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Securities Code: 6875
May 30, 2024

To: Our Shareholders

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

NOTICE OF THE 34th ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are hereby notified that the 34th Annual General Meeting of Shareholders of MegaChips Corporation (the “Company”) is to be held as described below. We have taken measures for the electronic provision of information for this meeting. Matters to be provided electronically have been posted on the Company’s Internet website under “Notice of the 34th Annual General Meeting of Shareholders”.

The Company’s website:

(<https://www.megachips.co.jp/irinfo/index.html>)

The items are also posted on the Internet website shown below.

Please access to the website of TSE (Tokyo Stock Exchange), enter “MegaChips” to the field of “Issue Name (company name)” or “6875” to the field of “Code” and click “Search”, click “Basic Information”, and select the “Documents for public inspection/PR information” tab.

The TSE’s website (Tokyo Stock Exchange):

(<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>)

You may exercise your voting rights by post or via internet, after carefully considering the attached Reference Documents for Shareholders Meeting indicating your approval or disapproval by following the Guide to Exercising Voting Rights (page 3 of Japanese version of Notice of the 34th Annual General Meeting of Shareholders). Please send it to ensure its arrival by 6 p.m. on Thursday, June 20, 2024 (Japan time), the day before the Annual General Meeting of Shareholders.

1. Date and Time: Friday, June 21, 2024 at 10:00 a.m. (Japan time)

2. Venue: Main Hall, 8th floor, Osaka Science & Technology Center
1-8-4, Utsubo-Honmachi, Nishi-ku, Osaka, Japan

3. Agenda of the Meeting

Matters to be reported:

1. Business report for the fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024) (“Business Report”), the Consolidated Financial Statements and the report of the results of audits by the accounting auditors and the Board of Statutory Auditors of the Consolidated Financial Statements
2. Non-Consolidated Financial Statements for the fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Matters to be resolved:

Proposal 1: Election of Ten (10) Directors

- ◎ If you attend the meeting, kindly submit the Voting Form enclosed herewith at the reception. Also, please bring this Notice of Annual General Meeting of Shareholders (hereafter abbreviated as “Notice of Convocation”, where appropriate) with you to the meeting for the conservation of resources. The reception desk for those attending the meeting will start at 9 a.m.
- ◎ If you are exercising your voting rights by proxy on the day of the Annual General Meeting of Shareholders, you may appoint one (1) proxy who is also a shareholder of the Company entitled to votes at the meeting in accordance with the provisions of Article 16 of the Company’s Articles of Incorporation. Please have the proxy present written proof of his/her right of proxy (letter of proxy) at the reception desk.
- ◎ We do not provide souvenirs to attending shareholders.
- ◎ Among the electronic provision measure matters, the following matters are not mentioned in the written information sent to the shareholders pursuant to applicable laws and regulations and the Company’s Articles of Incorporation. Statements to be audited, including the following matters have been audited by the accounting auditors and the Audit and Supervisory Board.
 - (1) Following items from the 34th Business Report (April 1, 2023 to March 31, 2024)
 - 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 auditors, systems to ensure the appropriateness of operations, and basic policy on control of the Company
 - (2) Notes to Consolidated Financial Statements for the 34th Business Report (April 1, 2023 to March 31, 2024)
 - (3) Individual notes to Non-Consolidated Financial Statements for the 34th Business Report (April 1, 2023 to March 31, 2024)
- ◎ If there are any correction to the matters to be provided electronically, there will be promptly posted on each website above.
- ◎ Following the conclusion of the Annual General Meeting of Shareholders, information including the resolutions from that meeting will be uploaded to the Company’s website (<https://www.megachips.co.jp/irinfo/index.html>).
- ◎ Following the conclusion of the Annual General Meeting of Shareholders, an extraordinary report will be filed in accordance with Article 19, Paragraph (2), Item (ix)-2 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc. and the results of exercising voting rights at such shareholders meeting will be disclosed on the Financial Services Agency’s website, EDINET (an electronic disclosure system for disclosure documents such as securities filings made pursuant to the Financial Instruments and Exchange Act) (<https://disclosure2.edinet-fsa.go.jp/>).

Reference Documents for Shareholders Meeting

Proposal 1 : Election of Ten (10) Directors

Since the terms of office of the current ten Directors, Tetsuo Hikawa, Masahiro Shindo, Yoshimasa Hayashi, Ikuo Iwama, Masashi Kuramoto, Masaaki Iwai, Junko Nagata, Hirofumi Nagai, Heihachi Matsumoto, and Satoshi Nakamura will expire at the conclusion of the Annual General Meeting of Shareholders, it is proposed that ten (10) Directors be elected.

The nominees for Director are as follows:

Nominee Number	Name		Position in Company		Attendance Rate at Board of Director Meetings
1	Tetsuo Hikawa	Re-election	President and CEO		100% (14/14 times)
2	Masahiro Shindo	Re-election	Chairman		100% (14/14 times)
3	Yoshimasa Hayashi	Re-election	Executive Vice President, Executive Officer		100% (14/14 times)
4	Ikuo Iwama	Re-election	Director, Executive Officer		100% (14/14 times)
5	Masashi Kuramoto	Re-election	Director, Executive Officer		100% (11/11 times)
6	Masaaki Iwai	Re-election	Director, Executive Officer		100% (11/11 times)
7	Junko Nagata	Re-election	Director	Outside, Independent	100% (14/14 times)
8	Hirofumi Nagai	Re-election	Director	Outside, Independent	100% (14/14 times)
9	Heihachi Matsumoto	Re-election	Director	Outside, Independent	100% (14/14 times)
10	Satoshi Nakamura	Re-election	Director	Outside, Independent	100% (11/11 times)

Nominee Number 1 Tetsuo Hikawa Date of birth: May 3, 1958 Re-election



■ Positions and responsibilities at the Company

President and CEO

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 12 years
- Number of shares held in the Company 107,000 shares
- Attendance at Board of Directors meetings 100% (14 of 14)

■ Career summary and material concurrent positions at the Company

Apr. 2000	Executive Officer, Corporate Planning
Jun. 2000	Director
Jan. 2008	Executive Officer, General Manager of Corporate Control Division, and General Manager of Public Relations Division
Jun. 2008	Resigned as Director, Executive Officer, Division Director of Customer Specific Business Headquarters
Dec. 2010	Executive Officer, Department Manager of Production Management Department
Jun. 2012	Director
Apr. 2013	Executive Officer, General Manager of Division No. 1
Jul. 2017	Executive Officer, General Manager of Corporate Planning Division
Jun. 2018	Managing Director
Jun. 2019	President and CEO (to present)

Reasons for Nomination as Director

As President / CEO since 2019, Mr. Hikawa has demonstrated strong leadership in managing the MegaChips Group and has driven the Company's growth through his strong leadership and outstanding execution skill, strengthening a business foundation, establishing a new business model and achieving a mid-to long term vision. Due to Mr. Hikawa's technical knowledge and strategic thinking on semiconductor and rich experience in corporate management, he is viewed as being capable of contributing to the expanding businesses and continued enhancement of corporate value in a mid-to long term, and therefore, has been nominated again as a candidate for Director.



■ Positions and responsibilities at the Company

Chairman of Board of Directors

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 5 years
- Number of shares held in the Company 552,644 shares
- Attendance at Board of Directors meetings 100% (14 of 14)

■ Career summary and material concurrent positions at the Company

Apr. 1990	Founder of the Company, President and CEO
Jun. 2000	Resigned as President and CEO
Jun. 2000	Chairman of Board of Directors
Jun. 2002	Resigned as Director
Jun. 2002	Chairman
Jun. 2019	Chairman of Board of Directors (to present)

Reasons for Nomination as Director

Since Mr. Shindo has founded MegaChips, Japan's first fabless semiconductor manufacturing company in 1990, he has driven continued growth of the Company by establishing solid business foundation through his firm vision and powerful leadership, positioning it as an industry leader, and leading its sustainable growth. Currently, Mr. Shindo is making efforts in corporate reform, human resource development, and new business creation initiatives in order to pervade a management philosophy and all employees will be able to demonstrate their comprehensive strengths for further future growth. Furthermore, he is committed to supporting for fostering talented human resources including next-generation engineers by introducing a scholarship system and providing them opportunities of practical learning experiences.

With his rich experience, knowledge and achievements in matters related to corporate management and business strategies, Mr. Shindo is viewed as a person capable of reinforcing business foundation, realizing growth strategy, and contributing to the continued enhancement of corporate value in a mid-to long term, and therefore continues to be nominated again as a candidate for Director.

