[This is translated into English by MegaChips Corporation and intended to assist English speakers. The original statement is in Japanese. If there is any discrepancy between this English statement and the original Japanese statement, the Japanese prevails.]

To: Our Shareholders

Securities Code: 6875
June 2, 2022

Tetsuo Hikawa, President and CEO
MegaChips Corporation
1-1-1 Miyahara, Yodogawa-ku, Osaka Japan

Information on Matters Disclosed on the Internet for Notice of the 32nd Annual General Meeting of shareholders

The written information that should be provided for notice of the 32nd Annual General Meeting of Shareholders, the following matters are made available to the shareholders on MegaChips' website (https://www.megachips.co.jp/irinfo/index.html) pursuant to applicable laws and regulations and Article 14 of the Company's Articles of Incorporation, so please read it.

1. Following items from the Business Report for the 32nd fiscal year (from April 1, 2021 to March 31, 2022):

(i) The following items with regard to the current status of the MegaChips Group:
Major businesses and business locations and current situation of employees and major lenders

(ii)The following items with regard to the current status of the Company:
Current status of accounting auditor, systems to ensure the appropriateness of operations, and basicpolicy on control of the Company

2. Notes to Consolidated Financial Statements for the 32nd fiscal year (from April 1, 2021 to March 31, 2022)
3. Individual notes to Non-Consolidated Financial Statements for the 32nd fiscal year (from April 1, 2021 to March 31, 2022)

Business Report

(from April 1, 2021 to March 31, 2022)

1. Current status of the MegaChips Group

(1) Major businesses (as of March 31, 2022)

The MegaChips Group is comprised of the Company (MegaChips Corporation), 4 subsidiaries and 2 affiliated companies, and provides total solutions from design and development up to production of LSI leveraging its original analog/digital technology.

Major products include LSIs for game consoles and other entertainment devices, image processing LSIs for digital cameras and other products, LSIs for office equipment and analog front-end LSIs for wired communications. The products are designed and developed by the Company and its subsidiaries, are manufactured by outsourcing to large domestic and offshore foundries for manufacturers and sold by the Company and its subsidiaries.

(2) Major business locations (as of March 31, 2022)

(i) The Company

MegaChips Corporation	Head office (1-1-1 Miyahara, Yodogawa-ku, Osaka, Japan) Tokyo office (17-6 Ichibancho, Chiyoda-ku, Tokyo, Japan) Makuhari Office (1-3 Nakase, Mihama-ku, Chiba, Japan)

(ii) Subsidiaries

MegaChips Taiwan Corporation	Head office (Taipei, Taiwan)
MegaChips LSI USA Corporation	Head office (Campbell, California, U.S.A.)

(3) Current situation of employees (as of March 31, 2022)

(i) Situation of employees of the MegaChips Group

Number of employees	Increase or decrease compared to previous consolidated financial year
343 employees	Decrease of 36 employees

(ii) Current situation of the employees of the Company

Number of employees	Increase or decrease compared to previous consolidated financial	Average age	Average number of years of service
331 employees	Decrease of 24 employees	45.0 years of age	9.0 years

(4) Current situation of major lenders (as of March 31, 2022)

Not applicable.

The Company concluded committed bank overdraft agreements for ¥26 billion with 5 banks that it does business with for effective raising of working capital.

2. Current status of the Company

(1) Current status of accounting auditor

(i) Name: KPMG AZSA LLC

(ii) Amount of remuneration, etc.:

Classification	Amount of remuneration, etc.
Total amount of remuneration, etc. payable to the accounting auditor for the fiscal year under review:	¥68,450 thousand
Total amount of money and other property benefits payable to the accounting auditor by the Company and its subsidiaries:	¥69,050 thousand

(Notes) 1. The subsidiaries of the Company have had an audit (limited to those provided for in the Companies Act or the Financial Instrument and Exchange Act (including laws equivalent to such laws)) of financial statements (including equivalent documents) by certified public accountants or audit corporations (including those having qualifications equivalent to such qualifications in foreign countries) other than the accounting auditor of the Company.

2. In the audit agreement between the Company and its accounting auditor, there is no distinction made between the amounts of remuneration for audits under the Companies Act and audits under the Financial Instrument and Exchange Act, and since a substantial distinction cannot be made, such total is stated.

3. The Board of Statutory Auditors of the Company has given consent under Article 399, Paragraph 1 of the Companies Act to the remuneration, etc. of the accounting auditor as a result of confirming and examining the situation for the performance of duties and audit planning of accounting auditor in light of the "Practical Guidelines for Coordination with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association.

(iii) Details of non-audit work

The Company has entrusted the confirmation of English translations of consolidated financial statements and audit reports to financial auditors, for which the Company has paid consideration.

(iv) Policy for the dismissal or non-reappointment of accounting auditor

For any reason attributable to the Company or in the event that the accounting auditor violates or contravenes laws or ordinances, or we believe that the accounting auditor has offended public order or morals, the Board of Statutory Auditors of the Company will deliberate on the dismissal or non-reappointment of the accounting auditor based on the facts. In the event that the Board of Statutory Auditors considers it appropriate to dismiss or not reappoint the accounting auditor, the Board of Statutory Auditors will determine the content of an agenda item for the "dismissal or non-reappointment of the accounting auditor."

(2) Systems to ensure the appropriateness of operations

The outline for contents of decisions in regard to the systems to ensure that the operations of the Directors conform to laws, ordinances and the Articles of Incorporation and other systems to ensure the appropriateness of operations are as follows:

[Establishing an internal control system]

The Company establishes and operates its internal control system based on the "Basic Policy on Internal Control System of MegaChips", which was decided by the Board of Directors. The Board of Directors periodically checks and supervises the operation of the internal control system.

