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Securities Code : 6875

May 30, 2019

To: Our Shareholders

Akira Takata, President & CEO
MegaChips Corporation
1-1-1, Miyahara, Yodogawa-ku, Osaka

NOTICE OF THE 29th ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are hereby notified that the 29th Annual General Meeting of Shareholders of MegaChips Corporation (the “Company”) is to be held as described below and you are asked to attend the meeting. **If you are unable to attend the meeting, you may exercise your voting rights in writing by, after carefully considering the attached Reference Documents for Shareholders Meeting, indicating your approval or disapproval on the enclosed Voting Form. Please send it to ensure its arrival by 6 p.m. on Thursday, June 20, 2019 (Japan time), the day before the Annual General Meeting of Shareholders.**

1. Date and Time: Friday, June 21, 2019 at 10:00 a.m. (Japan time)

2. Venue: Tsuru no ma, 5th floor, Hotel Nikko Osaka

1-3-3, Nishi-Shinsaibashi, Chuo-ku, Osaka-shi, Japan

3. Agenda of the Meeting

Matters to be reported:

1. Business report for the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019) (“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, 2019 (April 1, 2018 to March 31, 2019)

Matters to be resolved:

First Proposal: Election of Nine (9) Directors

Second Proposal: Election of 2 Auditors

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- © 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.

Notices

1. Notice of Convocation

Of the written information that should be provided, the following matters are not mentioned in this Notice of Annual General Meeting of Shareholders or its Appendices since they are made available to the shareholders on MegaChips' website (<http://www.megachips.co.jp/irinfo/index.html>) pursuant to applicable laws and regulations and Article 14 of the Company's Articles of Incorporation.

(1) Following items from the Business Report

- 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

(3) Individual notes to Non-Consolidated Financial Statements

Therefore, the documents provided under this Notice of Annual General Meeting of Shareholders include, in part, the Business Report audited by Auditors as well as the Consolidated Financial Statements and the Non-Consolidated Financial Statements audited by the accounting auditors and the Audit and Supervisory Board. Further, if there are any revisions made to the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements or the Reference Documents for Shareholders Meeting, we will post the revisions on the Company's website (web address: <http://www.megachips.co.jp/irinfo/index.html>).

2. Product Exhibitions

Following the conclusion of the Annual General Meeting of Shareholders, we invite you to visit the exhibition of the Company's products in the "foyer space" next to the "Tsuru no ma" room where officers and employees will provide explanations. Please visit the exhibition room for introduction of the Company's products. Time-permitting, we hope that you will join us.

3. Souvenirs

The Company no longer provides souvenirs to shareholders who attended the Annual General Meeting of Shareholders. We highly appreciate your understanding.

4. Notice of Resolutions

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

5. Results of Exercising Voting Rights

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) (<http://disclosure.edinet-fsa.go.jp>).

Reference Documents for Shareholders Meeting

The 1st Agenda Item Election of Nine (9) Directors

Since the terms of office of the current ten Directors, Akira Takata, Masayuki Fujii, Kyoichi Kissei, Tetsuo Hikawa, Yoshimasa Hayashi, Yasuto Shimomae, Koichi Akeyama, Keiichiro Akahoshi, Jiun-Hao Lai and Dang-Hsing Yiu will expire at the conclusion of the Annual General Meeting of Shareholders, it is proposed that nine (9) Directors be re-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 | Managing Director, Executive Officer | | 100% (15/15times) |
| 2 | Masahiro Shindo | Newly Elected | Chairman | | — |
| 3 | Akira Takata | Re-election | President and CEO, Executive Officer | | 100% (15/15times) |
| 4 | Yoshimasa Hayashi | Re-election | Director, Executive Officer | | 100% (15/15times) |
| 5 | Yasuto Shimomae | Re-election | Director, Executive Officer | | 100% (15/15times) |
| 6 | Koichi Akeyama | Re-election | Director, Executive Officer | | 93.3% (14/15times) |
| 7 | Ikuo Yamaguchi | Newly Elected | Executive Officer | | — |
| 8 | Jiun-Hao Lai | Re-election | Director | Outside, Independent, Foreign National | 100% (15/15times) |
| 9 | Junko Nagata | Newly Elected | — | Outside, Independent, Woman | — |

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



■ **Positions and responsibilities at the Company**

Managing Director, Executive Officer
Executive Manager of Domestic Business and
Division Director of Corporate Planning Headquarters

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 7 years
- Number of shares held in the Company: 95,000 shares
- Attendance at Board of Directors meetings: 100% (15 of 15)

■ **Career summary and material concurrent positions at the Company**

Apr. 2000 Executive Officer, Corporate Planning
Jun. 2000 Director
Oct. 2003 Executive Officer, in charge of System Business Unit
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
Feb. 2009 Executive Officer, General Manager of LSI Business Division No. 2
Dec. 2010 Executive Officer, Department Manager of Production Management Department
Jan. 2012 Executive Officer, Department Manager of Production Management Division and Department Manager of Quality Assurance Division
Jun. 2012 Director
Apr. 2013 Executive Officer, General Manager of Division No. 1
Jul. 2016 Executive Officer, Department Manager of Procurement & Production Division
Jul. 2017 Executive Officer, General Manager of Corporate Planning Division
Jun. 2018 Managing Director (to present)
Mar. 2019 Executive Manager of Domestic Business and Division Director of Corporate Planning Headquarters

Reasons for Nomination as Director

As a founding member of Japan's first fabless semiconductor manufacturing company, Mr. Hikawa has contributed to the development and growth of the Company for many years as the person responsible for business management, the Company's public stock offering, production control and operations. Currently, as Division Director of the Corporate Planning Office, he shows strong leadership in business planning and promotion in line with the Company's vision. Due to Mr. Hikawa's rich experience, knowledge and achievement in corporate management, he is viewed as being capable

of contributing to the continued enhancement of corporate value, and therefore has been nominated as a Director.

Nominee Number 2 Masahiro Shindo Date of birth: January 28, 1941 Newly elected



■ **Positions and responsibilities at the Company**

Chairman

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): -
- Number of shares held in the Company: 560,644 shares

■ **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 | Remained as Chairman (to present) |

Reasons for Nomination as Director

As the founder of MegaChips as Japan's first fabless semiconductor manufacturing company, Mr. Shindo has shown great leadership over many years from listing the Company on JASDAQ in 1998 and having it listed on the First Section of the Tokyo Stock Exchange in 2000 until his resignation as a director in 2002 and has been the Company's driving force. Since becoming Chairman in 2002, Mr. Shindo has been proactively engaged both at and outside the Company, including mentoring talented personnel with entrepreneurial training.

With his rich experience, knowledge and achievements in matters related to corporate management and personnel training, in a drastically changing industry, Mr. Shindo is viewed as a person capable of appropriately overseeing the Company as a whole, orienting it in the proper direction and contributing to the continued enhancement of corporate value, and therefore has been nominated as a Director.