Nominee Number 3 **Yoshimasa Hayashi**

Date of birth: September 23, 1957 Re-election



■ Positions and responsibilities at the Company

Executive Vice President
Executive Officer

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 8 years
- Number of shares held in the Company 141,000 shares
- Attendance at Board of Directors meetings 100% (14 of 14)

■ Career summary and material concurrent positions at the Company

Jun. 2000	Director
Jan. 2008	Executive Officer, General Manager of Business Control Office
Feb. 2009	Director, Vice President, Division Director, Executive Manager of Sales Headquarters
Jun. 2013	Resigned as Director
Apr. 2016	Executive Officer, Senior General Manager of Human Resources Development Division, and General Manager of System Product Division
Jun. 2016	Director
Apr. 2020	Executive Officer, Division Director of ASIC Business Headquarters
Jun. 2020	Senior Managing Director (to present)
Oct. 2021	Executive Officer, General Manager of Planning Department
Feb. 2022	Executive Officer, General Manager of Planning Department, General Manager of Application Technology Division
Jul. 2022	Executive Vice President (to present)
Apr. 2023	Executive Officer, General Manager of Finance Division (to present)

(Material concurrent positions)

Director of MegaChips LSI USA Corporation

Reasons for Nomination as Director

As a founding member of the Company, Mr. Hayashi has deeply understood the Company's vision and contributed to the growth of the Company over the years by establishing appropriate strategies as the person responsible for operations with his many years of experience and expertise as a member of the management team. Currently, Mr. Hayashi contributes to improving the Company's performance and shown initiatives in formulating financial and capital strategies and increasing operational efficiency with his extensive experiences ranging from product development, human resources, sales and corporate planning to finance. With his rich experience, knowledge and achievements, Mr. Hayashi is viewed as being capable of strengthening operation basis, achieving growth strategy and continuously enhancing corporate value and therefore has been nominated again as a candidate for Director.

Nominee Number 4 **Ikuo Iwama**

Date of birth: July 8, 1947 Re-election



■ Positions and responsibilities at the Company

Director, Executive Officer

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 4 years
- Number of shares held in the Company —
- Attendance at Board of Directors meetings 100% (14 of 14)

■ Career summary and material concurrent positions at the Company

Apr. 1971 Joined Mitsubishi Electric, Kita-Itami Works
May 1980 Joined Ricoh Co., Ltd., Technical HQ
Sep. 1981 Ricoh Systems Inc., Manager of Business Liaison
Apr. Apr. 1989 Ricoh Corporation, VP of Electronic Devices
Division
Sep. 1996 Nippon Kokan KK, Director, U.S. Semiconductor Liaison Office
Apr. 1998 Digital Image Inc., President
Feb. 2004 Macronix America Inc., Director of Japanese Customer Development
Jun. 2009 Haoyu Microelectronics Co., Ltd., Advisor
Jun. 2015 General Micro Electronics Corp., Advisor
Jun. 2020 Director, Executive Officer (to present)

(Material concurrent positions)

CEO of MegaChips LSI USA Corporation

Representative of MegaChips VC USA LLC

Representative of MegaChips VC2 USA LLC

Reasons for Nomination as Director

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. In addition, he promotes in creation of new businesses through an operation of a corporate venture capital in the U.S. and has achieved strategic collaborations with startups. Reflecting these experiences and achievements in the management of the Company and promoting a new business strategy, Mr. Iwama is viewed as a person capable of contributing to the continued enhancement of corporate value in a mid-to long term, and therefore has been nominated again as a candidate for Director.

Nominee Number 5 Masashi Kuramoto

Date of birth: January 10, 1968 Re-election



■ Positions and responsibilities at the Company

Director, Officer, Senior General Manager of ASIC
Memory Division

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 1 year
- Number of shares held in the Company 10,300 shares
- Attendance at Board of Directors meetings 100% (11 of 11)

■ Career summary and material concurrent positions at the Company

Apr. 2016 General Manager of ASIC No. 1 Business Development Division
Apr. 2020 General Manager and Development Manager of ASIC No. 1 Business Development Division
Jun. 2021 Officer, Vice General Manager and Development Manager of ASIC No. 1 Business
Development Division
Oct. 2022 Officer, Senior General Manager of ASIC Memory Business Division (to present)
Jun. 2023 Director (to present)

(Material concurrent positions)

Director of MegaChips LSI USA Corporation

Reasons for Nomination as Director

Mr. Kuramoto has many years of experiences in design development operations and has led the business and energetically fostered the next generation as the head of the amusement business, which is our core business. Currently, Mr. Kuramoto demonstrates his ability as the Senior General Manager of ASIC Memory Business Division. Reflecting his many years of rich experiences and achievements in the management of the Company focusing on the enhancement of our business competitiveness, Mr. Kuramoto viewed as a person capable of contributing to the continued enhancement of corporate value and therefore has been nominated again as a candidate for Director.

Nominee Number 6 Masaaki Iwai

Date of birth: March 3, 1964 Re-election



■ Positions and responsibilities at the Company

Director, Officer, Senior General Manager of ASIC Division

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 1 year
- Number of shares held in the Company 3,100 shares
- Attendance at Board of Directors meetings 100% (11 of 11)

■ Career summary and material concurrent positions at the Company

Apr. 1989 Joined Toshiba Corporation
Feb. 2009 Toshiba America Electronic Components, Inc.
Jan. 2012 Back to Toshiba Corporation
Nov. 2020 Joined MegaChips Corporation, Deputy Senior General Manager, General Manager of Product Engineering Dept. of ASIC Business Division No. 2/ASIC Business HQ. No. 2
Jan. 2021 Senior General Manager of ASIC Business Division No. 2/ ASIC Business HQ. No. 2
Oct. 2021 Officer, Senior General Manager of Business Division No. 3
Oct. 2022 Officer, Executive General Manager of ASIC Business HQ. (to present)
Jun. 2023 Director (to present)

(Material concurrent positions)

Director of MegaChips Taiwan Corporation

Reasons for Nomination as Director

Mr. Iwai has deep experience and knowledge in the semiconductor industry. Since joining MegaChips, he has driven the product development that responds to advancements in semiconductor technology and changes in customer needs by utilizing his rich experience and expertise as a head of ASIC business division and product engineering, and has led a planning and promoting the business projects. Currently, he demonstrates his ability as the Senior General Manager of ASIC Business Division. Reflecting his experiences, knowledge and achievements in the management of the Company, Mr. Iwai viewed as a person capable of contributing to the continued enhancement of corporate value and therefore has been nominated again as a Director.

Nominee Number 7 **Junko Nagata** Date of birth: October 9, 1961

Re-election / Outside Director / Independent Officer



■ Positions and responsibilities at the Company

Director

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 5 years
- Number of shares held in the Company 3,000 shares
- Attendance at Board of Directors meetings 100% (14 of 14)

■ Career summary and material concurrent positions at the Company

- Apr. 1988 Captain of Matsunami, a patrol boat of Tokyo Coast Guard Office
- Mar. 1993 Acquired Master's degree of Policy Analysis at Graduate School of Saitama University
- Apr. 1995 Chief Officer of Chikuzen, a patrol boat of Fukuoka Coast Guard Office
- Apr. 1997 Assistant Professor of Governmental Management Course at the Japan Coast Guard Academy
- Mar. 2000 Acquired credits for Doctoral Management Research at Graduate School of Osaka University
- Apr. 2003 Assistant Professor of Graduate School of Urban Information Study Course at Osaka City University
- Apr. 2005 Associate Professor of Graduate School of Urban Information Study Course at Osaka City University
- Apr. 2018 Professor of Graduate School of Urban Management at Osaka City University (currently, Osaka Metropolitan University) (to present)
- Jun. 2019 Outside Director (to present)

(Material concurrent positions)

Professor of Graduate School of Urban Management at Osaka Metropolitan University

Board member of International Human Resource Network Organization Foundation

Director of Women's Business Association

Reasons for Nomination as Outside Director and Expected Role

Ms. Junko Nagata entered the Japan Coast Guard Academy as the first female student and worked for Japan Coast Guard and became the youngest and first female captain of "Matsunami", a patrol boat. She was one of the pioneers to open the careers for women. In addition, she researched and studied policy analysis, decision making, and management to develop leadership and improve performance in organizations. For the reasons described above, she will proactively provide advice from objective perspectives as an outside director and make management more active from a new point of view. Therefore, the Company has judged that Ms. Nagata will be able to serve as an Outside Director properly and we have nominated her again as a candidate for Outside Director.

Further, as of the conclusion of this Annual General Meeting of Shareholders, Ms. Nagata will have served as an Outside Director of the Company for five terms of office. The Company has registered Ms. Nagata as an Independent Officer with the Tokyo Stock Exchange.

Nominee Number 8 Hirofumi Nagai

Date of birth: January 23, 1972

Re-election / Outside Director / Independent Officer



■ Positions and responsibilities at the Company

Director

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 4 years
- Number of shares held in the Company 3,000 shares
- Attendance at Board of Directors meetings 100% (14 of 14)

■ Career summary and material concurrent positions at the Company

Oct. 1994 Joined Show & Ota (currently, EY ShinNihon LLC)

May. 1998 Registered as a certified public accountant

Oct. 2005 Transferred to the Listing Examination Department of the Osaka Securities Exchange Co.,

Ltd. (currently, Osaka Exchange, Inc.)