[Systems to ensure the appropriateness of operations]

(i) Systems to ensure that the operations of the Directors conform to laws, ordinances and the Articles of Incorporation:

With the expectation of a checking function to ensure the transparency and objectivity of management and the legality of the respective performance of duties by the Directors and Executive Officers, etc., we actively welcome Outside Directors and Outside Auditors with independent perspectives who will monitor the execution of business from an outside perspective.

The Representative Director will strive to convey the message that compliance is a prerequisite for corporate activities while simultaneously establish and operate an internal control system and continuously improve its functions in order to promote the creation of a corporate environment where the business can be appropriately carried out.

(ii) Systems concerning storage and management of information related to execution of duties of Directors:

The Company will store and manage information related to the performance of duties and business execution of Officers and employees in accordance with regulations that stipulate the rules concerning the storage of internal corporate documents. In addition, the Company will establish a system capable of responding to requests from Officers and accounting auditors to view information as needed in order for them to understand the status of business execution and collect information relating to audits.

(iii) Regulations concerning management of exposure to the risk of loss and other systems:

The Company will promote rule-based risk management to recognize, assess and oversee risks that may have a significant impact on management in a timely and appropriate manner. The Internal Audit Department will periodically evaluate the appropriateness, effectiveness, and efficiency of each department's situation with respect to business execution and risk management and will also give instructions and advice about identifying and mitigating risks.

In addition, the Company will establish a system for the appropriate disclosure of information by providing for a regulatory framework for the dissemination of information if an event that may have a material impact on management occurs. In addition, the Company will establish an internal reporting system that ensures the protection of whistleblowers that enables the Company to respond quickly to inappropriate conduct.

(iv) Systems to secure efficient execution by the Directors of their duties:

In its line of business execution, the Company will ensure the efficient execution of their duties by the Directors by creating a system in which the control and monitoring function appropriately as follows.

A. The Company will establish regulations concerning the division of duties, authority, and committee meeting structure and will establish a structural system in which the exercise of official authority and decision-making by Directors and employees can be carried out appropriately and effectively based on rules.

B. The President & CEO will share the Company's management philosophy, management principles, code of conduct, and the Company's stated mission with the Officers and employees and will manage the organization based on these principles.

C. The President & CEO will set company-wide targets in a Mid-Term Management Plan each fiscal year and will raise awareness about achieving these targets. In addition, in order to give form to the Medium-Term Management Plan, the President & CEO will decide about how to allocate management resources and will determine the performance targets and budgets for each business division each fiscal year.

D. The Company will carry out effective organizational management and adopt an executive officer system in order to improve the effective function of the Board of Directors by separating the decision-making and monitoring functions of the Directors from the business execution function.

(v) Systems to secure the execution by the employees of their duties in accordance with the laws, ordinances and the Articles of Incorporation:

A monitoring system independent of the line of business execution will be established as follows to ensure the lawfulness of the employees' execution of their duties.

A. The Company will establish an internal reporting system that allows employees to directly provide information when they discover risks or signs of risks in the execution of their duties or misconduct by other employees. The system will be operated in accordance with regulations that prohibit any disadvantageous treatment of whistleblowers.

B. When information is received through the whistleblower system, the Company will investigate the factual background in accordance with the regulations, make recommendations for cessation of violations of laws and regulations, etc., if necessary, and consider measures to prevent recurrence.

C. If an act is deemed a violation of laws or regulations, etc., a report will be submitted to the President & CEO about the cause and preventives measures.

(vi) Systems to ensure the appropriate operations of the corporate group consisting of the Company, its parent company and subsidiaries, etc.:

The entire MegaChips Group, including its subsidiaries, will be subject to the internal control system to ensure appropriate operations. The Company will be regularly updated about the status of the business execution, financial conditions, and the like through reports from each subsidiary, and the appropriateness of the business operations will be confirmed at meetings of the Company's Board of Directors and the Management Meeting.

In addition, the Internal Audit Department will periodically conduct internal audits of subsidiaries, among other entities, in which it will strive to identify compliance issues and problems in business execution.

(vii) Matters concerning employees to assist the auditors to execute their duties when auditors request the assignment thereof and matters concerning such employees, and matters concerning the independence of such employees from Directors:

Although no employees are permanently assigned to assist the Auditors or the Board of Auditors, the Company will handle these matters by consultations with the Auditors prior to the commencement of an operational audit. In addition, at the request of the Auditors, the Company will provide the Auditors with an opportunity for advice from accounting auditors or outside experts and will ensure a system that allows the Auditors to give instructions and orders to employees during an audit. Sufficient consideration will be given to the independence of the employees who will be given instructions and orders from the Auditors from the parties who are subject to the audit.

(viii) Systems for reporting by Directors or employees to the auditors and other systems for reporting to auditors:

When requested to provide information on matters necessary for the execution of duties by the Auditors, the Directors and employees will promptly report the relevant information. In addition, the Company will ensure that the Auditors have the opportunity to obtain, at meetings of the Board of Directors and other important meetings, in addition to legally required matters, important information regarding the status of internal audits, compliance by Directors and employees with laws and regulations, and risks to corporate management and business operations.

(ix) Other systems to ensure effective audits by the auditors:

In order to improve the effectiveness of audits by the Auditors, the Company will ensure that the Auditors have the opportunity to exchange opinions with President & CEO and accounting auditors on a regular basis, and to hear from Executive Officers and others about the status of business execution at the request of the Auditors. In addition, the Company will confirm the appropriateness of the business execution and the status of compliance with laws and regulations by receiving reports from the Internal Audit Department on the results of internal audits and the status of implementation of internal audits.

