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Securities Code: 6875
June 4, 2020

To: Our Shareholders

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

NOTICE OF THE 30th ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are hereby notified that the 30th Annual General Meeting of Shareholders of MegaChips Corporation (the “Company”) is to be held as described below. **You may exercise your voting rights in writing by or via internet, after carefully considering the attached Reference Documents for Shareholders Meeting, indicating your approval or disapproval. Please send it to ensure its arrival by 6 p.m. on Thursday, June 25, 2020 (Japan time), the day before the Annual General Meeting of Shareholders.**

1. Date and Time: Friday, June 26, 2020 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, Japan

3. Agenda of the Meeting

Matters to be reported:

1. Business report for the fiscal year ended March 31, 2020- (April 1, 2019 to March 31, 2020) (“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, 2019 to March 31, 2020)

Matters to be resolved:

Proposal: Election of Nine (9) Directors

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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.

The Company's Response to the Risk of COVID-19 Infection

In light of the spread of COVID-19 infection, the Company requests that shareholders exercise their voting rights in advance in writing or via the Internet to the greatest extent possible in order to ensure the safety of shareholders and to prevent the spread of infection at this Annual General Meeting of Shareholders. We also request that all shareholders attending this Annual General Meeting of Shareholders to check the status of infection in Japan as of the date of the meeting and their own physical condition and to take other measures to prevent infection, including wearing masks.

- In order to prevent infection at the venue of this Annual General Meeting of Shareholders, the number of seats at the venue is expected to be lower than in previous years due to the spaced seating arrangements and other factors. In addition, the proceedings at the meeting will be shorter time than in previous years.
- Please be advised that the product display will be cancelled from the perspective of infection prevention.
- The Company plans to take the following measures at the venue to prevent infection and spread of the disease.
 - The Company's staff and officers in attendance will wear masks as the situation requires.
 - A temperature check will be performed at the reception desk at the venue. Also, please cooperate with us in disinfecting your hands with an alcohol-based disinfectant when entering the venue.
 - Please note that we will not be providing beverages.
 - Our staff may approach persons who seem unwell.
 - In addition, we may take other necessary measures to prevent the spread of infection in our discretion and we appreciate your cooperation in this regard.

If there are any major changes in the operation of the Annual General Meeting of Shareholders due to future circumstances, we will announce them on the Company's website (address <https://www.megachips.co.jp>).

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

2. Souvenirs

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

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

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

Reference Documents for Shareholders Meeting

Agenda Item Election of Nine (9) Directors

Since the terms of office of the current ten Directors, Tetsuo Hikawa, Masahiro Shindo, Akira Takata, Yoshimasa Hayashi, Yasuto Shimomae, Koichi Akeyama, Ikuo Yamaguchi, Jiun-Hao Lai and Junko Nagata 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	President and CEO,		100% (15/15times)
2	Masahiro Shindo	Re-election	Chairman		100% (12/12times)
3	Yoshimasa Hayashi	Re-election	Director, Executive Officer		100% (15/15times)
4	Yasuto Shimomae	Re-election	Director, Executive Officer		100% (15/15times)
5	Ikuo Yamaguchi	Re-election	Director, Executive Officer		100% (12/12times)
6	Ikuo Iwama	Newly Elected	—		—
7	Jiun-Hao Lai	Re-election	Director	Outside, Independent, Foreign National	100% (15/15times)
8	Junko Nagata	Re-election	Director	Outside, Independent, Woman	100% (12/12times)
9	Hirofumi Nagai	Newly Elected	—	Outside, Independent	—

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



■ Positions and responsibilities at the Company

President and CEO

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 8 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
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
Jun. 2019 President and CEO (to present)

Reasons for Nomination as Director

As President / CEO since 2019, Mr. Hikawa has demonstrated strong leadership in managing the MegaChips Group, and by tackling management issues such as business structural reforms from a medium- to long-term perspective and working to enhance the corporate value of the MegaChips Group through his initiatives, he has a proven track record of steadily implementing a wide range of management plans. 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 candidate for Director.