Oct. 2007 Returned to Ernst & Young ShinNihon LLC (currently, EY ShinNihon LLC)

Feb. 2010 Head of Nagai Public Accountant Office (to present)

Mar. 2010 Registered as a certified tax accountant

Jun. 2020 Outside Director (to present)

(Material concurrent positions)

Head of Nagai Public Accountant Office

Representative Partner of ALT Tsukiji Audit LLC

Outside auditor of Broad Enterprise Co., Ltd.

Reasons for Nomination as Outside Director and Expected Role

As a certified public accountant and certified tax accountant, Mr. Nagai has extensive expertise and rich career in finance, corporate accounting and auditing. With these specialized skills and perspectives, we believe he will be able to provide advice proactively on the formulation of financial strategies and the improvement of the accuracy of management decisions, and supervise management in terms of corporate governance. Therefore, we continue to nominate him again as a candidate for Outside Director.

Further, as of the conclusion of this Annual General Meeting of Shareholders, Mr. Nagai will have served as an Outside Director of the Company for four terms of office. The Company has registered Mr. Nagai as an Independent Officer with the Tokyo Stock Exchange.

Nominee Number 9 Heihachi Matsumoto

Date of birth: November 2, 1946

Re-election / Outside Director / Independent Officer



■ Positions and responsibilities at the Company

Director

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 2 years
- Number of shares held in the Company 2,000 shares
- Attendance at Board of Directors meetings 100% (14 of 14)

■ Career summary and material concurrent positions at the Company

Apr. 1972 Joined Mitsubishi Electric Corporation, Kita-Itami Works
Nov 1985 Doctor of Engineering, Kyoto University
Jan. 1987 Manager of Quality Assurance Department 3, Mitsubishi Electric Corporation
Oct. 1991 Deputy General Manager, Memory IC Department, Mitsubishi Electric Corporation
Oct. 1993 General Manager, System LSI Department, Mitsubishi Electric Corporation
Apr. 1997 Head of System LSI Laboratory, Mitsubishi Electric Corporation
Apr. 2002 Senior General Manager, LCD Business Department, Mitsubishi Electric Corporation
Apr. 2006 Professor, Kochi University of Technology
Apr. 2010 Visiting Professor, Kochi University of Technology (to present)
Jun. 2022 Outside Director (to present)

(Material concurrent positions)

Visiting Professor, Kochi University of Technology

Reasons for Nomination as Outside Director and Expected Role

Mr. Matsumoto has a wealth of knowledge and experience about semiconductor because he has been engaged in Research and Development and business operations in the semiconductor field including quality assurance, system LSI, and LCD since joining Mitsubishi Electric Corporation. Further, he has broad expertise in technical specialties as a professor at Kochi University of Technology. We have nominated Mr. Matsumoto as a candidate for Outside Director because we believe that he can contribute to the development of the Company by proactively providing suggestions and proposals from a diverse and objective perspective, leveraging his wide-ranging experience.

Therefore, we continue to nominate him again as an Outside Director.

Further, as of the conclusion of this Annual General Meeting of Shareholders, Mr. Matsumoto will have served as an Outside Director of the Company for two terms of office. The Company has registered Mr. Matsumoto as an Independent Officer with the Tokyo Stock Exchange.

Re-election / Outside Director / Independent Officer



■ Positions and responsibilities at the Company
Director

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 1 year
- Number of shares held in the Company 1,000 shares
- Attendance at Board of Directors meetings 100% (11 of 11)

■ Career summary and material concurrent positions at the Company

- Apr. 1981 Joined Sharp Corporation, Central Research Labs., Information Technology Research Laboratories
- Mar. 1992 Doctor of Engineering, Kyoto University
- Apr. 1994 Associate Professor of The Graduate School of Information Science at Nara Institute of Science and Technology
- Dec. 2003 Honorarprofessor of Karlsruher Institut für Technologie (to present)
- Apr. 2005 Director of Spoken Language Communication Laboratories, Advanced Telecommunications Research Institute International
- Jun. 2007 Board Member of Advanced Telecommunications Research Institute International
- Apr. 2010 Director of Knowledge Creating Communication Research Center, Director General of Keihanna Research Centre, National Institute of Information and Communications Technology
- Apr. 2011 Professor of The Division of Information Science, The Graduate School of Information Science at Nara Institute of Science and Technology
- Jun. 2023 Outside Director (to present)
- Apr. 2024 Professor of Division for Research Strategy, The Graduate School of Information Science at Nara Institute of Science and Technology (to present)
- Apr. 2024 Professor of School of Data Science, The Chinese University of Hong Kong, Shenzhen (to present)

(Material concurrent positions)

Honorarprofessor of Karlsruher Institut für Technologie

Professor of The Graduate School of Information Science at Nara Institute of Science and Technology

Professor of School of Data Science, The Chinese University of Hong Kong, Shenzhen

Reasons for Nomination as Outside Director and Expected Role

Having been involved in information technology research for a long time, Mr. Nakamura has been engaged in information and communication technology research while teaching at The Division of Information Science, The Graduate School of Information Science at Nara Institute of Science and Technology (NAIST) and at the Karlsruher Institut für Technologie, Germany. He was responsible for the establishment of NAIST Data Science Center, and currently teaches at NAIST and The Chinese University of Hong Kong, Shenzhen. We have nominated him again as a candidate for outside director because we believe that he can contribute to the development of the Company by proactively providing suggestions and proposals from a diverse and objective perspective, leveraging his wealth of experience and wide-ranging expertise.

Further, as of the conclusion of this Annual General Meeting of Shareholders, Mr. Nakamura will have served as an Outside Director of the Company for one term of office. The Company has registered Mr. Nakamura as an Independent Officer with the Tokyo Stock Exchange.

(Note) 1. There is no conflict of interest between the Company and any nominee.

2. Junko Nagata, Hirofumi Nagai, Heihachi Matsumoto, and Satoshi Nakamura are nominees as Outside Directors of the Company. In addition, Junko Nagata, Hirofumi Nagai, Heihachi Matsumoto and Satoshi Nakamura meet the standards for Independent Officer set by the Tokyo Stock Exchange and the Company has submitted filings to the Tokyo Stock Exchange designating them as an Independent Officers.

3. In connection with the performance of the duties by outside directors and to ensure the performance of their duties as outside directors as well as to enable the Company to employ talented personnel, the Company's Articles of Incorporation permit the Company to conclude agreements with outside directors. The Company has concluded such an agreement with Junko Nagata, Hirofumi Nagai, Heihachi Matsumoto and Satoshi Nakamura, the Company's current outside directors, to limit liability for damages. If they hold the position of director, the Company plans to extend agreements to limit liability for damages.

The outline of the agreement is as follows.

- In the event of liability for the damages stipulated in Paragraph 1, Article 423 of the Companies Act, and when the duties have been performed in good faith and without gross negligence, liability will be limited to the minimum legally permissible amount.

4. Director and Officer Liability Insurance Contract

The Company has entered into a contract of liability insurance for directors and officers pursuant to Paragraph 1, Article 430-3 of the Companies Act, naming all directors as insureds. The contract is intended to cover damages that may arise from the insured directors assuming responsibility for the execution of their duties or receiving claims related to the performance of their obligations. If the candidates proposed in this agenda item are elected as Directors, the Company will continue to enter into a liability insurance contract with each of them as the insured.

END

Skill Matrix for Directors and Auditors

Name	Title	Corporate management	Technology / Product development/ Innovation	Financial accounting	Legal • Risk management / Governance	Sales strategy / Marketing	Manufacturing / Quality management	Human resource development/ Diversity	Global business experience
Tetsuo Hikawa	President and CEO	●		●	●				
Masahiro Shindo	Chairman of the Board	●	●					●	
Yoshimasa Hayashi	Executive Vice President	●				●		●	
Ikuo Iwama	Director		●			●			●
Masashi Kuramoto	Director		●			●	●		
Masaaki Iwai	Director		●				●		●
Junko Nagata	Director (Independent)				●			●	
Hirofumi Nagai	Director (Independent)			●	●				
Heihachi Matsumoto	Director (Independent)		●				●	●	
Satoshi Nakamura	Director (Independent)		●					●	●
Hiroshi Aoki	Auditor	●		●			●		
Keiichi Kitano	Auditor (Independent)			●	●				
Tomoyoshi Furukawa	Auditor (Independent)			●	●				●
Akira Matsushima	Auditor (Independent)		●				●		

* The above list represents areas in which each person has more specialized knowledge based on their experiences and does not represent all the knowledge they possess

I Current Status of the MegaChips Group

(1) Status of business for current fiscal year

① Progress and results of operations

In the electronic machinery and equipment industry in the current consolidated fiscal year, demand for the industrial electronic devices and consumer electronics was steady, and demand for electronic components and devices also remained strong, the overall market demand for the electronics device industry increased compared to the corresponding period of the previous year.

In the ASIC business, the Group develops and supplies System LSI with unique algorithm and architecture to solve our customers problems based on our deep understanding of their applications and our proprietary core technology. The Group provides optimal solutions for applications in customer devices and services, not only in the mainstay game console, digital cameras and office machines, but also in the industrial equipment area. We service major customers both inside and outside Japan and thereby strengthening our business foundation.