Nominee Number 3 **Akira Takata** Date of birth: April 14, 1958 Re-election



■ **Positions and responsibilities at the Company**

President and CEO, Executive Officer

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 9 years
- Number of shares held in the Company: 100,000 shares
- Attendance at Board of Directors meetings: 100% (15 of 15)

■ **Career summary and material concurrent positions at the Company**

Jun. 1994 Director, General Manager of Business Division
Jun. 2001 Resigned as Director
Apr. 2003 Executive Officer, General Manager of System Business Unit
May 2005 Executive Officer, General Manager of China Business
Jan. 2008 Executive Officer, General Manager of Strategic Management Office
Feb. 2009 Executive Officer, General Manager of Strategic Alliance Office, Administrative Headquarters
Oct. 2009 Executive Officer, Department Manager of Production Management Department
Jun. 2010 Director
Dec. 2010 Executive Officer, General Manager of LSI Business Division
Jun. 2011 President and CEO (to present)
Jun. 2015 Executive Officer (to present)

(Material concurrent positions)

Director of Shun Yin Investment Ltd.

Officer of SiTime Corporation

Reasons for Nomination as Director

Mr. Takata has contributed to the growth of the Company over many years as one of the founders of Japan's first fabless semiconductor manufacturing company. Since his appointment as President and CEO in 2011, he has been a driving force in the Company's globalization with a focus on even further development of the MegaChips Group. In addition to the core business, the ASIC business (LSI aimed at certain clients) for valued customers in Japan, Mr. Takata has shown strong leadership by building up the competitive ASSP (application specific LSI) business such as the rapidly expanding MEMS Timing Device and has made progress toward enhanced corporate value. With his rich experience, knowledge and achievements in company management gained over many years, Mr. Takata is viewed as being capable of contributing to the continued enhancement of corporate value, and therefore has been nominated as a Director.

Nominee Number 4 Yoshimasa Hayashi Date of birth: September 23, 1957 Re-election



■ **Positions and responsibilities at the Company**

Director, Executive Officer
Executive Manager of Sales Headquarters and
Human Resources Development Division

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 3 years
- Number of shares held in the Company: 131,000 shares
- Attendance at Board of Directors meetings: 100% (15 of 15)

■ **Career summary and material concurrent positions at the Company**

Jun. 2000 Director
Apr. 2003 Executive Officer In charge of Sales & Marketing of LSI Business Unit
Apr. 2007 Executive Officer, General Manager of Division No. 1, LSI Company
Jan. 2008 Executive Officer, General Manager of Business Control Office
May 2008 Executive Officer, Division Director of Customer Specific Business Headquarters, and
Manager New Customer Development
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 (to present)
Jan. 2019 Executive Officer, Executive Manager of Human Resources Division
Mar. 2019 Executive Officer, Executive Manager of Sales Headquarters and Human Resources
Development Division (to present)

(Material concurrent positions)

Director of MegaChips Corporation, China (Shenzhen)

Officer of MegaChips Technology America Corporation

Reasons for Nomination as Director

As a founding member of Japan's first fabless semiconductor manufacturing company, Mr. Hayashi has contributed to the growth of the Company for many years as the person responsible for operations in various fields ranging from Product Development Business Units to the Sales Department, while simultaneously contributing to the expansion and development of the Company as a member of the management team. Currently, as the Executive Manager of Sales Headquarters, he has demonstrated great skills in expanding customer satisfaction, and as Executive Manager of Human Resources

Development Division, Mr. Hayashi focuses on the recruiting and training of skilled personnel, which is positioned as the most important asset of the Company. With his rich experience, knowledge and achievements to date relating to corporate management, Mr. Hayashi is viewed as being capable of contributing to the continued enhancement of corporate value, and therefore has been nominated as a Director.

Nominee Number 5 **Yasuto Shimomae** Date of birth: September 20, 1961 Re-election



■ **Positions and responsibilities at the Company**

Director, Executive Officer
Division Director of ASSP Business Headquarters and
Executive Manager of Intellectual Property & Legal Division

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 2 years
- Number of shares held in the Company: 2,300 shares
- Attendance at Board of Directors meetings: 100% (15 of 15)

■ **Career summary and material concurrent positions at the Company**

- Oct. 2003 Executive Officer, in charge of General Affairs, Human Resources and Legal Teams
- Apr. 2007 General Manager of Intellectual Property & Legal
- Jun. 2014 Executive Officer, General Manager of Intellectual Property & Legal, Corporate Control Department
- Apr. 2016 Executive Officer, General Manager of Intellectual Property & Legal, Finance & Legal Headquarters
- Jun. 2017 Director (to present)
- Jul. 2017 Executive Officer, Division Director of ASSP Business Headquarters
- Jun. 2018 Executive Officer, Division Director of ASSP Business Headquarters, and Executive Manager of Intellectual Property & Legal Division (to present)

Reasons for Nomination as Director

Since joining the Company, Mr. Shimomae has played an instrumental role using his high degree of expertise to contribute to strengthening the Company's business base by enhancing the Company's compliance and risk management functions as the person responsible for the management of wide-ranging areas, such as legal and intellectual property matters, human resources, and information systems, while at the same time, promoting various projects, including customer-based strategies. Currently, while concurrently serving as Executive Manager of Intellectual Property & Legal by using his expertise as well as serving as Division Director of ASSP Business Headquarters, Mr. Shimomae is concentrating on market development and new product development aimed at the automotive and industrial equipment sectors, which are expected to grow in the future, and in these sectors also, he is playing a vital role for acquiring new customers. Due to his extensive experience, achievements, and high communication skills, Mr. Shimomae is viewed as being capable of contributing to the continued enhancement of corporate value, and therefore has been nominated as a Director.

Nominee Number 6 Koichi Akeyama Date of birth: January 2, 1967 Re-election



■ **Positions and responsibilities at the Company**

Director, Executive Officer
Senior General Manager of SC Product Department of
Display Peripheral LSI Business Division

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 2 years
- Number of shares held in the Company: 900 shares
- Attendance at Board of Directors meetings: 93.3% (14 of 15)

■ **Career summary and material concurrent positions at the Company**

- Apr. 2013 President & CEO of MegaChips Technology America Corporation (to present)
- Jun. 2014 Executive Officer
- Jun. 2017 Director (to present)
- Jul. 2017 Executive Officer, General Manager of SC Product Division of Display Peripheral LSI Business Headquarters
- Jan. 2019 Director, Executive Officer, Senior General Manager of SC Product Department of Display Peripheral LSI Business Division (to present)

(Material concurrent positions)

President & CEO of MegaChips Technology America Corporation

Officer of SiTime Corporation

Reasons for Nomination as Director

Since joining the Company, Mr. Akeyama, as President & CEO of the Company's U.S. subsidiary, has played an essential role in the corporate management and operations of the Company's North American subsidiaries and was involved in the acquisition of the DisplayPort business from ST Micro and the expansion of the Company's business in North America, Europe and the Middle East. Further, based on his experience gained from his former position where he served as a manager of design development and President & CEO of the U.S. subsidiary for many years, Mr. Akeyama has contributed to the Company's management based on his considerable experience with semiconductors and global businesses. Due to such experience and network, Mr. Akeyama is viewed as being capable of contributing to the continued enhancement of corporate value, and therefore has been nominated as a Director.