〔Outline of the state of operation for systems to secure the appropriateness of operations〕

- The Company has developed and put in operation the internal control system of the Company, the subsidiaries and others in accordancewith the “Basic Policy of Internal Control System of the MegaChips” resolved at the Board of Director meeting in regardto systems to secure the appropriateness of operations.
- The Company has instituted the Internal Auditing Department as a structure under the direct supervision of the President, independent from the lines of business execution, for investigation and assessment based on legitimacy and reasonableness of development and operation of the internal control system.

  The Internal Auditing Department devises an execution plan for internal audits covering all operations of the Company, its subsidiaries and others to conducts internal audit activities. In the activities, the Internal Auditing Department consults and coordinates with auditors and accounting auditor and endeavors to conduct an effective audit.
- State of activity and results of the internal audits are reported to the President and CEO as required on a weekly or monthly basis. Further, in particular, there are an obligation to report to the Board of Directors meeting on the assessment for internal control and the result of execution of audit work in each fiscal year.

(3) Basic policy on control of the Company

Although the basic policy on control of the Company has not been stipulated, the Company recognizes that the establishment of anti-takeover measures and the protection of the interests of all of its shareholders from abusive purchasers are important issues for the Company’s management, and always collects information on recent trends on business takeovers.

Notes to Consolidated Financial Statements

1. Notes on important matters that are to become the basis for preparation of consolidated financial statements

(1) Matters concerning the scope of consolidation

(i) Situation of consolidated subsidiaries

・Number of consolidated subsidiaries	4 companies
・Names of major consolidated subsidiaries	The companies are Shun Yin Investment Ltd.; MegaChips Taiwan Corporation; MegaChips LSI USA Corporation, and MegaChips VC USA LLC
・Change in scope of consolidation	MegaChips VC USA LLC was established and included in the scope of consolidation from the current consolidated fiscal year.

(ii) Situation of non-consolidated subsidiaries

There are no non-consolidated subsidiaries.

(2) Matters concerning application of equity method

(i) Status of equity-method affiliated companies

・Number of equity-method affiliated companies	1 company
・Names of equity-method affiliated companies	SiTime Corporation
・Matters to be specifically notes about procedures for applying the equity-method	The closing date of SiTime Corporation is December 31. In preparing the consolidated financial statements, the financial statements as of the closing date are used.

(ii) Status of non-equity-method companies

・Names of major companies	SiliconBrite Technologies Inc.
・Reason for not applying the equity-method	The net profit or loss (proportional amount of equity) and retained earnings (proportional amount of equity), and other items of SiliconBrite Technologies Inc. have an immaterial impact on the consolidated financial statements and do not have significance as a whole. Therefore, the Company excludes it from the scope of the equity method.

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(3) Matters concerning the fiscal years for consolidated subsidiaries

Of the consolidated subsidiaries, the closing dates of Shun Yin Investment Ltd. is December 31. In the preparation of consolidated financial statements, financial statements as of the respective closing dates are used. However, for important transactions occurring in the period from January 1, 2022 to the consolidated closingdate, March 31, 2022, adjustments have been as required in the consolidation.

(4) Matters regarding accounting policies

(i) Valuation standards and valuation methods for important assets

A. Securities

・ Other securities

Securities other than shares that do not have a market value: Fair value method (with the entire amount of valuation differences recorded directly into net assets, and the cost of sales calculated using the moving average method)

Shares that do not have a market value: Mainly moving average cost method. With regard to the amount of investments in capital of investment partnerships, an amount equivalent to the amount of equity in the properties of the investment partnership is recorded as “investment securities” under investment and other assets. The amount of investments in capital of investment partnerships is recorded under “investment securities.” An amount equivalent to the amount of equity in net profit and loss earned by investment partnerships is recorded under “non-operating income and expense.” At the same time, the amount of “investment securities” is increased or decreased by the above amount. The amount of “investment securities” is also decreased by the amount of dividends from investment partnerships.

B. Inventories

- Work in process: Recorded at cost using the individual method for construction contracts and using the first-in first-out method for others (The amount shown on the balance sheet is based on the method for reducing book value due to a decline in profitability.)

- Other: Recorded at cost chiefly using the moving average method or the first-in first-out method (The amount shown on the balance sheet is based on the method for reducing book value due to a decline in profitability.)

(ii) Depreciation method for important depreciable assets

A. Property, plant and equipment

- Domestic: Chiefly the declining balance method
  However, the straight-line method is applied to reticles used for LSI manufacturing.
- Overseas: Chiefly the straight-line method
  The principal useful lives are 3 to 50 years for buildings and 2 to 20 years for tools, furniture and fixtures.

B. Intangible assets: Straight-line method
However, the straight-line method based on the depreciable life in business operations (3 to 7 years) is applied to technology assets; the straight-line method based on the period of possible use within the Company (chiefly, 3 to 5 years) is applied to software used by the Company. The straight-line method based on the period of possible sale (chiefly 3 years) is applied to software to be sold on the market.

C. Long-term prepaid expenses:

- Development expenses paid especially for the preparation of mass production: Straight-line method based on the period of possible sale (3 years)

- Others: Equal installment method

(iii) Standards for recording important provisions and allowances

A. Allowance for doubtful accounts: In preparation for anticipated losses as a result of bad debts, the expected unrecoverable amount is recorded based on an actual bad debt ratio for general receivables, and by individually taking the possibility of collection into consideration for specified receivables, including loans that are likely to be unrecoverable.

B. Provision for bonuses: In preparation for the payment of bonuses to employees, the expected amount of payment that should be borne in the consolidated fiscal year under review is recorded.