In the ASSP business, to achieve further growth in a world where innovation in telecommunication technologies is occurring at a breakneck pace, the Company is concentrating its management resources on launching new LSI businesses, targeting fields where future growth is expected, such as the areas of telecommunications and industrial equipment. MegaChips strives to foster new businesses that will become important pillars for future profits by developing and providing a superior, value-added solution capable of differentiation through initiatives to enhance the competitiveness of the analog and digital circuits' development and design technology and engaging in strategic collaboration with businesses inside and outside Japan.

As to consolidated operating results for the current consolidated fiscal year, the MegaChips group saw net sales of ¥57,942 million (a decrease of 18.1% year-on-year), and the operating profit amounted to ¥5,483 million (a decrease of 9.1% year-on-year) due to the decrease in demand for amusement business compared to the previous consolidated fiscal year despite a high level of demand, while demand for ASIC business has remained strong. With regard to profit, ordinary profit amounted to ¥3,456 million (a decrease of 52.7% year-on-year) due to a share of loss of entities accounted for using equity method (goodwill amortization included) of ¥2,914 million from SiTime Corporation (exemption from the equity method as of March 31, 2024) that was an equity method affiliate, while interest income and foreign exchange gains occurred for ¥261 million and ¥252 million, respectively.

The profit attributable to owners of parent reached ¥4,486 million (a decrease of 36.7% year-on-year) due to a gain on sales of shares of subsidiaries and associates of ¥5,524 million as an extraordinary income from the sale of a portion of shares in SiTime Corporation, which was an affiliated company and a gain on change in equity of ¥1,053 million. On the other hand, a loss on valuation of investment securities as an extraordinary loss and a loss on valuation of shares of subsidiaries and associates occurred for ¥887 million and ¥454 million, respectively. In the previous consolidated fiscal year, a gain on sale of shares of subsidiaries and associates of ¥3,467 million was posted due to the sale of a portion of shares in SiTime Corporation.

Pursuant to the resolution adopted at the Board of Directors' meeting held on May 10, 2024, the Company will pay an end-of year dividend for this current consolidated fiscal year of a total of ¥110 yen per common share, consisting of a ¥50 yen per share as an ordinary dividend and a ¥60 yen per share as a special dividend.

② Status of capital investments

During the current consolidated fiscal year under review, the MegaChips Group made capital investments of ¥761 million (including intangible assets).

A rough breakdown of the investment in equipment consists mainly of ¥357 million for the acquisition of reticles used in LSI manufacturing and ¥123 million for the acquisition of software IP, etc., for future competitiveness.

In addition, the Company retired ¥174 million in connection with a review of valuation of tangible fixed assets, mainly reticles.

③ Status of financing

The MegaChips Group raises funds from financial institutions as necessary to fund its ordinary working capital. Working capital consists of operating expenses such as R&D expenses for new technologies and new products, cost of sales, selling, general and administrative expenses, etc., and operating expenses mainly consist of LSI product manufacturing outsourcing expenses.

The Company strives to maintain strong asset structure and financial status and believes to raise funds necessary for the Group's growth with measures including the sales of accounts receivable-trade, bank loan, and capital increase.

In the current consolidated fiscal year, the Company acquired ¥7,031 million from the sale of a portion of its shares in SiTime Corporation, an affiliated company. The part of the funds is used for the purposes such as the dividend of surplus and repurchase of treasury stock.

In addition, there is no balance of the MegaChips group's interest-bearing liabilities in the end of current consolidated fiscal year.

④ Status of disposal of shares in other companies

In order to focus its management resources on new areas where future growth is expected and strengthen its mid- to long-term policy initiatives, the MegaChips groups sold a portion of its shares in SiTime Corporation, which was its affiliate company, which is 450,000 of its shares in February 2024, through a negotiation transaction. As of March 31, 2024, SiTime Corporation has been exempted from the Company's equity-method affiliate.

(2) Status of assets and profits and losses

Classification	31st (FY2020 ended March 2021)	32nd (FY2021 ended March 2022)	33rd (FY2022 ended March 2023)	34th (Consolidated fiscal year under review) (FY2023 ended March 2024)
Net sales (Million Yen)	83,814	75,256	70,722	57,942
Ordinary profit (Million Yen)	3,912	7,857	7,311	3,456
Profit (Loss) attributable to owners of parent (Million Yen)	20,920	27,544	7,086	4,486
Profits (Loss) per share (Yen)	961.28	1,349.01	369.40	242.30
Total assets (Million Yen)	74,627	89,842	89,021	126,610
Net assets (Million Yen)	50,043	67,428	74,535	102,673
Net assets per share (Yen)	2,299.49	3,517.30	3,883.46	5,639.82

Note: From the beginning of the 32nd fiscal year, the Company applies “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020). Each number after the 32nd fiscal year ended March 31, 2022 includes the effects of the new standards.

(3) Status of material parent company and subsidiaries

① Status of parent company

There is no relevant information to report.

② Status of major subsidiaries (as of March 31, 2024)

Company names	Capital	Company's ratio of voting rights or investment ratio (%)	Details of major businesses
Shun Yin Investment Ltd.	NT\$309,040 thousand	100.0%	Investment business
MegaChips Taiwan Corporation	NT\$400,000 thousand	100.0% (41.0)	Development and technical support of semiconductor
MegaChips LSI USA Corporation	US\$3,000 thousand	100.0%	Development, marketing and sales of semiconductor
MegaChips VC USA LLC	US\$7,000 thousand	100.0% (100.0)	Corporate venture capital fund
MegaChips VC2 USA LLC	US\$7,299 thousand	100.0% (100.0)	Corporate venture capital fund
LDVP MCC Co-Investment Fund, L.P.	US\$11,272 thousand	82.5% (27.5)	Investment fund

(Note) 1. The Company has six major subsidiaries as above.

2. Shun Yin Investment Ltd., MegaChips Taiwan Corporation, MegaChips VC USA LLC and MegaChips VC2 USA LLC are deemed to be specified subsidiaries.

3. The figures in parentheses under "Company's ratio of voting rights or investment ratio (%)" represent the percentage indirectly owned by the Company.

4. MegaChips VC2 USA LLC and LDVP MCC Co-Investment Fund, L.P. are the funds. Therefore, the amount of capital and the percentage of voting rights are shown in place of the amount of capital and the percentage of voting rights, respectively.

③ Status of major business partnerships

Nintendo Co., Ltd. and Macronix International Co., Ltd. are the Company's major business partners, and each is a party to a contract manufacturing agreement with the Company for the supply of game software storage LSI.

(4) Issues to be addressed

We are struggling to create higher value-added products and services and provide solutions to our customers issues by combining the proprietary technologies we have cultivated with the creative cutting-edge technologies and know-how of our partner companies.

In the medium term, we will continue to reform our business structure to stabilize growth of earnings by strengthening our business portfolio and develop new businesses. Also, we will work to establish the amusement business, ASIC business, and telecommunications business as the pillars of our business that will support our company.

In addition, we aim to launch a fourth new business to support our sustainable growth. Alongside promoting joint research and development of cutting-edge technologies with universities in Japan and overseas, we plan to enhance business investment and form strategic alliances with startup companies that possess innovative technologies and ideas. This will be achieved by strengthening our North American base and utilizing the corporate venture capital (CVC) we have established in the United States. Through these efforts, we will search for the seeds of new businesses, leading to the creation and commercialization of unique businesses.

① Amusement Business

In the ASIC business, which is our core business, we will continuously strengthen the sales force by proactively promoting a customer-oriented and proposal-based business and intend to take all possible measures to acquire new business. We will also continue our efforts to strengthen information collaboration and production systems, making the entire supply chain, including partner companies, contract manufacturers, and cooperative partners, a solid foundation. In terms of business performance, we will maintain our position as a major supplier and aim to secure stable sales and earnings.

② ASIC Business

In the ASIC business, in addition to our major businesses centering on consumer devices and OA equipment, we will concentrate the deployment of our management resources, targeting the fields of industrial equipment and telecommunications. We will proceed with the development of products for the fields of image processing, FA equipment and communication infrastructure devices, utilizing our expertise in areas such as analog and communication technology, information security, encryption technology, and image processing technology that we have cultivated so far. We plan to move forward with the mass production in sequence. We aim to increase in income and profit for the mid-to long term.

③ Telecommunication Business

In the Telecommunication business, we aim to launch business targeting a full-scale mass production in this medium term. Specifically, we are working on advancing commercialization through strategic collaboration with Morse Micro PTY. LTD. (“Morse Micro”), a leading Australian company specializing in wireless communication technology, “Wi-Fi HaLow™”. We plan to offer a wide range of solutions by integrating our well-established wired communication technology with Morse Micro’s wireless communication technology, which enables ultra-long communication distances of around 1km and features low power consumption. Our target applications are diverse and will include local communications, comprehensive site-wide communications both inside and outside of buildings in the home networking field, video data transmission for drive recorders, interface with drones, and wireless surveillance camera networks. In terms of business performance, we will focus on developing solutions for customer applications and cultivating new customers to initiate mass production in earnest, with the goal of achieving profitability as soon as possible.