Nominee Number 7 Ikuo Yamaguchi Date of birth: January 16, 1968 Newly elected



■ **Positions and responsibilities at the Company**
General Manager of ASIC Business Division No.1

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): -
- Number of shares held in the Company: -

■ **Career summary and material concurrent positions at the Company**

- Apr. 1990 Entered Nippon Kokan KK. (current: JFE Steel Corporation)
- Oct. 1998 Entered MegaChips Corporation
- Apr. 2012 General Manager of Division No. 1, Development Division
- Oct. 2016 General Manager of Division No. 1 of ASIC Business Division
- Oct. 2018 Executive Officer, General Manager of Division No. 1 of ASIC Business Division
- Mar. 2019 Executive Officer, General Manager of ASIC Business Division No.1 (to present)

Reasons for Nomination as Director

Mr. Yamaguchi has been engaged in semiconductor development for many years and since entering the Company has been involved in product development in the amusement industry, which is a core business. In addition, he has contributed to the Company's growth and expanded development over many years as the person in charge of that business division.

Currently, Mr. Yamaguchi is concentrating on the development of new LSI technologies and products for particular clients as the General Manager of Division No. 1 of ASIC, a key division, where he shows great skill in attracting new customers. With his rich experience, achievements and communication skills over many years, Mr. Yamaguchi is viewed as being capable of contributing to the continued enhancement of corporate value, and therefore has been nominated as a Director.

Nominee Number 8 Jiun-Hao Lai Date of birth: June 25, 1959

Re-election/ Outside Director/ Independent Officer/ Foreign National



■ **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: -
- Attendance at Board of Directors meetings: 100% (15 of 15)

■ **Career summary and material concurrent positions at the Company**

Jun. 1985 Entered LSI Logic Corporation (current: Broadcom Limited), CAD Engineer

Feb. 1988 Entered Toshiba America, Inc., ASIC/CAD Engineer

Aug. 1990 Co-founder of ASICtronics Solutions, Inc.

Nov. 1994 Entered TSMC North America, Inc., General Manager of ASIC Business

Jan. 1997 Director, Design Service of TSMC North America, Inc.

Sep. 1999 Director in charge of New Accounts of TSMC North America., Inc.

Jan. 2003 President of Global Unichip Corporation

Sep. 2016 Adviser of Global Unichip Corporation (to present)

Jun. 2017 Director of MegaChips Corporation (to present)

(Material concurrent positions)

Director of Giga Solution Tech. Co., Ltd.

Director of Wolley Inc.

Independent Director of Silicon Optronics, Inc.

Independent Director of True Light Corporation

Reasons for Nomination as Director

Mr. Lai has extensive global business experience ranging from being a semiconductor design engineer and design manager in the U.S. to Sales Director at TSMC North America, the world's No. 1 foundry, where he contributed to the development of TSMC and the growth of Global Unichip Corporation, its design subsidiary, by serving as its president for many years. Based on his rich management experience in the global semiconductor business and his personal network, Mr. Lai actively makes comments and suggestions from diverse and objective viewpoints for the Company's growth through globalization. We have nominated Mr. Lai as an Outside Director for his continued contributions to the expansion

and oversight management of the Company. As of the close of this Annual General Meeting of Shareholders, Mr. Lai will have served as Outside Director for two years. At the conclusion of the Annual General Meeting of Shareholders, he will have served as an officer for a term of one year.

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

Newly elected/ Outside Director/ Independent Director



■ Positions and responsibilities at the Company

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): -
- Number of shares held in the Company: -

■ Career summary and material concurrent positions at the Company

- Mar. 1984 Graduated from the Japan Coast Guard Academy (Bachelor of Coast Guard)
 - Sept. 1984 Graduated from the Japan Coast Guard Advanced Course
 - Dec. 1984 Chief Mate of Uruga, a patrol boat of Yokohama Coast Guard Office
 - 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. 1993 Training section Chief of the General Affairs Department at Japan Coast Guard
 - 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 (to present)
- (Material concurrent positions)
- Board member of International Human Resource Network Organization Foundation
- Advisor of Tanita Health Link. Inc.

Reasons for Nomination as Director

She entered the Japan Coast Guard Academy as the first female student when it opened its doors to women for the first time. Following graduation, she worked for Japan Coast Guard and became the first female captain of “Matsunami”, a patrol boat. She became one of the pioneers to open the careers for women. She researched and studied policy analysis, decision making, and management to develop

leadership in organizations. With her experience and professional network, MegaChips would like to acquire objective and diversified advice for the Company management and its growth. Although Ms. Nagata has never worked in a corporate management position, for the reasons described above, she will make a great contribution and will be able to serve as an Outside Director properly.

- (Note) 1. There is no conflict of interest between the Company and any nominee.
2. Jiun-Hao Lai and Junko Nagata are nominees as Outside Directors of the Company. In addition, Jiun Hao Lai meets the standards for Independent Director set by the Tokyo Stock Exchange and the Company has submitted filings to the Tokyo Stock Exchange designating him as an Independent Officer. Further, if Jiun-Hao Lai and Junko Nagata are elected, we plan to submit filings to the Tokyo Stock Exchange designating them as Independent Officers who meet the Tokyo Stock Exchange's criteria for independent directors and have been determined as having substantial independence by the Company.
 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 Jiun-Hao Lai, the Company's current outside director, to limit liability for damages. If Junko Nagata is elected, the Company intends to enter into an agreement to limit her 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.

Agenda Item 2 Election of 2 Auditors

Since the terms of office of auditors Tadashi Sumi and Nozomu Ohara will expire at the conclusion of the Annual General Meeting of Shareholder, we would like to elect 2 new auditors.

Further, this agenda item has been approved by the Board of Auditors.