C. Provision for loss on constructioncontracts: When the total cost of construction is likely to exceed total construction revenue and the amount can be reasonably estimated, the Company records any amount estimated to exceed the total construction revenue as a provision for loss on construction contracts.

(iv) Basis for recording significant revenue and expenses

A．Sales of products: The Company engages in a single business domain, mainly providing total solutions from design and development to manufacturing of LSI leveraging its unique analog and digital technologies. design, development. The performance obligation is satisfied when the products are delivered to a customer, so the revenue is recognized at the time when the said performance obligation is satisfied, namely, the arrival and the acceptance of the products.

B．Contract development: The Company conducts contract-based development of LSI. As to the performance obligation satisfied over time under the said contract, the stage of completion is estimated by the input method and the revenue is recognized over time based on the degree of completion.

(v) Matters regarding the amortization of goodwill and amortization period

Goodwill is amortized by the straight-line method over the estimated period of effect (10 years).

2. Change in accounting policies

(Application of the Accounting Standard for the Revenue Recognition, ETC)

The Company applied "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31,2020), and relevant ASBJ regulations from the beginning of the current consolidated fiscal year under review, and it has recognized revenue at the time of control of promised goods or services.

As such, whereas revenue derived from product sales was previously recognized at the time of shipment, the Company will now recognize such revenue upon arrival and acceptance of product. In addition, with respect to transactions involving the supply of parts and materials with no obligation to repurchase, the Company previously recognized the consideration received from the supplier as revenue, and if the supplier subsequently repurchased the parts and materials as products, the Company eliminated the amount equivalent to the revenue related to the supply of parts and materials to the supplier at the time of sale to the customer. Furthermore, as to the transaction in which the Company's role to be an agent, where previously the Company recognized revenue on the gross amount of consideration received from the customer, the Company changed its method to recognizing revenue on a net basis transaction.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current fiscal year under review was added to or deducted from the opening balance of retained earnings of the current fiscal year under review, and thus the new accounting policy was applied from such opening balance.

Due to the application of the Accounting Standard for Revenue Recognition and relevant regulations, "Notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of the end of the previous consolidated fiscal year has been included in "Notes and accounts receivable - trade, and contract assets" under current assets from the current consolidated fiscal year under review

As a result of this change, sales amount for the current consolidated fiscal year decreased by ¥3,770,466 thousand. Due to the reflection of cumulative effect to net assets of the beginning of current fiscal year under review, the balance of retained earnings at the beginning of current fiscal year decreased by ¥1,063,352 thousand, net assets per share was decreased by ¥55.47. An impact of operating income, ordinary income, profit before income taxes and Profits per share is insignificant.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current fiscal year under review. In the future, the Company will furthermore apply new accounting policy stipulated by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations subject to the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44 2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). In addition, this application has no impact on quarterly consolidated financial statements is immaterial.

In addition, the Company added notes of matters related to financial instruments by a level of market value in "7. Notes Regarding Financial Instruments".

3. Notes on significant accounting estimates

(Valuation of non-listed stocks)

(1) Amount recorded in the consolidated financial statements for the current fiscal year

The Company and its US consolidated subsidiary invested in several overseas startup companies with advanced technology and idea for the Company Group's sustainable growth in the medium and long term. In the consolidated balance sheet for the current consolidated fiscal year, ¥1,689,271 thousand of investment securities and ¥367,170 thousand of shares of subsidiaries and associates (companies not accounted for using the equity method) are posted.

(2) Other information that helps understand the details of accounting estimates

The investments held by MegaChips as non-marketable securities are carried at cost. When the value of investments decreases significantly, a loss on valuation will be recognized except when the recoverability of the real value is supported by sufficient evidence. Although, in accordance with U.S. GAAP, the investments held by the U.S. consolidated subsidiaries are calculated as the valuation of the balance sheet based on the acquisition cost with no easily determinable fair market price, a loss on valuation will be recognized when circumstances are identified that suggest that the fair value will be less than the acquisition cost, taking into account qualitative factors, including a significant deterioration in the investment's financial condition or future prospects.

As for the valuation of these investments, as a result of calculation of excess return included in the real value related to such investments in startups, there was no significant deterioration in the value of the investments held by the Company, nor was there a situation suggesting that the fair value of the investments held by the U.S. consolidated subsidiaries are less than the acquisition cost, thereby making it unnecessary to recognize a loss on valuation.

(3) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

The Company and its US consolidated subsidiary invested in several overseas startup companies with advanced technology and idea for the Company Group's sustainable growth in the medium and long term. In the consolidated balance sheet for the current consolidated fiscal year, ¥1,689,271 thousand of investment securities and ¥367,170 thousand of shares of subsidiaries and associates (companies not accounted for using the equity method) are posted.

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As for the valuation of these investments, as a result of calculation of excess return included in the real value related to such investments in startups, there was no significant deterioration in the value of the investments held by the Company, nor was there a situation suggesting that the fair value of the investments held by the U.S. consolidated subsidiaries are less than the acquisition cost, thereby making it unnecessary to recognize a loss on valuation.

4. Notes on consolidated balance sheet

(1) Amount of accumulated depreciation on property, plant and equipment ¥7,404,313 thousand

(2)Inventories and the reserves for loss on construction contracts related to construction contracts that are likely to incur losses are presented as is and are not offset. The amount equivalent to the reserves for loss on construction contracts included in inventories related to construction contracts that are likely to incur losses is ¥2,981 thousand for work in process.

5. Notes on consolidated statements of income

(1) A reduction of book value due to a decline in the profitability of inventories held for the purpose of ordinary sale

Cost of sales ¥193,100 thousand

(2) Provision for loss on construction contracts included in the cost of sales ¥17,533 thousand

(3) Gain on sales of shares of subsidiaries and associates

This was due to a capital increase by new shares at market price by SiTime Corporation, an affiliate company, and the sale by the Company of a portion of its shares in SiTime Corporation.

