business Activities	Research, design, development, manufacturing, and sales of semiconductor related products
Corporate Headquarter	1-1-1, Miyahara, Yodogawa-ku, Osaka 532-0003, Japan
Tokyo office	17-6, Ichibancho, Chiyoda-ku, Tokyo 102-0082, Japan
Makuhari Office	1-3 Nakase, Mihama-ku, Chiba 261-8501, Japan
Establishment	April 4, 1990
Capital Stock	¥4,840 million
President and CEO	Tetsuo Hikawa
Settlement Date	March 31
Number of Employees	379 (consolidated) 355 (non-consolidated)

Stock Information

Authorized Stock	100,000,000	Securities Code	6875
Shares Outstanding	23,038,400	General Shareholders' Meeting	June
Number of Shareholders	13,174	Dividend Closing Date	March 31
Listing of Stock	First Section of the Tokyo Stock Exchange	Share Trading Unit	100
		Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation

Status by Owners



Overseas Group Companies

United States

MegaChips LSI USA Corporation

910 E Hamilton Ave, Suite 120, Campbell, CA 95008 U.S.A.



SiTime Corporation

5451 Patrick Henry Drive, Santa Clara, CA 95054 U.S.A.



Taiwan

MegaChips Taiwan Corporation

RM612, 6F, No.160, Section2, Nanjing East Road, Zhongshan District., Taipei 104, Taiwan