[Sustainability Initiatives]

In order to realize a more prosperous, secure, and sustainable society, our group, as “company friendly to society, the environment, and people”, will address various issues such as compliance with laws, regulations, and social norms; contribution to society by providing excellent products; respect for human rights and promotion of diversity; fair trade with suppliers and business partners; respect for stakeholders; and contribution to global environmental conservation.

① Promoting human resource development and diversification and improving working environment

To bring the best out of our human resources, we will promote the development of human resources and diversification and improve the work environment. As to the human resource development and diversification, we will expand on education system, such as job-level training and theme-based training, employ a wide variety of people through a year-round recruitment system, and enhance internship opportunities in our new graduate recruitment activities. We will also strive to create a comfortable working environment for all employees by conducting stress checks and workshops on women's health and encouraging employees to take paid leave.

② Addressing global environmental conservation and supply chain issues

For global environmental conservation, the MegaChips Group will operate its business taking into consideration countermeasures for global warming and reduction of the environmental load. In research and development, we will continue to promote environmentally friendly product manufacturing by enhancing the functions and quality of LSI, focusing on high-speed processing, downsizing, and low-power consumption. Regarding outsourcing manufacturers, we continuously strive to establish a sustainable supply chain by requesting compliance with the policy on the use of hazardous materials and adherence to carbon dioxide and hazardous material emission standards. We will also engage in activities to reduce energy consumption and waste in our offices.

③ Fostering engineers in the electronics field

To support the younger generation, which is the foundation of Japan's strength, we are dedicated to developing highly skilled human resources who will lead the next generation in the electronics field through donations to Japanese universities and joint or outsourced research, while, at the same time, promoting the creation of innovative technologies through research activities. In addition to supporting women's universities as part of our efforts to nurture talented female engineers of the future, we began providing financial support through a non-repayable scholarship, the "MegaChips Corporation Scholarship for Female Students in Science," starting in FY2024. This initiative aims to promote the diversification of engineers in the electronics field.

2 Status of MegaChips Corporation

(1) Status of shares (as of March 31, 2024)

- ① Total number of authorized shares 100,000,000 shares
- ② Total number of issued shares 21,132,400 shares
- ③ Number of shareholders 10,684
- ④ Major shareholders (top 10)

Names of shareholders	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,898	10.46
Shindo Corporation	1,239	6.83
Shindo and Associates Co., Ltd.	1,239	6.83
GOLDMAN SACHS INTERNATIONAL	867	4.77
Custody Bank of Japan (Trust Account)	722	3.98
Masahiro Shindo	552	3.04
Ritsuko Shindo	536	2.96
Noriko Matsui	507	2.79
THE BANK OF NEW YORK 133652	505	2.78
Mika Aoki	494	2.73

- (Note) 1. The shareholding ratio is calculated by deducting the treasury shares (2,974,000shares) .
2. Although MegaChips Corporation holds 2,974,000 shares of treasury shares, it is excluded from the above list of major shareholders.

⑤ Status of shares issued to the Company's directors and officers as compensation of execution of duties

The Company delivered 19,500 shares of outstanding shares to 9 directors (4,000outstanding shares to 4 outside directors), and 4,500 shares of outstanding shares to 9 officers of the Company as restricted stock compensation. The information of the Company's stock compensation are described in “②Total compensation of Directors and Auditors for the current fiscal year” and “③ Summary of policy for determining details of officers' compensation” of “(2) Status of Corporate Officers “.

(2) Status of Corporate Officers

① Status of Directors and Auditors (as of March 31, 2024)

Title	Name	Areas of responsibility and status of significant concurrent positions
President and CEO	Tetsuo Hikawa	
Chairperson	Masahiro Shindo	
Executive Vice President Executive Officer	Yoshimasa Hayashi	Executive Manager of Finance Division Officer of MegaChips LSI USA Corporation
Director Executive Officer	Ikuo Iwama	CEO of MegaChips LSI USA Corporation Representative of MegaChips VC USA LLC Representative of MegaChips VC2 USA LLC
Director Executive Officer	Masashi Kuramoto	Senior General Manager of ASIC Memory Business Division Officer of MegaChips LSI USA Corporation
Director Executive Officer	Masaaki Iwai	Executive General Manager of ASIC Business Headquarters Officer of MegaChips Taiwan Corporation
Director	Junko Nagata	Professor at Graduate School of Urban Management at Osaka Metropolitan University Board member of International Human Resource Network Organization Foundation Director of Women's Business Association
Director	Hirofumi Nagai	Head of Nagai Public Accountant Office Representative Member of Alt Professional Services Outside auditor of Broad Enterprise Co., Ltd.
Director	Heihachi Matsumoto	Visiting Professor at Kochi University of Technology
Director	Satoshi Nakamura	Honorarprofessor of Karlsruhe Institute of Technology, Germany Professor of The Graduate School of Information Science at Nara Institute of Science and Technology
Full-time Auditor	Hiroshi Aoki	
Auditor	Keiichi Kitano	President of Kitano Keiichi Tax Accountant Office Outside Auditor of SUS Co., Ltd.
Auditor	Tomoyoshi Furukawa	Partner of Ohara & Furukawa Outside Auditor of JSK Co., Ltd.
Auditor	Akira Matsushima	

- (Note) 1. Directors Junko Nagata, Hirofumi Nagai, Heihachi Matsumoto, and Satoshi Nakamura are outside directors as defined in Article 2, Item 15 of the Companies Act.
2. Auditors Keiichi Kitano, Tomoyoshi Furukawa, and Akira Matsushima are outside auditors as defined in Article 2, Item 16 of the Companies Act.
3. Auditor Keiichi Kitano is a certified tax accountant and has considerable knowledge about finance and accounting.
4. MegaChips LSI USA Corporation and MegaChips Taiwan Corporation are subsidiaries of the Company, engaging in transactions with the Company for the outsourcing, contracting, etc. of operations
5. There is no relationship of special interest between the Company and Osaka Metropolitan University, the International Human Resource Network Organization Foundation, the Women's Business Association, Nagai Public Accountant Office, Alt Professional Services, Broad Enterprise Co., Ltd., Kochi University of Technology, Karlsruher Institute für technologie, Nara Institute of Science and Technology, Kitano Keiichi Tax Accountant Office, SUS Co., Ltd., and Ohara & Furukawa and JSK Co., Ltd.
6. Directors Junko Nagata, Hirofumi Nagai, Heihachi Matsumoto and Satoshi Nakamura, and Auditors Keiichi Kitano, Tomoyoshi Furukawa, and Akira Matsushima, each satisfies the requirements for independent directors as stipulated by the Tokyo Stock Exchange and have been reported to the Exchange as independent directors.
7. Liability Insurance Contracts for Officers, etc.

The Company has entered into a liability insurance contract with all officers, executive officers, and others as insured pursuant to Article 430-3, Paragraph 1 of the Companies Act. The liability insurance contract covers damages that may be caused by the insured officers, executive officers, and others being held liable for the execution of their duties or receiving claims related to the pursuit of such liability.

② Total compensation of Directors and Auditors for the current fiscal year

Title	Total Amount of Compensation, etc.	Total Amount of Compensation etc. by Category			Number of People
		Base Compensation	Performance-Linked Compensation, etc.	Non-Monetary Compensation, etc.	
Directors (of those, the Outside Directors)	¥441,860 thousand (50,358 thousand)	¥216,900 thousand (36,600 thousand)	¥155,202 thousand (-)	¥69,578 thousand (13,758 thousand)	12 (4)
Auditors (of those, the Outside Directors)	¥36,300 thousand (25,200 thousand)	¥36,300 thousand (25,200 thousand)	-	-	5 (3)
Total (of those, the Outside Directors)	¥477,980 thousand (75,558 thousand)	¥253,200 thousand (61,800 thousand)	¥155,202 thousand (-)	¥69,578 thousand (13,758 thousand)	17 (7)

- (Note)
1. Pursuant to the resolution adopted at the 27th Annual General Meeting of Shareholders held on June 23, 2017, the annual aggregate compensation for Directors shall not exceed ¥550 million for 12 Directors (of whom 4 are Outside Directors) (¥100 million for Outside Directors).
 2. Pursuant to the resolution adopted at the 31st Annual General Meeting of Shareholders held on June 25, 2021, the annual aggregate non-monetary compensation for Directors shall not exceed ¥200 million for 9 Directors (of whom 3 are Outside Directors) (¥40 million for Outside Directors).
 3. Pursuant to the resolution adopted at the Extraordinary Meeting of Shareholders held on February 25, 1998, the annual aggregate compensation paid to Auditors shall not exceed ¥50 million for 4 Auditors.
 4. The above figures include two Directors (of whom 0 is Outside Director) and one Auditor (of whom 0 is outside Auditor) who resigned at the conclusion of the 33rd Annual General Meeting of Shareholders held on June 23, 2023.
 5. Performance-linked compensation, etc. was recorded as bonuses for officers for six Directors during the current fiscal year. The total amount of bonuses for officers for the current fiscal year was set at ¥155,202 thousand, after considering the source of funds to be up to 7% of the Group's "profit attributable to the owners of parent", in accordance with the policy for determining the details of compensation, etc. for officers.
 6. The actual results of the performance-linked index (profit attributable to the owners of parent) for the amount of compensation, etc. for the current fiscal year are as stated in "1. (2) Status of assets and profit and losses".
 7. In determining the details of the individual compensation, etc., for Directors, the decision has been entrusted to Tetsuo Hikawa, President and CEO, who is considered to be the most appropriate person to evaluate the Company's overall performance and the achievements of each Director. The President & CEO determines the individual amounts of fixed compensation and the evaluation and allocation of bonuses for officers for each Director within the range of compensation amount designated by the Compensation Committee. Since the Compensation Committee reviews and proposes the individual compensation amount taking into consideration the compensation standards of companies of a business scale similar to that of the Company and in a related industry, including the consistency with a policy for determining the details of compensation, etc. for officers, the Board of Directors respects the decision of the Compensation Committee and judges that it is consistent with such policy.