A gain on sales of shares of subsidiaries and associates includes, in addition to gains from the sale of shares, gains due to a change in equity ratio of shares owned by the Company arising from SiTime Corporation's capital increase.

(4) Loss on retirement of non-current assets

This is mainly attributable to the retirement of internally developed software included in the Company's intangible assets.

(5) Loss on valuation of other investments

This is attributable to the review of the valuation and the impairment of other investments.

6. Notes on consolidated statements of changes in shareholders' equity

(1) Matters on type and total number of outstanding shares

Type of shares	Number of shares at beginning of the consolidated fiscal year under review	Increase in number of shares during the consolidated fiscal year under review	Decrease in number of shares during the consolidated fiscal year under review	Number of shares as of the end of the consolidated fiscal year under review
Common shares	23,038,400 shares	—	1,070,700 shares	21,967,700 shares

(Notes) The number of treasury shares (common shares) decreased by1,070,700 shares is due to cancellation of treasury shares.

(2) Notes on type and number of treasury shares

Type of shares	Number of shares at beginning of the consolidated fiscal year under review	Increase in number of shares during the consolidated fiscal year under review	Decrease in number of shares during the consolidated fiscal year under review	Number of shares as of the end of the consolidated fiscal year under review
Common shares	1,275,531 shares	2,613,280 shares	1,091,700 shares	2,797,111 shares

(Notes) 1 . 2,613,200 shares of the increase in the number of treasury shares (common shares) is due to the acquisition of treasury stock by resolution of the Meeting of t0068e Board of Directors and 80 shares are purchase of fractional shares.

2. 1,070,700 shares of the decreased in the number of treasury stock (common shares) is due to the cancellation of treasury shares and 21,000 shares are disposition of treasury shares.

(3) Notes on dividends of surplus

(i) Amount of dividends of surplus paid

Resolution	Type of share	Total amount of dividends (Thousands of Yen)	Dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 14, 2021	Common shares	1,741,029	80.00	March 31, 2021	June 4, 2021

(ii) Dividends for which the record date falls in the consolidated fiscal year under review, but the effective date falls in the following consolidated fiscal year

Resolution	Type of share	Total amount of dividends (Thousands of Yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
Meeting of the Board Directors held on May 13, 2022	Common shares	1,725,353	Retained earnings	90.00	March 31, 2022	June 3, 2022

7. Notes on Financial Instruments

(1) Policies for the handling of financial instruments

To improve the efficiency with which funds are used while applying appropriate risk controls, the Company has adopted basic policies by which it concentrates the use of funds on its main business activities, refrains from speculative fund management, and invests in financial instruments only after the details of the products and risks involved are clearly understood by fully evaluating their historical performance and any potential impact.

The financial instruments in which the Company invests are limited to bank deposits and governmental and corporate bond investment trusts in which the principal is appropriately protected and for which the liquidity is high, as well as bonds with lower credit and market risks. The Company does not invest in financial instruments such as derivatives that carry significant investment risks.

To minimize risks associated with fund management, the Company manages funds in accordance with internal rules that stipulate strict investment rules, including those for limiting investment amounts, restrictions on investment periods and rating standards. Furthermore, to reduce risks of fluctuations in foreign exchange rates over certain receivables and payables denominated in foreign currencies resulting from normal business transactions, the Company uses foreign exchange forward contracts in accordance with internal rules that stipulate the risk management structure and policies.

While the Company maintains sufficient funds to make payments on obligations arising from unexpected developments, it also maintains an appropriate level of funds for working capital. To meet its needs for working capital, the Company raises funds, when necessary, but within established limits for borrowings from financial institutions and limits for the sale of its accounts receivable. The Company determines its funding strategies each fiscal year by taking into account certain factors such as its business performance, its funding requirements and the efficiency of other alternative methods of funding.

(2) Details and risks of financial instruments

Cash and deposits are deposited mainly in the current checking accounts at banks, primarily for use as working capital. These banks present almost no credit or liquidity risks as their credibility is extremely high and there is no security interest registered on them. Notes and accounts receivable - trade (operating receivables) are exposed to the credit risk of customers. Furthermore, although 84.4% of the operating receivables at the end of the consolidated fiscal year under review are from a specific major customer, we believe that the credit risk is extremely low from the perspective of business results and financial status.

Investment securities are categorized as other securities and consist mainly of stocks held for investment and investment securities held for maintaining partnerships. All of these investments have been made as present and future business partners and to collect information for future business development with the aim of improving corporate value and achieving other synergies. Therefore, if the business policies of the Company or those of the issuing company change, there is a risk that the initial plans may not be realized.

In addition, among shares held by the Company, listed shares are exposed to market risk, while unlisted shares may be impaired if the value of the issuing companies falls because of poor business performance or a deteriorating financial situation. Of all investment securities held as of the end of the consolidated fiscal year under review, the shares of partner factories held by the Company’s subsidiaries accounted for 70.0%.

All accounts payable - trade and (operating debt) are due within one year.

There is no outstanding loans, however, among borrowings, short-term loans payable comprise mainly funds borrowed to finance business transactions, while the current portion of long-term loans payable comprises mainly funds borrowed to finance investment in businessactivities.

Accounts receivable - trade and accounts payable - trade denominated in foreign currencies recognized as a result of normal business transactions are exposed to the risks of fluctuations in foreign exchange rates. The Company seeks to reduce these risks by using foreign exchange forward contracts when necessary, after considering the net position of accounts receivable - trade and accounts payable - trade denominated in the same foreign currency.