The nominees for auditors are as follows:

| Nominee Number | Name | | Position in Company | | |
|----------------|--------------------|---------------|---------------------|----------------------|--|
| 1 | Makiko Yamakawa | Newly elected | — | Woman | |
| 2 | Tomoyoshi Furukawa | Newly elected | — | Outside, Independent | |

Nominee Number 1 Makiko Yamakawa Date of birth: October 22, 1963

Newly elected



■ **Positions and responsibilities at the Company**

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): -
- Number of shares held in the Company: -

■ **Career summary and material concurrent positions at the Company**

- Apr. 1986 Entered Kawasaki Steel Corporation (current JFE Steel Corporation)
- Jul. 2001 Entered Kawasaki Microelectronics, Inc. (by company split)
- Apr. 2013 Entered the Company (by absorption-type merger), Chief of Human Resources & General Affairs Dept.
- Apr. 2016 General Manager of Internal Auditing Dept. (to present)

Reasons for Nomination as Auditor

Since Ms. Yamakawa entered the Company, she has taken the initiatives in recruiting excellent personnel and conducting personnel training. As the person in charge of the Internal Auditing Department, she has contributed to the enhancement of corporate governance through the design and operation of internal controls systems. These activities have led to improving business operations in each division, therefore the Company has judged that Ms. Yamakawa will be capable of performing highly effective audits for the Company through years of experience and knowledge and nominated her as an auditor.

Nominee Number 2 Tomoyoshi Furukawa Date of birth: October 6, 1978

Newly elected

Outside Auditor

Independent Officer



■ Positions and responsibilities at the Company

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): -
- Number of shares held in the Company: -

■ Career summary and material concurrent positions at the Company

Nov. 2002 Passed (Japanese) bar exam

Oct. 2004 Graduation from The Legal Training and Research Institute of Japan, attorney registration (Osaka Bar Association)

May 2011 Graduation from Boston University School of Law (LLM, concentration in intellectual property)

Feb. 2012 Admitted as a lawyer in New York State

Apr. 2018 Junior Partner of Ohara & Furukawa (to present)

(Material concurrent positions)

Junior Partner of Ohara & Furukawa

Reasons for Nomination as Auditor

Although Mr. Furukawa has no experience participating in corporate operations, except by becoming an outside officer, as a lawyer, he has extensive experience and a high degree of knowledge about corporate legal matter and international legal matters. In addition to reflecting such legal perspective and broad insight into the audit function, Mr. Furukawa is viewed as person capable of overseeing the appropriateness of business judgement in audits from a compliance perspective while, at the same time, contributing to improving society's trust in the Company, and therefore has been nominated as an outside auditor.

Further, the Company and has no business relationship under an advisory agreement or other agreement with Mr. Furukawa or his partner who work at Ohara & Furukawa.

- (Note) 1. There is no conflict of interest between the Company and any nominee.
2. Tomoyoshi Furukawa is a nominee as outside auditor.
Further, if he is elected, we plan to submit filings to the Tokyo Stock Exchange designating him as an Independent Officer who meets the Tokyo Stock Exchange's criteria for independent officers, and who has been determined as having substantial independence by the Company.
 3. In connection with the performance of the duties by outside auditors and to ensure the performance of their duties as outside auditors, the Company's Articles of Incorporation permit the Company to conclude agreements with outside auditors. The Company plans to conclude such an agreement with Tomoyoshi Furukawa 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.

(Provided Documents)
Business Report (from April 1, 2018 to March 31, 2019)

1 Current Status of the MegaChips Group

(1) Status of business for current fiscal year

1. Progress and results of operations

During the consolidated fiscal year under review, the electronic machinery and equipment industry maintained the same demand for industrial electronics as recorded in the previous consolidated fiscal year. However, demand for electronic components and devices fell resulting in a year-on-year decrease for the overall market.

In the ASIC business, the Group is providing optimal solutions for client devices, machines and service applications not only in the mainstay game console, digital camera and office machine sectors, but also to serve major customers both inside and outside Japan in the industrial machinery and equipment industry. The competitive prowess of these solutions lies in our ability to leverage in-depth knowledge on customer applications and proprietary core technologies to provide everything from algorithm architecture building services to the development and supply of system LSI that feature superior functionality and cost competitiveness based on the Group's integrated support framework from upstream logic design to downstream physical design, manufacturing operations and quality assurance.

In the ASSP business, while working to adapt to an ever-changing competitive and market landscape both inside and outside Japan, the Group developed a business geared towards major global players in growth device markets to achieve further success in a world where innovation in telecommunication technologies is occurring at a breakneck pace. We also trained global-minded personnel and fortified our systems to meet this challenge.

As consolidated operating results for the consolidated fiscal year under review, the Group recorded sales of ¥95,145 million (a 6.9% increase compared with the same period of the previous fiscal year) due to higher demand for game software storage LSIs (custom memory). In addition, as a result of ¥2,579 million in amortization of goodwill and intangible fixed assets attributable to corporate acquisitions, R&D expenses of ¥7,843 million (up 25.4% from the previous fiscal year) from future-oriented R&D investments, and COGS of ¥869 million due to a revision of inventory valuations for specific MEMS timing devices in the first quarter, among other factors, the operating income before amortization of goodwill was ¥3,152 million, the operating profits after amortization of goodwill were ¥573 million (a 78.8% decrease from the previous fiscal year), with ordinary profits of ¥502 million (a 77.2% decrease compared with the previous fiscal year). Furthermore, mainly due to a revision of our managerial resource allocation as part of efforts to reform the Group's business structure, a ¥1,527 million loss on retirement of software and other non-current assets along with ¥371 million in special retirement expenses incurred to reduce the number of workers with the aim of cutting fixed

costs were recorded as extraordinary losses which, among other factors, resulted in a ¥1,727 million net loss attributable to the owners of the parent (compared with a ¥1,948 million net profit attributable to the owners of the parent accounted for the same period of the previous fiscal year).

As to the year-end dividend for the fiscal year under review, by resolution at the Board of Directors' meeting held on May 10, 2019, an ordinary dividend of ¥17 per share was declared. At the same time, the Company will provide preferential treatment to shareholders and offer a token of appreciation.

2. Status of capital investments

During the current consolidated fiscal year under review, the MegaChips Group made capital investments of ¥1,911 million (including intangible assets).

The main items in the breakdown are the ¥329 million acquisition of mask plates used in LSI manufacturing and the ¥809 million acquisition of software IP and the like for the Company's future competitiveness.

In addition, mainly due to a revision of our managerial resource allocation as part of efforts to reform the Group's business structure, ¥1,527 million of plant and equipment were retired (tools, furniture, and fixtures as well as software, etc.)

3. Status of financing

The MegaChips Group raises funds from financial institutions as necessary, primarily for use as working capital.

There are no particular facts concerning fund-raising activities for the consolidated fiscal year under review. At the end of the consolidated fiscal year under review, the total balance of borrowings from financial institutions was ¥52,827 million, attributable to an increase in borrowing for working capital.

4. Status of absorption-type company split

Based on an absorption-type company split agreement that the Company concluded on November 16, 2018, effective as of January 1, 2019, the Company's System Product Division, which develops security monitoring applications was transferred by absorption-type company split to Sense Things Japan Inc., a wholly-owned subsidiary of Mamezou Holdings Co., Ltd.

