

MegaChips



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

Tetsuo Hikawa
President and CEO

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

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

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

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

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

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

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

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

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

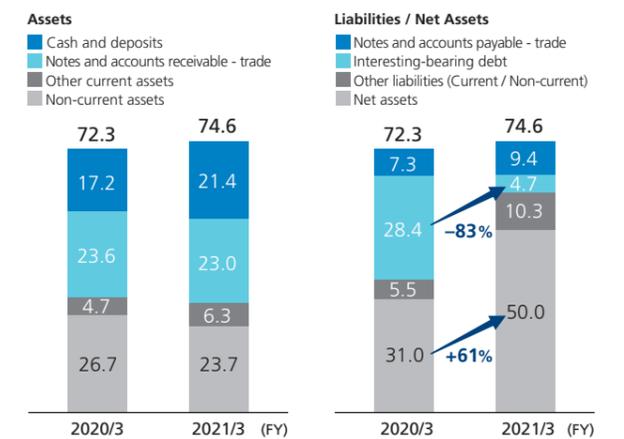
Consolidated Results

(Millions of yen)

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

Financial Position

(Billions of yen)



R&D Policy, a Source of Value

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

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

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

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

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

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

Mid- to Long-Term Vision for FY2025

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

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

1. Amusement Business

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

2. ASIC Business

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

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

3. In-Vehicle Device Business

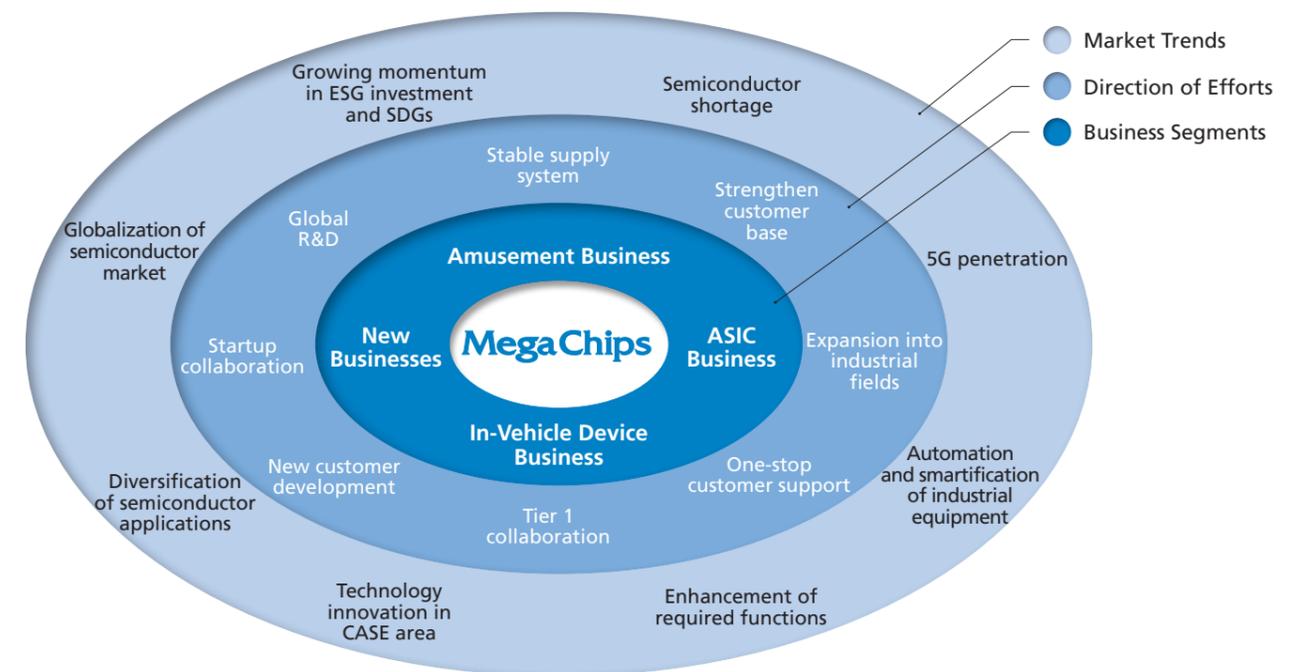
As for the in-vehicle device business, electronics technology is becoming indispensable in the field of advanced technology as the concept of the automobile undergoes a major transformation as typified by CASE with the aim of realizing a decarbonized society. Viewing this as an opportunity to enter the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

4. New Businesses

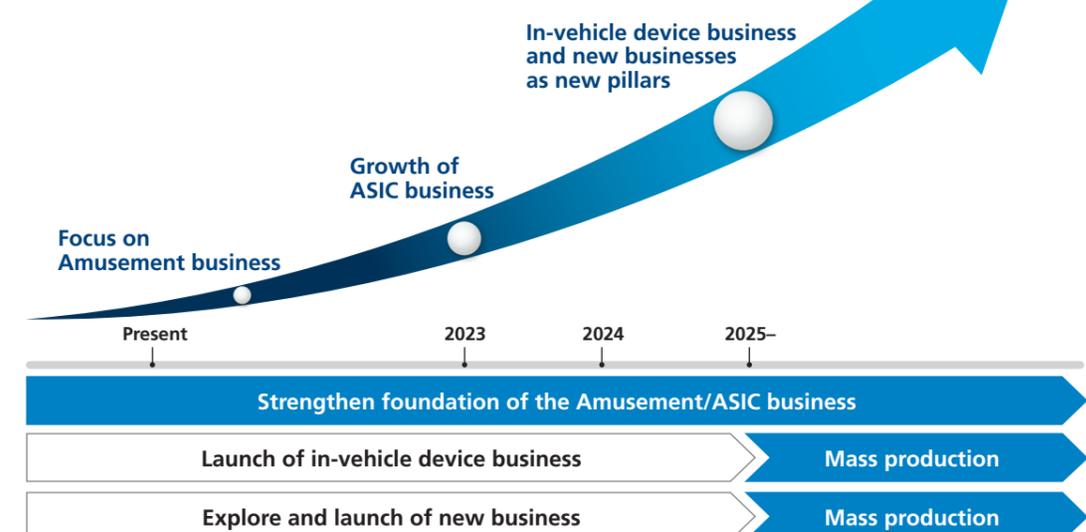
As for new businesses, the Company will reap the seeds of new businesses at an early stage and connect them to commercialization by actively pursuing strategic alliances and investments in start-up companies, mainly in the U.S. In addition to AI, information security, and robotics, the

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

Business Environment surrounding MegaChips



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



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

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

Realization of a Sustainable Society

Contributing to Global Environmental Conservation

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

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

decrease from the previous consolidated fiscal year).

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

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

Promoting Diversity and Fostering Human Resources

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

Investing in Future Engineers and Technicians

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

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

Providing an Environment Where Employees Can Work Comfortably

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

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

Approach to Shareholders and Investors

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

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

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

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

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

Conclusion

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



Tetsuo Hikawa
President and CEO