(3) Risk management system for financial instruments

(i) Credit risk

Credit risk is defined as the risk of incurring losses as a result of a decline or loss in value of financial assets due to credit events (reasons) such as dishonored checks or bankruptcy as a result of a deterioration in the financial condition of business partners or issuing companies.

To maintain sound assets, the Accounting Department, the Finance Division and the Operating Department of the Company control the due dates associated with and the outstanding balances of individual customers. The Company has also developed a system in which credit screening, credit control, and asset control are consistently carried out in accordance with the relevant accounting and sales management rules. In addition, the Company strictly evaluates its assets in accordance with the accounting standards and other related rules for impairment and provisions as necessary.

(ii) Market risk

Market risk is defined as the risk of the Company incurring losses due to changes in the fair market value of financial instruments as a result of fluctuations in interest rates, foreign exchange rates, and stock prices. It is a general term for risks associated with assets and liabilities with interest rate fluctuation risk, exchange rate fluctuation risk or stock price fluctuation risk.

In accordance with its accounting rules and cash management rules, the Finance Division regularly monitors the fair market valueand the financial condition of issuing companies. It also regularly reviews its investment policies by obtaining information aboutbusiness plans and other relevant matters. The Finance Department also monitors trends in interest rates, foreign exchange ratesand stock prices as needed in an effort to reduce the market risks associated with the Company's assets and liabilities.

In general, the Company does not make investments as part of fund management in financial products that involve risks related to fluctuations in stock prices or foreign exchange rates. However, the Company makes efforts to reduce risks of fluctuations in foreign exchange rates related to certain receivables and payables denominated in foreign currencies related to normal business transactions by managing such risks in accordance with foreign exchange risk management rules and using foreign exchange forward contracts and other derivatives when necessary.

(iii) Liquidity risk

Liquidity risk is defined as the risk of the Company incurring losses due to a shortage of available cash as a result of the Company's inability to raise funds because of a deterioration in its financial situation or other reason for incurring loss if the Company is forced to accept significantly worse than usual funding conditions.

By constantly monitoring the management of funds and regularly preparing and updating funding plans, the Finance Department ensures that the Company maintains an appropriate level of funds, including sufficient funds to meet obligations that may arise from unexpected developments. As a measure to respond to liquidity risk, the Company has also established credit lines and overdraft agreements with their banks. No financial covenants are attached to these overdraft agreements.

(4) Supplementary explanation concerning the fair market value, etc., of financial instruments

The various factors are taken into account in the calculation of the fair value of financial instruments, the such values may vary when these conditions change.

(5) Matters concerning the fair market values of financial instruments

Information about figures for financial instruments presented in the consolidated balance sheets, related fair values and their differences at the end of the current consolidated fiscal year are set forth in the tables below.

	Consolidated balance sheet recorded amount (Thousands of Yen)	Market price (Thousands of Yen)	Difference (Thousands of Yen)
Investment securities			
Shares of subsidiaries and associates	18,738,003	151,653,449	132,915,445
Other securities	3,968,289	3,968,289	—

(Note) 1. Cash and deposits, notes and accounts receivable-trade, notes and accounts payable-trade, accounts receivable-other, and Accounts payable-other are omitted because they are due in a short period of time and the fair market value is similar to the book value.

2. . Securities that do not have a market value is not included in "investment securities". The consolidated balance sheet amount of the relevant financial instruments is ¥1,919,794 thousand for unlisted shares and ¥147,173 for union fund.

(6) Matters regarding the breakdown of financial instruments by each fair value level

The fair values of financial instruments are categorized into the following three levels, in accordance with the observability and importance of the inputs used in the fair value calculation.

Level 1 fair value: Among the inputs to the calculation of observable fair value, fair value calculated based on market price to the assets and liabilities subject to such fair value that is formed in an active market

Level 2 fair value: Among the inputs to the calculation of observable fair value, fair value calculated using inputs other than the Level 1 inputs.

Level 3 fair value: Fair value calculated using important inputs that cannot be observed.

In cases where multiple inputs which have a material effect on the calculation of the fair value are used, among the levels to which the respective inputs belong, the fair value is categorized at the level with the lowest priority in the fair value calculation.

(i) Financial instruments recorded at the fair value in the consolidated balance sheet

	Fair Value (¥ thousand)		
	Level 1	Level 2	Level 3
Investment securities			
Shares of subsidiaries and associates	-	-	-
Available-for-sale securities	3,968,289	-	-

(ii) Financial instruments other than those recorded on the consolidated balance sheets at the fair value

	Fair Value (¥ thousand)		
	Level 1	Level 2	Level 3
Investment securities			
Shares of subsidiaries and associates	151,653,449	-	-
Available-for-sale securities	-	-	-

(Note) Explanation of the valuation methods and inputs used in calculating fair values of financial instruments and Available-for-sale securities are as follows.
Listed shares are valued using the market price. Because listed shares are traded on active markets, their fair value is categorized as a level 1 fair value.

8. Notes concerning revenue recognition

(1) Information on disaggregation of revenue from contract with customers

The information on disaggregation of revenue from contract with customers are as follows.

		Amount (¥ thousand)
Goods or service satisfied at a point in time		73,311,051
Goods or service satisfied over time		1,945,372
Revenue from contract with customers		75,256,424
Other revenue		—
Revenue from outside customers		75,256,424

(2) Basic information for understanding revenue from contract with customers

Basic information for understanding revenue from contract with customers is included in “1. Notes on important matters that are to become the basis for preparation of consolidated financial statements (4) Matters regarding accounting policies (iv) Basis for recording significant revenue and expenses”.