(2) Status of assets and profits and losses

| Classification | | 26th (FY2015 ended March 2016) | 27th (FY2016 ended March 2017) | 28th (FY2017 ended March 2018) | 29th (Consolidated fiscal year under review) (FY2018 ended March 2019) |
|---|---------------|-----------------------------------|-----------------------------------|-----------------------------------|---|
| Net sales | (Million Yen) | 55,662 | 67,438 | 89,029 | 95,145 |
| Ordinary income | (Million Yen) | 313 | 994 | 2,207 | 502 |
| Profit (Loss) attributable to owners of the parent | (Million Yen) | (782) | (947) | 1,948 | (1,727) |
| Profits (Loss) per share) | (Yen) | (35.24) | (44.14) | 90.05 | (79.40) |
| Total assets | (Million Yen) | 69,921 | 80,465 | 94,633 | 91,977 |
| Net assets | (Million Yen) | 28,846 | 27,631 | 31,184 | 26,223 |
| Net assets per share | (Yen) | 1,341.86 | 1,280.71 | 1,435.37 | 1,204.98 |

(3) Status of material parent company and subsidiaries (as of March 31, 2019)

① Status of parent company

There is no relevant information to report.

② Status of major subsidiaries

| Company names | Capital | Company's ratio of voting rights (%) | Details of major businesses |
|--|------------------|--------------------------------------|---|
| Shun Yin Investment Ltd. | NT\$629 million | 100.0% | Investment business |
| MegaChips Technology America Corporation | US\$4.57 million | 100.0% | Development, marketing, and sales of semiconductors |
| MegaChips Taiwan Corporation | NT\$610 million | 100.0% (41.0) | Development, production control, sales, and technical support of semiconductors |
| MegaChips Corporation, China | CNY8.5 million | 100.0% | Sales and technical support of semiconductors |
| SiTime Corporation | US\$5 | 100.0% | Development, marketing, and sales of semiconductors |

(Note) 1. Including the major subsidiaries noted above, the Company has a total of 8 consolidated subsidiaries.

2. Shun Yin Investment Ltd. and MegaChips Taiwan Corporation are deemed to be specified subsidiaries.

3. The figures in parentheses under "Company's ratio of voting rights" represent the ration of voting rights indirectly owned by the Company.

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

With the significant changes in industries and ways of living brought by rapidly advancing innovations in information and communications technology and our efforts right before us to realize an affluent information-oriented society, there will be a corresponding substantial shift in the demand for semiconductor products, the key devices for equipment and systems surrounding us.

In the electronics industry to which the Group belongs, while growth is decelerating in the consumer appliances sector, which includes PCs, mobile phones and more, the need for high performance, multi-functionality and other advancements in electronic components is increasing in the automotive device and industrial equipment fields, which will continue to grow going forward, along with expansion anticipated in demand for products capable of contributing to efforts to increase the accuracy, functionality and miniaturization of semiconductors and reduce their power consumption.

The Group considers these trends as an opportunity for further growth and clarifies the fields in which it will focus its managerial resources. Furthermore, the Group strives to contribute to the creation of an abundant future society by providing its customers with a wide range of innovative solutions through unprecedented new value creation and advanced technology, and by growing and developing together with our customers.

1. Focusing our managerial resources on promising sectors where further growth is anticipated, namely the in-vehicle device, industrial equipment, and telecommunications infrastructure fields, we are optimizing our business portfolio by developing new businesses in the hope of promoting sustainable, medium to long-term growth. Toward that end, we plan to differentiate our products and provide effective proposals to solve customers' problems by strengthening the competitiveness of analog LSI technology and collaborating with overseas corporate business partners.
2. In the ASIC business, in addition to further strengthening and expanding the foundation of the amusement business, currently our major field, we are also engaged in developing leading customers in new business markets both inside and outside Japan. More specifically, we are expanding our business into the in-vehicle device field and the industrial equipment field using our proprietary, core technology in the high-speed wired communications field.
3. In the ASSP business, we are developing business in the 5G communications infrastructure, in-vehicle device and IoT fields using analog/digital and MEMS technology as a core. In particular, we are expanding business with leading, global customers centered on the MEMS timing device.
4. We are strengthening advanced and creative human resources to support future growth through promotion of human resource development and diversity and working on environmental considerations in our business activities and contribution to society. We are also advancing initiatives to reinforce the managerial foundation so that we

flexibly and rapidly respond to changes in the management environment such as enhanced corporate governance and risk management systems and improved equity ratio.

2 Status of MegaChips Corporation

(1) Status of shares (as of March 31, 2019)

- | | |
|-------------------------------------|--------------------|
| ① Total number of authorized shares | 100,000,000 shares |
| ② Total number of issued shares | 23,038,400 shares |
| ③ Number of shareholders | 21,488 |
| ④ Major shareholders (top 10) | |

| Names of shareholders | Number of shares held (thousand shares) | Shareholding ratio (%) |
|---|--|------------------------|
| Shindo Corporation | 1,239 | 5.70 |
| Shindo and Associates Co., Ltd. | 1,239 | 5.70 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 1,215 | 5.58 |
| Shigeki Matsuoka | 810 | 3.72 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 666 | 3.06 |
| THE BANK OF NEW YORK MELLON 140051 | 658 | 3.03 |
| Masahiro Shindo | 560 | 2.58 |
| Ritsuko Shindo | 556 | 2.56 |
| Noriko Matsui | 517 | 2.38 |
| Mika Aoki | 504 | 2.32 |

(Notes) 1. The shareholding ratio is calculated by deducting the treasury shares (1,275,000 shares) .

2. Although MegaChips Corporation holds 1,275,000 shares of treasury shares, it is excluded from the above list of major shareholders.

(2) Status of Corporate Officers

① Status of Directors and Auditors (as of March 31, 2019)

| Title | Name | Areas of responsibility and status of significant concurrent positions |
|--|--------------------|---|
| President and CEO Executive Officer | Akira Takata | Director of Shun Yin Investment Ltd. Officer of SiTime Corporation |
| Senior Managing Director Executive Officer | Masayuki Fujii | Senior General Manager of Finance Division Officer of SiTime Corporation |
| Senior Managing Director Executive Officer | Kyoichi Kissei | Executive General Manager of Display Peripheral LSI Business HQ, Executive Manager of Procurement & Production Division and Vice Chief Officer of Makuhari Office President of MegaChips Taiwan Corporation Director of MegaChips Corporation, China (Shenzhen) |
| Managing Director Executive Officer | Tetsuo Hikawa | Executive Manager of Domestic Business and Division Director of Corporate Planning Headquarters |
| Director Executive Officer | Yoshimasa Hayashi | Executive Manager of Sales Headquarters and Human Resource Development Division Officer of MegaChips Technology America Corporation Director of MegaChips Corporation, China (Shenzhen) |
| Director Executive Officer | Yasuto Shimomae | Division Director of ASSP Business Headquarters and Executive Manager of Intellectual Property & Legal Division |
| Director Executive Officer | Koichi Akeyama | Senior General Manager of SC Product Department of Display Peripheral LSI Business Division President & CEO of MegaChips Technology America Corporation Officer of SiTime Corporation |
| Director | Keiichiro Akahoshi | — |
| Director | Dang-Hsing Yiu | Senior Vice President and Chief Marketing Officer of Macronix International Co., Ltd. Director, MegaChips Taiwan Corporation |
| Director | Jiun-Hao Lai | Director, Wolley Inc. Independent Director, Silicon Optronics, Inc. Director, Giga Solution Tech. Co., Ltd Independent Director of True Light Corporation |