③ Summary of policy for determining details of officers' compensation

The Company has established a policy for determining the details of compensation, etc. for officers, and the Board of Directors decides about the establishment and amendment of such policy based on report from the Compensation Committee. The following is a summary of a policy for determining the details of compensation, etc. for officers.

A. Director's Compensation Policy

The compensation structure for the Company Officers focuses on enhancing the enterprise value of the MegaChips Group taking into consideration standards that enable the Company to acquire and retain talented personnel as a source of competitiveness. Specifically, the compensation of a director consists of a fixed compensation amount, a director's bonus, and non-monetary compensations as restricted stock compensation that are linked to performance. The total amount of compensation will be within the scope determined by a resolution adopted at the Annual General Meeting of Shareholders.

B. Policies for determining each individual's compensation, etc. for the basic compensation (monetary compensation)

The basic compensation for the Company's Directors is a fixed monthly compensation amount, which will be determined taking into account, among other things, the difficulty of performing his or her work, the degree of responsibility, and the market rate, depending on each Director's position and work status (full-time/part-time).

C. Policies for determining the details and calculation of performance-linked compensation, etc. and non-monetary compensation, etc. (including policies for determining the timing or conditions for payments of compensation, etc.)

In principle, bonuses for officers will be determined with the source of funds not exceeding 7% of the Group's "profit attributable to the owners of parent" in each fiscal year. (At the MegaChips Group, the "profit attributable to the owners of parent," which is the final management results, is used as an indicator to evaluate the linkage to business performance, and the actual value will be used as the standard.) The distribution of individual payments will be allocated after taking into consideration the additional factor of each Director's performance of his or her responsibilities.

Non-monetary compensation, etc. will be shares with transfer restrictions, the compensation details of which will be the number of shares allotted to the Subject Directors at a certain time each year, taking into consideration their responsibilities. Specifically, based on a resolution of the Company's Board of Directors, monetary claims will be paid to the extent approved and passed at the Annual General Meeting of Shareholders as compensation related to the shares with transfer restrictions, with each Director receiving an allotment of shares with transfer restrictions by transferring all of such monetary claims as an in-kind contribution.

Further, if any of the Subject Directors falls under the category of a non-resident of Japan at the time of the Board of Directors' meeting to determine the amount of monetary claims and the number of shares with transfer restrictions to be allotted under this scheme, the Company will not grant monetary claims or allot shares with transfer restrictions to such Director under this scheme, but will pay such Director monetary compensation in an amount equal to the monetary claims within the range of compensation limit of the existing monetary compensation.

D. Policies on the ratio of the amount of basic compensation (monetary compensation) to the amount of individual compensation, etc. for Directors for the amount of performance-linked compensation, etc. or non-monetary compensation, etc.

The Director's compensation ratio by category will be based on the compensation standards by setting companies of a business scale similar to that of the Company and in a related industry or business category as the Company as a benchmark.

E. Matters for determining the details of individual compensation, etc. for Directors

The Compensation Committee, more than half of whose members consist of Outside Directors, will discuss the individual amounts of fixed-amount compensation, bonuses for officers, and compensation in the form of shares with transfer restrictions, and the Board of Directors will get a report from the Compensation Committee. Following this, the Board of Directors will then entrust the decision of the individual amounts of compensation to the President & CEO, who will respect the contents of the Compensation Committee's report and will determine the details of the individual compensation, etc. for each Director within the scope of the compensation ratio by category indicated in the report.

The Compensation Committee is established under the auspices of the Board of Directors as a voluntary advisory body. The secretariat of the Compensation Committee is the Human Relations Department, more than half of whose members consist of Outside Officers and In-House Directors. In response to the Board of Directors' request for advice, the Compensation Committee has the authority to deliberate on policies related to the compensation, etc., of Directors and Executive Officers, the details of compensation, etc., for individual Directors and Executive Officers, and the establishment, amendment, abolition, etc., of rules and procedures necessary for decisions on matters, and to report to and advise the Board of Directors.

F. Auditor's Compensation Policy

The compensation of auditors consists of a fixed compensation amount. The Company pays a fixed fee compensation based on the type of work (full-time or part-time) and the responsibilities of each auditor.

④ Matters concerning Outside Officers

A. Major activities for this fiscal year

Title	Name	Status of activities
Director	Junko Nagata	Attended 14 of 14 (100%) meetings of the Board of Directors held in the current fiscal year. To clarify the points of contention and doubts, asked appropriate questions and expressed opinions on each proposal and deliberation as an Outside Director of the Company, she has played an appropriate role in monitoring and advising about the execution of the Company's business by making initiative-taking comments from such perspective. In addition to the above, provided necessary advice about improving corporate governance through Board of Directors meetings. Served as a member of the Nominating Committee that was voluntarily formed as a consultative body by the Board of Directors; provided necessary advice.
Director	Hirofumi Nagai	Attended 14 of 14 (100%) meetings of the Board of Directors held in the current fiscal year. To clarify the points of contention and doubts, asked appropriate questions and expressed opinions on each proposal and deliberation as an Outside Director of the Company, he has played an appropriate role in monitoring and advising about the execution of the Company's business by making initiative-taking comments from such perspective. In addition to the above, provided opinion from the professional perspective of a certified public accountant and certified tax accountant, and necessary advice about improving corporate governance through Board of Director meetings. Served as a member of the Nominating Committee that was voluntarily formed as a consultative body by the Board of Directors; provided necessary advice.
Director	Heihachi Matsumoto	Attended 14 of 14 (100%) of the meetings of the Board of Directors held in the current fiscal year. As an Outside Director of the Company, he has played an appropriate role in monitoring and advising the execution of the Company's business by making initiative-taking comments on each agenda item and deliberation, etc., from an objective viewpoint independent of the directors who execute the Company's business. In addition, he has also provided necessary advice based on his technological expertise. Served as a member of the Nominating Committee that was voluntarily formed as a consultative body by the Board of Directors; provided necessary advice.
Director	Satoshi Nakamura	Attended 11 of 11 (100%) of the meetings of the Board of Directors held in the current fiscal year after being appointed on June 23, 2023. As an Outside Director of the Company, he has played an appropriate role in monitoring and advising the execution of the Company's business by making initiative-taking comments on each agenda item and deliberation, etc., from an objective viewpoint independent of the directors who execute the Company's business. In addition, he has also provided necessary advice based on his technological expertise.
Auditor	Keiichi Kitano	Attended 14 of 14 (100%) meetings of the Board of Directors held in the current fiscal year. To clarify the points of contention and doubts, asked appropriate questions and expressed opinions on proposals and deliberations mainly from the expert viewpoint as a certified tax accountant. Also, provided necessary advice. Attended 13 of 13 (100%) meetings of the Board of Auditors held in the current fiscal year and made appropriate remarks at every meeting attended and expressed opinions. In addition, exchanged opinions about audit results and consulted about important matters concerning audits. Served as a member of the Compensation Committee that was voluntarily formed as a consultative body by the Board of Directors; provided necessary advice.

Title	Name	Status of activities
Auditor	Tomoyoshi Furukawa	<p>Attended 14 of 14 (100%) meetings of the Board of Directors held in the current fiscal year. To clarify the points of contention and doubts, asked appropriate questions and expressed opinions on proposals and deliberations mainly from the legal perspective and broad insight as an attorney. Also, provided necessary advice.</p> <p>Attended 13 of 13 (100%) meetings of the Board of Auditors held in the current fiscal and made appropriate remarks at every meeting attended and expressed opinions. In addition, exchanged opinions about audit results and consulted about important matters concerning audits.</p> <p>Served as a member of the Compensation Committee that was voluntarily formed as a consultative body by the Board of Directors; provided necessary advice.</p>
Auditor	Akira Matsushima	<p>Attended 14 of 14 (100%) of the meetings of the Board of Directors held in the current fiscal year. To clarify the points of contention and doubts, asked appropriate questions and expressed opinions on proposals and deliberations mainly from the viewpoint of expert with business management experiences mainly in the semiconductor sector. Also, provided necessary advice.</p> <p>Attended 13 of 13 (100%) of the meetings of the Board of Auditors held in the current fiscal year and made appropriate remarks at every meeting attended and expressed opinions. In addition, exchanged opinions about audit results and consulted about important matters concerning audits.</p>

B. Description of limited liability agreement

The Company has entered into a limited liability agreement with each of its Outside Officers which limits their respective liability for damages to the extent stipulated in laws and regulations in cases where there is liability for damages under Paragraph 1, Article 423 of the Companies Act, when duties were performed in good faith and without any gross negligence.