(3) Information for understanding the revenue amounts in the consolidated fiscal year under review and subsequent consolidated fiscal years

(i) Balance of contract assets and contract liabilities

	Balance at the beginning of the period (¥ thousand)	Balance at the end of the period (¥ thousand)
Accounts receivable from contract with customers	21,276,354	6,804,381
contract assets	1,795,057	1,146,307
contract liabilities	250,581	69,560

Among revenue amount recognized in the current consolidated fiscal year, the amount included in the balance of contract liabilities in the balance at the beginning of the period is ¥244,093 thousand.
The contract assets are the Company’s rights to performance obligations satisfied over time regarding construction contract with customers, and the contract is reclassified to accounts receivable from contract with customers when the Company's rights to the consideration become unconditional.
The contract liabilities are primarily related to advances received from customers for construction contracts. The contract liabilities The contract liabilities are reversed upon recognition of revenue.
In the current consolidated fiscal year, the amount of revenue recognized from performance obligations satisfied in prior periods was immaterial.

(ii) Transaction price allocated to remaining performance obligations

The practical expedient method is applied in noting the transaction price allocated to remaining performance obligations and the contracts with maturities of less than one year is not included in the scope of the note.
The unsatisfied performance obligations (or partially unsatisfied) at the end of the period is ¥5,891,223 thousand. The performance obligations relate to the construction contracts for the design and development of LSI and 93.5% of revenue is expected to be recognized within one year after period end and 6.5% within one year thereafter.

9. Notes concerning information per one share

(1) Net assets per share ¥3,517.30

(2) Profits per share ¥1,349.01

10. Other notes

The figures shown have been rounded down to the nearest one thousand yen.

Individual notes to Non-Consolidated Financial Statements

1. Notes on matters related to significant accounting policies

(1) Valuation standards and valuation methods for securities

(i) Shares of subsidiaries and related companies: Recorded at cost using the moving average method

(ii) Other securities

・Securities other than shares that do not have a market value: Fair value method (with the entire amount of valuation differences recorded directly into net assets, and the cost of sales calculated using the moving average method)

・Shares that do not have a market value: Moving average cost method. With regard to the amount of investments in capital of investment partnerships, an amount equivalent to the amount of equity in the properties of the investment partnership is recorded as "investment securities" under investment and other assets. The amount of investments in capital of investment partnerships is recorded under "investment securities." An amount equivalent to the amount of equity in net profit and loss earned by investment partnerships is recorded under "non-operating income and expense." At the same time, the amount of "investment securities" is increased or decreased by the above amount. The amount of "investment securities" is also decreased by the amount of dividends from investment partnerships.

(2) Valuation standards and valuation methods for inventory

(i) Finished goods/raw materials: Recorded at cost chiefly using the moving average method or the first-in first-out method (The amount shown on the balance sheet is based on the method for reducing book value due to a decline in profitability.)

(ii) Work in process: Recorded at cost using the individual method for construction contracts and using the first-in first-out method for others (The amount shown on the balance sheet is based on the method for reducing book value due to a decline in profitability.)

(3) Depreciation method for non-current assets

(i) Property, plant and equipment: Chiefly the declining balance method
However, the straight-line method is applied to reticles used for LSI manufacturing.

The principal useful lives are 3 to 50 years for buildings and 2 to 20 years for tools, furniture and fixtures.

(ii) Intangible assets: Straight-line method
However, the straight-line method based on the period of possible use within the Company (chiefly, 3 to 5 years) is applied to software used by the Company. The straight-line method based on the period of possible sale (chiefly 3 years) is applied to software to be sold on the market.

(iii) Long-term prepaid expenses

・Development expenses paid especially for the preparation of mass production: Straight-line method based on the period of possible sale (3 years)

・Other: Equal installment method

(4) Standards for recording provisions and allowances

(i) Allowance for doubtful accounts:	In preparation for anticipated losses as a result of bad debts, the expected unrecoverable amount is recorded based on an actual bad debt ratio for general receivables, and by individually taking the possibility of collection into consideration for specified receivables, including loans that are likely to be unrecoverable.
(ii) Provision for bonuses:	In preparation for the payment of bonuses to employees, the expected amount of payment that should be borne in the fiscal year under review is recorded.
(iii) Provision for loss on construction contracts:	When the total cost of construction is likely to exceed total construction revenue and the amount can be reasonably estimated, the Company records any amount estimated to exceed the total construction revenue as a provision for loss on construction contracts.

(5) Basis for recording revenue and expenses

・A. Sales of products	The Company engages in a single business domain, mainly providing total solutions from design and development to manufacturing of LSI leveraging its unique analog and digital technologies. design, development. The performance obligation is satisfied when the products are delivered to a customer, so the revenue is recognized at the time when the said performance obligation is satisfied, namely, the arrival and the acceptance of the products.
・B. Contract development	The Company conducts contract-based developmen of LSI. As to the performance obligation satisfied over time under the said contract, the stage of completion is estimated by the input method and th revenue is recognized over time based on the degre of completion.

2. Change in accounting policies

(Application of the Accounting Standard for the Revenue Recognition, ETC)

The Company applied "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31,2020), and relevant ASBJ regulations from the beginning of the current fiscal year under review, and it has recognized revenue at the time of control of promised goods or services.

As such, whereas revenue derived from product sales was previously recognized at the time of shipment, the Company will now recognize such revenue upon arrival and acceptance of product. In addition, with respect to transactions involving the supply of parts and materials with no obligation to repurchase, the Company previously recognized the consideration received from the supplier as revenue, and if the supplier subsequently repurchased the parts and materials as products, the Company eliminated the amount equivalent to the revenue related to the supply of parts and materials to the supplier at the time of sale to the customer. Furthermore, as to the transaction in which the Company's role to be an agent, where previously the Company recognized revenue on the gross amount of consideration received from the customer, the Company changed its method to recognizing revenue on a net basis transaction.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current fiscal year under review was added to or deducted from the opening balance of retained earnings of the current fiscal year under review, and thus the new accounting policy was applied from such opening balance.