| Title | Name | Areas of responsibility and status of significant concurrent positions |
|----------------------------|-----------------|--|
| Standing Statutory Auditor | Tadashi Sumi | — |
| Auditor | Nozomu Ohara | Managing Partner, Ohara & Furukawa Outside auditor, JSK Co., Ltd. |
| Auditor | Keiichi Kitano | President, Kitano Keiichi Tax Accountant Office Outside Auditor, Jorte Inc. |
| Auditor | Katsuhiko Asada | Director, I&T Tech Co., Ltd. |

- (Notes)
1. Directors Keiichiro Akahoshi, Dang-Hsing Yiu, and Jiun-Hao Lai are outside directors as defined in Article 2, Item 15 of the Companies Act.
 2. Auditors Nozomu Ohara, Keiichi Kitano and Katsuhiko Asada are outside auditors as defined in Article 2, Item 16 of the Companies Act.
 3. Auditor Keiichi Kitano is a qualified certified tax accountant and considerable knowledge about finance and accounting.
 4. Macronix International Co. Ltd., a major customer of the Company, is a party to a manufacturing contract with the Company.
 5. MegaChips Technology America Corporation, MegaChips Taiwan Corporation, MegaChips Corporation, China (Shenzhen), and SiTime Corporation, all subsidiaries of the Company, engage in transactions with the Company for the sale and purchase of products.
 6. There is no relationship of special interest between the Company and any of Wolley Inc., Silicon Optronics, Inc., Giga Solution Tech. Co., Ltd., True Light Corporation, Ohara & Furukawa, JSK Co., Ltd., Kitano Keiichi Tax Accountant Office, Jorte Inc., or I&T Tech Co., Ltd.
 7. Directors Keiichiro Akahoshi and Jiun-Hao Lai each satisfies the requirements for independent directors as stipulated by the Tokyo Stock Exchange and have been reported to the Exchange as independent directors.

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

| Title | Number of people | Total amount of compensation for the current fiscal year |
|--|------------------|--|
| Directors (of those, the Outside Directors) | 12 (4) | ¥ 213.986 million (37.8) |
| Auditors (of those, the Outside Director) | 4 (3) | ¥ 41.4 million (29.7 million) |
| Total (of those, the Outside Director) | 16 (7) | ¥ 255.386 million (67.5 million) |

- (Notes)
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 (¥100 million for Outside Directors).
 2. 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.
 3. Officers' bonuses were not provided during the fiscal year under review.
 4. The above includes 2 Directors (1 of whom was an Outside Director) who resigned as of the conclusion of the 28th Annual General Meeting of Shareholders held on June 22, 2018.

③ Policy for determining details of compensation

The Company's compensation structure for the Company's Directors and Auditor's focuses on increasing motivation for enhanced enterprise value of the MegaChips Group and improved business results taking into consideration standards that enable the Company to acquire and retain talented personnel as a source of competitiveness.

More concretely, the compensation of each Director and each Auditor consists of a fixed compensation amount and an officer's bonus. Officers' bonuses adopt performance-linked bonuses as a standard, and, at the end of each fiscal year, the resource of the officers' bonuses is determined based on an amount not exceeding 5% of the MegaChips Group's profit attributable to owners of the parent. The fixed compensation amount and the officer's bonus paid to each Director and each Auditor are determined in accordance with the following standards.

A. Director's Compensation Policy

The directors' compensation is reviewed in the Compensation Committee consisting of mainly of outside officers and is then submitted to a meeting of the Board of Directors for determination.

The Company pays each Director the fixed compensation in the amount determined based on the Director's title and working arrangement (full-time or part-time) as well as the degree of difficulty and degree of responsibility of duties performed, taking into consideration the going market rate, and the Director's bonus in the allocated amount determined by deliberation, after taking into account the circumstances of the Director's performance of duties.

B. Auditors' Compensation Policy

The Company pays each Auditor the fixed compensation in the amount determined based on the Auditor's working arrangement (full-time or part-time) and the duties for which the Auditor is responsible, and the Auditor's bonus in the amount allocated based on the Auditor's working arrangement (full-time or part-time) and the duties for which the auditor is responsible.

④ Matters concerning Outside Officers

A. Major activities for this fiscal year

| Title | Name | Status of activities |
|----------|--------------------|---|
| Director | Keiichiro Akahoshi | <p>Attended 15 of 15 (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 actively expressed opinions on each proposal and deliberation concerning management and technical aspects from an objective viewpoint independent of directors conducting the Company's affairs. Also provided necessary advice.</p> <p>In addition to the above, 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> |
| Director | Dang-Hsing Yiu | <p>Attended 15 of 15 (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 concerning management and technical aspects from an objective viewpoint independent of directors conducting the [Company's] affairs. In addition to the above, provided necessary advice about product research and development through Board of Director meetings.</p> |
| Director | Jiun-Hao Lai | <p>Attended 15 of 15 (100%) meetings of the Board of Directors held in the current fiscal year after his appointment as Outside Director. To clarify the points of contention and doubts, asked appropriate questions and expressed opinions on each proposal and deliberation concerning management and technical aspects from an objective viewpoint independent of directors conducting the [Company's] affairs. In addition to the above, provided necessary advice about product research and development through Board of Director meetings.</p> |
| Auditor | Nozomu Ohara | <p>Attended 15 of 15 (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 an attorney and patent attorney. Also, provided necessary advice.</p> <p>Attended 13 of 13 (100%) of 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> <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 | Keiichi Kitano | <p>Attended 15 of 15 (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.</p> <p>Attended 13 of 13 (100%) of 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.</p> |

| Title | Name | Status of activities |
|---------|-----------------|--|
| Auditor | Katsuhiko Asada | <p>Attended 15 of 15 (100%) meetings of the Board of Directors held in the current fiscal year and asked appropriate questions and expressed opinions based on many years as an electrical engineering and information science researcher. Also, provided necessary advice.</p> <p>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 on 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 new 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 in order 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.