(3) Policy on determination of dividends of surplus

Putting priority on appropriate shareholder returns as one of the important management issues, the Company aggressively promotes shareholder returns, while taking into consideration the Company's business outlook going forward, to better achieve both the sustainable return of profits and the growth of the Company. The basic policy is as follows:

- (i) The Company will, while taking the medium-term business outlook into consideration, determine the amount of dividends of surplus by taking an amount equivalent to at least 30% of the profit attributable to owners of the parent (however, subtractions and additions may occur after taking into consideration special factors relating to accounting, financial settlement or taxation) as the total amount of dividends, and then dividing this amount by the number of issued shares at the end of the then-current period, minus the number of treasury shares held by the Company at the end of the then-current period.
- (ii) Aiming at continuous improvements in its corporate value, the Company will allocate funds to basic research to create innovative modern technologies, the development of unique products, the achievement of a suitable business portfolio, and the securing of competent human resources to achieve medium-to long-term growth. It will also give consideration to maintaining a sound financial position that can withstand variations in the business environment.
- (iii) The Company will endeavor to return profits to shareholders by purchasing treasury shares expeditiously, taking into consideration market conditions, movement of stock prices, and the Company's financial circumstances to improve the efficiency of capital.

In accordance with the Articles of Incorporation approved at the 16th Annual General Meeting of Shareholders held on June 23, 2006 and Article 459 (1) of the Companies Act, decisions regarding the distribution of dividends will be made by a resolution by the Board of Directors, without requiring a resolution by a General Meeting of Shareholders, unless otherwise stipulated by law.

Dividends will be distributed once every year to those shareholders or registered pledgees of shares listed or registered in the final shareholder registry as of March 31 of every year. However, dividends may be distributed by prescribing a different record date, following a resolution by the Board of Directors in accordance with the Companies Act and the Articles of Incorporation.

Pursuant to the resolution adopted at the Board of Directors' meeting held on May 10, 2024, the Company will pay an end-of year dividend for this current consolidated fiscal year of a total of ¥110 yen per common share, consisting of a ¥50 yen per share as an ordinary dividend and a ¥60 yen per share as a special dividend to the shareholders as of March 31, 2024.

Consolidated Balance Sheet

(As of March 31, 2024)

(Unit: Thousand Yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
【Current assets】	【46,129,550】	【Current liabilities】	【8,612,823】
Cash and deposits	28,059,864	Notes and accounts payable-trade	2,508,130
Notes and accounts receivable-trade, and contract assets	10,473,989	Accounts payable - other	2,186,832
Inventories	3,443,1914	Income taxes payable	2,476,620
Accounts receivable - other	3,140,105	Provision for bonuses	719,163
Other	1,083,9704	Provision for loss on construction contracts	94,000
Allowance for doubtful accounts	(71,571)	Other	628,076
【Non-current assets】	【80,481,386】	【Non-current liabilities】	【15,324,376】
Property, plant and equipment	1,798,538	Deferred tax liabilities	14,454,860
Buildings	146,862	Other	869,515
Tools, furniture and fixtures	977,454	Total liabilities	23,937,199
Other	674,221	(Net assets)	
Intangible assets	565,703	【Shareholders' equity】	【61,866,076】
Software	564,542	Share capital	4,840,313
Other	1,160	Capital surplus	9,359,915
Investment and other assets	78,117,145	Retained earnings	57,210,333
Investment securities	75,623,395	Treasury shares	(9,544,485)
Long-term prepaid expenses	1,605,545	【Accumulated other comprehensive income】	【40,542,922】
Deferred tax assets	34,132	Valuation difference on available-for-sale securities	37,553,803
Other	854,071	Foreign currency translation adjustment	2,989,119
		【Non-controlling interests】	【264,737】
		Total net assets	102,673,736
Total assets	126,610,936	Total liabilities and net assets	126,610,936

Consolidated Statements of Income

(From April 1, 2023 To March 31, 2024)

(Unit: Thousand Yen)

Item	Amount
Net sales	57,942,966
Cost of sales	46,498,104
Gross profit	11,444,862
Selling, general and administrative expenses	5,961,601
Operating profit	5,483,260
Non-operating income	923,378
Interest income	261,620
Dividend income	187,461
Receiving dispatching fee	141,713
Gain on investments in investment partnerships	3,211
Foreign exchange gains	252,857
Other	76,513
Non-operating expenses	2,950,210
Interest expenses	4,359
Loss on sale of receivables	21,638
Share of loss of entities accounted for using equity method	2,914,315
Donations	2,000
Other	7,897
Ordinary profit	3,456,428
Extraordinary income	6,577,904
Gain on sale of shares of subsidiaries and associates	5,524,005
Gain on change in equity	1,053,898
Extraordinary losses	1,810,661
Loss on retirement of non-current assets	469,373
Loss on valuation of investment securities	887,058
Loss on valuation of shares of subsidiaries and associates	454,230
Profit before income taxes	8,223,671
Income taxes-current	3,656,039
Income taxes-deferred	95,961
Profit	4,471,669
Loss attributable to non-controlling interests	(15,243)
Profit attributable to owners of parent	4,486,913

Consolidated Statements of Changes in Net Assets

(From April 1, 2023 To March 31, 2024)

(Unit: Thousand Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balances at April 1, 2023	4,840,313	9,359,915	61,364,420	(8,298,764)	67,265,884
Changes of items during the consolidated year					
Dividends of surplus	—	—	(1,727,365)	—	(1,727,365)
Profit attributable to owners of parent	—	—	4,486,913	—	4,486,913
Purchase of treasury shares	—	—	—	(3,934,976)	(3,934,976)
Disposal of treasury shares	—	19,449	—	75,110	94,560
Cancellation of treasury shares	—	(2,614,144)	—	2,614,144	—
Change in scope of equity method	—	—	(4,318,939)	—	(4,318,939)
Transfer from retained earnings to capital surplus	—	2,594,695	(2,594,695)	—	—
Net changes in items other than shareholders' equity during the consolidated year	—	—	—	—	—
Changes of items during the consolidated year (total)	—	—	(4,154,086)	(1,245,721)	(5,399,807)
Balances at March 31, 2024	4,840,313	9,359,915	57,210,333	(9,544,485)	61,866,076

	Accumulated Other Comprehensive Income (AOCI)			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total other accumulated comprehensive income		
Balances at April 1, 2023	2,045,472	5,223,695	7,269,167	—	74,535,052
Changes of items during the consolidated year					
Dividends of surplus	—	—	—	—	(1,727,365)
Profit attributable to owners of parent	—	—	—	—	4,486,913
Purchase of treasury shares	—	—	—	—	(3,934,976)
Disposal of treasury shares	—	—	—	—	94,560
Cancellation of treasury shares	—	—	—	—	—
Change in scope of equity method	—	—	—	—	(4,318,939)
Transfer from retained earnings to capital surplus	—	—	—	—	—
Net changes in items other than shareholders' equity during the consolidated year	35,508,331	(2,234,576)	33,273,755	264,737	33,538,492
Changes of items during the consolidated year (total)	35,508,331	(2,234,576)	33,273,755	264,737	28,138,684
Balances at March 31, 2024	37,553,803	2,989,119	40,542,922	264,737	102,673,736

Balance Sheet

(As of March 31, 2024)