Due to the application of the Accounting Standard for Revenue Recognition and relevant regulations, "Notes and accounts receivable - trade" under current assets of the balance sheet as of the end of the previous fiscal year has been included in "Notes and accounts receivable - trade, and contract assets" under current assets from the current fiscal year under review

As a result of this change, sales amount for the current fiscal year decreased by ¥3,770,466 thousand. Due to the reflection of cumulative effect to net assets of the beginning of current fiscal year under review, the balance of retained earnings at the beginning of current fiscal year decreased by ¥1,063,352 thousand, net assets per share was decreased by ¥55.47. An impact of operating income, ordinary income, profit before income taxes and Profits per share is insignificant.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current fiscal year under review. In the future, the Company will furthermore apply new accounting policy stipulated by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations subject to the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44 2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). In addition, this application has no impact on quarterly financial statements is immaterial.

3. Notes on significant accounting estimates

(Valuation of non-listed stocks)

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year:

The Company invested in several overseas startup companies with advanced technology and idea for the Company Group's sustainable growth in the medium and long term. In the balance sheet for the current fiscal year, ¥244,765 thousand of investment securities is posted.

(2) Other information that helps to understand the details of the accounting estimates

The information is included in "3. Notes on significant accounting estimates (Valuation of non-listed stocks)".

4. Notes on balance sheet

(1) Amount of accumulated depreciation on property, plant and equipment ¥7,389,211thousand

(2) Inventories and the reserves for loss on construction contracts related to construction contracts that are likely to incur losses are presented as is and are not offset. The amount equivalent to the reserves for loss on construction contracts included in inventories related to construction contracts that are likely to incur losses is ¥2,981 thousand for work in process.

(3) Monetary claims against associates

Short-term monetary claims ¥1,381thousand

5. Notes on statements of income

(1) A reduction of book value due to a decline in the profitability of inventories held for the purpose of ordinary sale

Cost of sales	¥193,100thousand
(2) Provision for loss on construction contracts included in the cost of sales	¥17,533thousand

(3) Volume of transactions with associates

Volume of transactions due to business transactions	¥394,699thousand
Volume of transactions due to transactions other than business transactions	¥8,026thousand

(4) Gain on sales of shares of subsidiaries and associates

This is due to the sale of a portion of the Company's shares in SiTime Corporation, an affiliate company.

(5) Loss on retirement of non-current assets

This is mainly attributable to the retirement of internally developed software included in the Company's intangible assets.

(6) Loss on valuation of other investments

This is attributable to the review of the valuation and the impairment of other investments.

6. Notes on statements of changes in shareholder's equity

Matters on type and number of treasury shares

Type of shares	Number of shares at beginning of the fiscal year under review	Increase in number of shares during the fiscal year under review	Decrease in number of shares during the fiscal year under review	Number of shares as of the end of the fiscal year under review
Common shares	1,275,531 shares	2,613,280 shares	1,091,700 shares	2,797,111 shares

(Notes) 1 . 2,613,200 shares of the increase in the number of treasury shares (common shares) is due to the acquisition of treasury stock by resolution of the Meeting of the Board of Directors and 80 shares are purchase of fractional shares.

2. 1,070,700 shares of the decreased in the number of treasury stock (common shares) is due to the cancellation of treasury shares and 21,000 shares are disposition of treasury shares.

7. Notes on deferred tax accounting

Breakdown of major factors giving rise to deferred tax assets and liabilities

Deferred tax assets	
Allowance for doubtful accounts	¥445thousand
Provision for bonuses	¥259,760 thousand
Provision for loss on construction contracts	¥10,373 thousand
Accrued enterprise tax	¥380,837 thousand
Accrued legal welfare expenses	¥37,289 thousand
Loss on valuation of inventories	¥62,349 thousand
Loss on retirement of non-current assets	¥23,991 thousand
Excess depreciation of software, etc.	¥545,006 thousand
Excess depreciation of long-term prepaid expenses	¥290,467thousand
Loss on valuation of investment securities	¥84,957thousand
Loss on valuation of other investments	¥62,724 thousand
Other	¥263,058 thousand
Subtotal deferred tax assets	¥2,021,261 thousand
Valuation allowances	(¥375,610) thousand
Total deferred tax assets	¥1,645,651 thousand
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(¥7,731) thousand
Total deferred tax liabilities	(¥7,731) thousand
Net deferred tax assets	¥1,637,919 thousand

8. Notes on transactions with related parties

(1) Transactions with related parties

Not applicable.

(2) Notes on significant subsidiaries and affiliated companies

SiTime Corporation is significant affiliated company in the current fiscal year and its balance sheet is as follows.

	Current fiscal year (¥ thousand)
Current assets	71,995,964
Fixed assets	6,011,635
Current liabilities	4,300,023
Non-current liabilities	957,772
Net assets	72,749,805
Sales amount	25,167,296
Income (loss) before income taxes	3,721,472
Net income (loss)	3,712,501

9. Notes concerning revenue recognition

The basic information on understanding of revenue from contract with customers are included in "Notes to consolidated financial statements 8. Notes concerning revenue recognition".

10. Notes concerning information per one share

(1)	Net assets per share	¥2,879.86
(2)	Profit per share	¥968.40

11. Other notes

The figures shown have been rounded down to the nearest one thousand yen.