Consolidated Balance Sheet

(As of March 31, 2019)

(Unit : Thousand Yen)

| Item | Amount | Item | Amount |
|-------------------------------------|---------------------|---|---------------------|
| (Assets) | | (Liabilities) | |
| 【Current assets】 | 【61,005,023】 | 【Current liabilities】 | 【40,683,108】 |
| Cash and deposits | 10,218,297 | Notes and accounts payable-trade | 6,408,966 |
| Notes and accounts receivable-trade | 39,735,519 | Short-term loans payable | 20,327,405 |
| Inventories | 7,608,567 | Current portion of long-term loans payable | 9,500,000 |
| Other | 3,463,809 | Accounts payable-other | 2,197,947 |
| Allowance for doubtful accounts | (21,170) | Income taxes payable | 429,750 |
| 【Non-current assets】 | 【30,972,732】 | Provision for bonuses | 405,442 |
| (Property, plant and equipment) | (4,441,183) | Provision for loss on construction contracts | 148,574 |
| Buildings | 1,489,473 | Other | 1,265,021 |
| Land | 289,638 | 【Non-current liabilities】 | 【25,070,694】 |
| Other | 2,662,071 | Long-term loans payable | 23,000,000 |
| (Intangible assets) | (19,358,604) | Deferred tax liabilities | 890,822 |
| Goodwill | 10,666,216 | Other | 1,179,871 |
| Technical assets | 3,306,742 | Total liabilities | 65,753,802 |
| Software | 5,369,148 | (Net equity) | |
| Other | 16,496 | 【Shareholders' equity】 | 【25,473,496】 |
| (Investment and other assets) | (7,172,944) | Capital stock | 4,840,313 |
| Investment securities | 2,062,231 | Capital surplus | 6,183,846 |
| Long-term prepaid expenses | 2,509,929 | Earned surplus | 16,058,261 |
| Deferred tax assets | 1,397,463 | Treasury stock | △1,608,924 |
| Other | 1,203,320 | 【Other accumulated comprehensive equity】 | 【750,456】 |
| | | Valuation difference on available-for-sale securities | 1,041,475 |
| | | Foreign currency translation adjustment | (291,018) |
| | | Total net assets | 26,223,953 |
| Total assets | 91,977,755 | Total liabilities and net assets | 91,977,755 |

Consolidated Statements of Income

(From April 1, 2018 To March 31, 2019)

(Unit: Thousand Yen)

| Item | Amount |
|--|-------------|
| Net sales | 95,145,485 |
| Cost of sales | 75,509,000 |
| Gross profit | 19,636,484 |
| Selling, general and administrative expenses | 19,062,844 |
| Operating income | 573,640 |
| Non-operating income | 490,431 |
| Interest income | 17,554 |
| Dividends earned | 79,908 |
| Gain on investments in partnership | 5,542 |
| Receiving dispatching fee | 59,956 |
| Foreign exchange gains | 316,492 |
| Other | 10,976 |
| Non-operating expenses | 561,447 |
| Interest expenses | 508,193 |
| Commission loan-payable | 500 |
| Loss on sales of accounts receivable | 38,068 |
| Other | 14,686 |
| Ordinary income | 502,624 |
| Extraordinary income | 341,635 |
| Gain on sales of non-current assets | 12,629 |
| Gain on transfer of business | 329,005 |
| Extraordinary loss | 1,898,664 |
| Loss on retirement of non-current assets | 1,527,095 |
| Special retirement expenses | 371,568 |
| Net loss before taxes | 1,054,404 |
| Income taxes-current | 718,692 |
| Income taxes-deferred | (45,779) |
| Loss | (1,727,317) |
| Loss attributable to owners of the parent | (1,727,317) |

Consolidated Statements of Changes in Shareholders' Equity

(From April 1, 2018 To March 31, 2019)

(Unit: Thousand Yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balances at April 1, 2018 | 4,840,313 | 6,183,562 | 18,524,246 | (1,656,229) | 27,891,893 |
| Changes of items during the consolidated year | | | | | |
| Dividends of surplus | – | – | (738,667) | – | (738,667) |
| Loss attributable to owners of the parent | – | – | (1,727,317) | – | (1,727,317) |
| Changes in scope of consolidation | – | – | – | (2) | (2) |
| Purchase of treasury shares | – | 283 | – | 47,307 | 47,590 |
| Net changes of items other than shareholders' equity during the consolidated year | – | – | – | – | – |
| Changes of items during the consolidated year (total) | – | 283 | (2,465,985) | 47,305 | (2,418,396) |
| Balances at March 31, 2019 | 4,840,313 | 6,183,846 | 16,058,261 | (1,608,924) | 25,473,496 |

| | Accumulated Other Comprehensive Income (AOCI) | | | Total net assets |
|---|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total other accumulated comprehensive income | |
| Balances at April 1, 2018 | 3,241,184 | 51,112 | 3,292,297 | 31,184,191 |
| Changes of items during the consolidated year | | | | |
| Dividends of surplus | – | – | – | (738,667) |
| Loss attributable to owners of the parent | – | – | – | (1,727,317) |
| Change of scope of consolidation | – | – | – | (2) |
| Disposal of treasury shares | – | – | – | 47,590 |
| Net changes of items other than shareholders' equity during the consolidated year | (2,199,709) | (342,131) | (2,541,841) | (2,541,841) |
| Changes of items during the consolidated year (total) | (2,199,709) | (342,131) | (2,541,841) | (4,960,237) |
| Balances at March 31, 2019 | 1,041,475 | (291,018) | 750,456 | 26,223,953 |

Balance Sheet

(As of March 31, 2019)

(Unit: Thousand Yen)

| Item | Amount | Item | Amount |
|---------------------------------------|---------------------|---|---------------------|
| (Assets) | | (Liabilities) | |
| 【Current assets】 | 【51,369,524】 | 【Current liabilities】 | 【32,861,373】 |
| Cash and deposits | 5,694,178 | Electrically recorded monetary claims | 2,817,891 |
| Account receivables | 37,010,218 | Account payables-trade | 2,839,660 |
| Merchandise and finished goods | 2,983,123 | Short-term loans payable | 14,500,000 |
| Work in process | 774,860 | Current portion of long-term loans payable | 9,500,000 |
| Raw materials and supplies | 598,199 | Accounts payable-other | 2,044,855 |
| Prepaid expenses | 222,065 | Income taxes payable | 360,105 |
| Other | 4,089,451 | Accrued expenses | 198,466 |
| Allowance for doubtful accounts | △2,574 | Deposits received | 31,678 |
| 【Non-current assets】 | 【39,371,640】 | Provision for bonuses | 377,910 |
| (Tangible fixed assets) | (2,252,500) | Provision for loss on construction contracts | 148,574 |
| Buildings | 732,239 | Other | 42,230 |
| Tools, furniture and fixtures | 891,136 | 【Non-current liabilities】 | 【23,604,367】 |
| Land | 289,638 | Long-term loans payable | 23,000,000 |
| Other | 339,485 | Other | 604,367 |
| (Intangible assets) | (2,383,123) | Total liabilities | 56,465,741 |
| Patent rights | 406 | (Net assets) | |
| Telephone subscription rights | 4,595 | 【Shareholders' equity】 | 【34,269,608】 |
| Software | 2,378,121 | (Capital stock) | (4,840,313) |
| (Investment and other assets) | (34,736,017) | (Capital surplus) | (6,183,846) |
| Investment securities | 567,007 | Legal capital surplus | 6,181,300 |
| Shares of subsidiaries and associates | 29,332,017 | Other capital surplus | 2,545 |
| Long-term loans receivable | 12,924 | (Retained earnings) | (24,854,373) |
| Long-term prepaid expenses | 2,486,339 | Legal retained earnings | 97,042 |
| Guarantee deposits | 270,388 | Other retained earnings | 24,757,331 |
| Deferred tax assets | 1,177,431 | Voluntary retained earnings | 3,830,500 |
| Other | 889,908 | Retained earnings brought forward | 20,926,831 |
| | | (Treasury shares) | (△1,608,924) |
| | | 【Valuation and translation adjustment】 | 【5,815】 |
| | | (Valuation difference on available-for-sale securities) | (5,815) |
| | | Total net assets | 34,275,424 |
| Total assets | 90,741,165 | Total liabilities and net assets | 90,741,165 |