(Unit: Thousand Yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
【Current assets】	【39,390,212】	【Current liabilities】	【8,543,141】
Cash and deposits	21,374,832	Accounts payable-trade	2,508,130
Electronically recorded monetary claims - operating	74,082	Accounts payable - other	2,184,036
Accounts receivable - trade	8,746,487	Income taxes payable	2,434,545
Contract assets	1,653,419	Accrued expenses	185,702
Merchandise and finished goods	1,775,070	Contract liabilities	22,975
Work in process	1,448,520	Deposits received	29,032
Raw materials and supplies	219,600	Provision for bonuses	718,642
Prepaid expenses	200,721	Provision for loss on construction contracts	94,000
Accounts receivable - other	3,140,105	Other	366,076
Other	828,943	【Non-Current liabilities】	【15,252,044】
Allowance for doubtful accounts	(71,571)	Deferred tax liabilities	14,403,610
		Other	848,433
【Non-current assets】	【81,824,512】	Total liabilities	23,795,186
Property, plant and equipment	1,760,749	(Net assets)	
Buildings	146,781	【Shareholders' equity】	【62,543,316】
Tools, furniture and fixtures	974,008	Share capital	4,840,313
Other	639,958	Capital surplus	6,181,300
Intangible assets	564,542	Legal capital surplus	6,181,300
Software	564,542	Retained earnings	61,066,188
Investment and other assets	79,499,220	Legal retained earnings	97,042
Investment securities	70,055,990	Other retained earnings	60,969,146
Shares of subsidiaries and associates	6,186,007	Voluntary retained earnings	3,830,500
Investments in capital of subsidiaries and associates	811,560	Retained earnings brought forward	57,138,646
Long-term loans receivable	1,514	Treasury shares	(9,544,485)
Long-term prepaid expenses	1,605,545	【Valuation and translation adjustment】	【34,876,221】
Guarantee deposits	372,666	Valuation difference on available-for-sale securities	34,876,221
Other	465,936	Total net assets	97,419,538
Total assets	121,214,725	Total liabilities and net assets	121,214,725

Statements of Income
(From April 1, 2023 To March 31, 2024)

(Unit: Thousand Yen)

Item	Amount
Net sales	57,942,966
Cost of sales	46,498,104
Gross profit	11,444,862
Selling, general and administrative expenses	5,864,156
Operating profit	5,580,706
Non-operating income	529,725
Interest and dividend income	401,215
Foreign exchange gains	121,827
Other	6,682
Non-operating expenses	86,835
Interest expenses	3,824
Loss on sale of receivables	21,638
Loss (gain) on investments in investment partnerships	51,295
Donations	2,000
Other	8,077
Ordinary profit	6,023,595
Extraordinary income	5,981,302
Gain on sales of shares of subsidiaries and associates	5,981,302
Extraordinary losses	826,496
Loss on retirement of non-current assets	469,373
Loss on valuation of investment securities	357,123
Profit before income taxes	11,178,401
Income taxes-current	3,575,153
Income taxes-deferred	122,702
Profit	7,480,545

Statement of Changes in Net Assets

(From April 1, 2023 To March 31, 2024)

(Unit: Thousand Yen)

	Shareholders' equity							
	Share capital	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings	Retained earnings brought forward	
						Voluntary retained earnings		
Balances at April 1, 2023	4,840,313	6,181,300	—	6,181,300	97,042	3,830,500	53,980,161	57,907,703
Changes of items during the consolidated year								
Dividends of surplus	—	—	—	—	—	—	(1,727,365)	(1,727,365)
Net Profit	—	—	—	—	—	—	7,480,545	7,480,545
Purchase of treasury shares	—	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	19,449	19,449	—	—	—	—
Cancellation of treasury shares	—	—	(2,614,144)	(2,614,144)	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	2,594,695	2,594,695	—	—	(2,594,695)	(2,594,695)
Net changes of items other than shareholders' equity during the consolidated year	—	—	—	—	—	—	—	—
Changes of items during the consolidated year (total)	—	—	—	—	—	—	3,158,485	3,158,485
Balances at March 31, 2024	4,840,313	6,181,300	—	6,181,300	97,042	3,830,500	57,138,646	61,066,188

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale Securities	Total valuation and translation adjustments	
Balances at April 1, 2023	(8,298,764)	60,630,553	(702,182)	(702,182)	59,928,370
Changes of items during the consolidated year					
Dividends of surplus	—	(1,727,365)	—	—	(1,727,365)
Net Profit	—	7,480,545	—	—	7,480,545
Purchase of treasury shares	(3,934,976)	(3,934,976)	—	—	(3,934,976)
Disposal of treasury shares	75,110	94,560	—	—	94,560
Cancellation of treasury shares	2,614,144	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	—	—	—
Net changes in items other than shareholders' equity during the consolidated year	—	—	35,578,404	35,578,404	35,578,404
Changes of items during the consolidated year (total)	(1,245,721)	1,912,763	35,578,404	35,578,404	37,491,168
Balances at March 31, 2024	(9,544,485)	62,543,316	34,876,221	34,876,221	97,419,538

Independent Auditor's Report

May 9, 2024

To the Board of Directors of
MegaChips Corporation

KPMG AZSA LLC
Osaka Office, Japan

Tetsuo Yamada
Designated Limited Liability
PartnerEngagement Partner
Certified Public Accountant

Tatsuo Amekawa
Designated Limited Liability
PartnerEngagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of MegaChips Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as of March 31, 2024 and for the year from April 1, 2023 to March 31, 2024 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

End

Independent Auditor's Report

May 9, 2024

To the Board of Directors of
MegaChips Corporation

KPMG AZSA LLC
Osaka Office, Japan

Tetsuo Yamada
Designated Limited Liability Partner
Engagement Partner Certified Public
Accountant

Tatsuo Amekawa
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules ("the financial statements and the accompanying supplementary schedules") of MegaChips Corporation ("the Company") as at March 31, 2024 and for the year from April 1, 2023 to March 31, 2024 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the accompanying supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules.

Our objectives are to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the accompanying supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the accompanying supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the accompanying supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End

Audit Report

With respect to the Directors' performance of their duties during the 33rd fiscal year from April 1, 2023 to March 31, 2024, the Audit & Supervisory Board has prepared this Audit Report after deliberations, based on the Audit Report prepared by each Audit & Supervisory Board Member, and hereby report as follows:

1. Method and Contents of Audit by Audit & Supervisory Board Members and Audit & Supervisory Board

(1) The Audit & Supervisory Board has established the audit policies, audit plan, etc. and received a report from each Audit & Supervisory Board Member regarding the status of implementation of their audits and results thereof. In addition, the Audit & Supervisory Board has received reports from the Directors, etc. and the Independent Auditors regarding the status of performance of their duties and requested explanations as necessary.

(2) In conformity with the Audit & Supervisory Board Members auditing standards established by the Audit & Supervisory Board, and in accordance with the audit policies and job assignment, etc. each Audit & Supervisory Board Members endeavored to facilitate a mutual understanding with the Directors, the Internal Audit and other employees, etc., endeavored to collect information and maintain and improve the audit environment, has implemented audit as follows:

I. Attended the meetings of the Board of Directors and other important meetings, received reports on the status of performance of duties from the Directors and other employees, and request explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets. With respect to the subsidiaries, each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding and exchanged information with the Directors, Audit & Supervisory Board Members, etc. of each subsidiary and received from subsidiaries reports on their respective business as necessary.

II. Each Audit & Supervisory Board Member received regular reports from Director and employees concerning the architecture and implementation of (i) the contents of the Board of Directors' resolution regarding the development and maintenance of the system to ensure that the Directors listed within the Business Report, during the performance of their duties, complied with all laws, regulations and the Articles of Incorporation of the Company and other systems that are set forth in Paragraph 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act of Japan as being necessary for ensuring the appropriateness of the corporate affairs of a joint stock company (kabushiki kaisha) and a Corporate Groups consists of a Company and its subsidiaries and (ii) the systems (internal control systems) based on such resolutions, and requested further information as necessary, making remarks when appropriate.

III. Each Audit & Supervisory Board Member monitored and verified whether the Independent Auditors maintained its independence and properly conducted its audit, received a report from the Independent Auditors on the status of its performance of duties, and requested explanations as necessary. Each Audit & Supervisory Board Member was notified by the Independent Auditors that it had established a "system to ensure that the performance of the duties of the Independent Auditors was properly conducted" (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on October 28, 2005), and requested explanations as necessary.

Based on the above-described methods, each Audit & Supervisory Board Member examined the Business Report and the accompanying supplemental schedules, and the financial statements (Balance Sheet, Statements of Income, Statements of Shareholders' Equity and the notes to financial statements), and the accompanying supplemental schedules, and the Consolidated financial statements (Consolidated Balance Sheet, Consolidated Statements of Income, Consolidated Statements of Shareholders' Equity and the notes to Consolidated financial statements).

2. Results of Audit

(1) Results of Audit of Business Report, etc.

- ① We acknowledge that the Business Report and the accompanying supplemental schedules thereto fairly represents the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- ② We acknowledge that no misconduct of material fact constituting a violation of any law or regulation, or the Articles of Incorporation of the Company was found with respect to the Directors' performance of their duties.
- ③ We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the information provided in the Business Report or the Directors' performance of their duties concerning the internal control systems.

(2) Results of Audit of financial statements and the accompanying supplemental schedules We acknowledge that the methods and results of audit performed by the Independent Auditors, KMPG AZSA LLC, are appropriate.

(3) Results of Audit of consolidated financial statements

We acknowledge that the methods and results of audit performed by the Independent Auditors, KMPG AZSA LLC, are appropriate.

May 9, 2024

Audit & Supervisory Board of MegaChips Corporation

Standing Statutory Auditor : Hiroshi Aoki (Seal)

Auditor : Keiichi Kitano (Seal)

Auditor : Tomoyoshi Furukawa (Seal)

Auditor : Akira Matsushima (Seal)

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