Statements of Income

(From April 1, 2018 To March 31, 2019)

(Unit: Thousand Yen)

| Item | Amount |
|--|------------|
| Net Sales | 81,494,172 |
| Cost of sales | 68,833,297 |
| Gross profit | 12,660,874 |
| Selling, general and administrative expenses | 9,342,621 |
| Operating income | 3,318,252 |
| Non-operating income | 891,871 |
| Interest and dividend income | 723,197 |
| Gain on investments in partnership | 5,542 |
| Foreign exchange gains | 121,529 |
| Other | 41,600 |
| Non-operating expenses | 363,411 |
| Interest expenses | 311,090 |
| Commission loan-payable | 500 |
| Loss on sales of accounts receivable | 38,068 |
| Other | 13,752 |
| Ordinary income | 3,846,713 |
| Extraordinary income | 341,635 |
| Gain on sales of non-current assets | 12,629 |
| Gain on transfer of business | 329,005 |
| Extraordinary loss | 1,741,732 |
| Loss on retirement of non-current assets | 1,407,748 |
| Special retirement expenses | 333,984 |
| Profit before income taxes | 2,446,616 |
| Income taxes-current | 717,466 |
| Income taxes-deferred | 56,278 |
| Profit | 1,672,870 |

Statement of Changes in Equity

(From April 1, 2018 To March 31, 2019)

(Unit: Thousand Yen)

| | Shareholders' equity | | | | | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|-----------------------------------|------------|-------------------------|
| | Capital stock | Capital surplus | | | Retained earnings | | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | Total retained earnings |
| | | | | | Voluntary retained earnings | Retained earnings brought forward | | |
| Balances at April 1, 2018 | 4,840,313 | 6,181,300 | 2,262 | 6,183,562 | 97,042 | 3,830,500 | 19,992,628 | 23,920,170 |
| Changes of items during the consolidated year | | | | | | | | |
| Dividends of surplus | – | – | – | – | – | – | (738,667) | (738,667) |
| Profit | – | – | – | – | – | – | 1,672,870 | 1,672,870 |
| Purchase of treasury shares | – | – | – | – | – | – | – | – |
| Disposal of treasury shares | – | – | 283 | 283 | – | – | – | – |
| Net changes of items other than shareholders' equity during the consolidated year | – | – | – | – | – | – | – | – |
| Changes of items during consolidated year (total) | – | – | 283 | 283 | – | – | 934,202 | 934,202 |
| Balances at March 31, 2019 | 4,840,313 | 6,181,300 | 2,545 | 6,183,846 | 97,042 | 3,830,500 | 20,926,831 | 24,854,373 |

| | 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, 2018 | (1,656,229) | 33,287,817 | 2,772 | 2,772 | 33,290,590 |
| Changes of items during the consolidated year | | | | | |
| Dividends surplus | – | (738,667) | – | – | (738,667) |
| Profit | – | 1,672,870 | – | – | 1,672,870 |
| Purchase of treasury shares | (2) | (2) | – | – | (2) |
| Disposal of treasury shares | 47,307 | 47,590 | – | – | 47,590 |
| Net changes of items other than shareholders' equity during the consolidated year | – | – | 3,042 | 3,042 | 3,042 |
| Changes of items during the consolidated year (total) | 47,305 | 981,791 | 3,042 | 3,042 | 984,834 |
| Balances at March 31, 2019 | (1,608,924) | 34,269,608 | 5,815 | 5,815 | 34,275,424 |

Audit Reports in consolidated financial statements

Independent Auditor's Report

May 9, 2019

To the Board of Directors of
MegaChips Corporation

KPMG AZSA LLC
Yasuhiro Wada (seal)
Designated and Engagement Partner
Certified Public Accountant

Tetsuo Yamada (seal)
Designated and Engagement Partner
Certified Public Accountant

Pursuant to the fourth paragraph of Article 444 of The Companies Act, we have audited the accompanying consolidated financial statements, which comprise the Consolidated financial statements for the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019), namely, Consolidated Balance Sheet, Consolidated Statements of Income, Consolidated Statements of Shareholders' Equity.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditors. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on our judgment, based on the assessment of the risks of material misstatements in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and method of application thereof, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MegaChips Corporation and consolidated subsidiaries in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required in compliance with the Certified Public Accountants Act.

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.

Audit Reports in financial statements

Independent Auditor's Report

May 9, 2019

To the Board of Directors of
MegaChips Corporation

KPMG AZSA LLC
Yasuhiro Wada (seal)
Designated and Engagement Partner
Certified Public Accountant

Tetsuo Yamada (seal)
Designated and Engagement Partner
Certified Public Accountant

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the Balance Sheet, Statements of Income, Statements of Shareholders' Equity for the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplemental schedules in conformity 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 supplemental schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the accompanying supplemental schedules based on our audit as independent auditors. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected and applied depend on our judgment, based on the assessment of the risks of material misstatements in the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the Financial Statements and the accompanying supplemental schedules, in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and method of application thereof, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of MegaChips Corporation in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required in compliance with the Certified Public Accountants Act.

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Audit report of the Audit & Supervisory Board

Audit Report

With respect to the Directors' performance of their duties during the fiscal year from April 1, 2018 to March 31, 2019, 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 Member 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, 2019

Audit & Supervisory Board of MegaChips Corporation

Standing Statutory Auditor: Tadashi Sumi (Seal)

Auditor : Nozomu Ohara (Seal)

Auditor : Keiichi Kitano (Seal)

Auditor : Katsuhiko Asada (Seal)

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