Nominee Number 2 Masahiro Shindo Date of birth: January 28, 1941 Re-election



■ Positions and responsibilities at the Company

Chairman of Board of Directors

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 1 years
- Number of shares held in the Company 550,644 shares
- Attendance at Board of Directors meetings 100% (12 of 12)

■ Career summary and material concurrent positions at the Company

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

Reasons for Nomination as Director

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** **Yoshimasa Hayashi** Date of birth: September 23, 1957 Re-election



■ Positions and responsibilities at the Company

Director, Executive Officer

Executive Manager of ASIC Business HQ. No.2

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 4 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
 - 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 Human Resources Development Division and Sales Headquarters
 - Jun. 2019 Executive Officer, Executive Manager of Sales Headquarters
 - Oct. 2019 Executive Officer, Division Director of ASIC Business Headquarters
 - Apr. 2020 Executive Officer, Division Director of ASIC Business Headquarters, Division No. 2 (to present)
- (Material concurrent positions)
- Director of MegaChips LSI USA 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 officer of ASIC Business Headquarters, Division No. 2, he has demonstrated great skills in expanding customer satisfaction, and strengthening the management base. 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 4 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): 3 years
- Number of shares held in the Company 4,200shares
- 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 HQ
- 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 Officer 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 5 Ikuo Yamaguchi Date of birth: January 16, 1968 Re-election



■ Positions and responsibilities at the Company

Director, Executive Officer

Executive General Manager of ASIC Business Headquarters No.1

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 1 year
- Number of shares held in the Company 1,600shares

■ 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
- Jun. 2019 Director (to present)
- Apr. 2020 Executive Officer, Division Director of ASIC Business Headquarters, 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 customers as the Division Director of ASIC Business Headquarters, Division No. 1, 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 6 Ikuo Iwama Date of birth: July 8, 1947 Newly elected



■ Positions and responsibilities at the Company

■ Career summary and material concurrent positions at the Company

Mar. 1971 Graduated from Kanazawa University, Department of Precision Engineering
Apr. 1971 Entered Mitsubishi Electric, Kita-Itami Works
May 1980 Entered Ricoh Co., Ltd., Technical HQ
Sep. 1981 Ricoh Systems Inc., Manager of Business Liaison
Apr. 1989 Ricoh Corporation, VP of Electronic Devices Division
Sep. 1996 Nippon Kokan KK, Director, U.S. Semiconductor Liaison Office
Apr. 1998 Digital Image Inc., President
Feb. 2004 Macronix America Inc., Director of Japanese Customer Development
Jun. 2009 Haoyu Microelectronics Co., Ltd., Advisor
Jun. 2015 General Micro Electronics Corp., Advisor

Reasons for Nomination as Director

Mr. Iwama has broad expertise in management based on his extensive knowledge and experience in semiconductor-related fields over many years, including semiconductor technology and manufacturing processes as well as his experience in overseas business operations. Mr. Iwama is viewed as a person capable of moving the business forward with his use of these experiences and achievements and contributing to the continued enhancement of corporate value, and therefore has been nominated again as a Director.

Nominee Number 7 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): 3 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**

- 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.

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

Nominee Number **8 Junko Nagata** Date of birth: October 9, 1961



■ Positions and responsibilities at the Company

Director

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 1 year
- Number of shares held in the Company —

■ 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 Uraga, 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)
- Jun. 2019 Director (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

Ms. Junko Nagata entered the Japan Coast Guard Academy as the first female student when it opened its doors to women for the first time. Following graduation, she worked for 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. Although Ms. Nagata has no experience participating in corporate management other than as an Outside Director, for the reasons described above, she will make a great contribution and will be able to serve as an Outside Director properly.

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

Nominee Number 9 Hirofumi Nagai Date of birth: January 23, 1972

Newly elected / Outside Director / Independent Director



■ Positions and responsibilities at the Company

■ Career summary and material concurrent positions at the Company

- Nov. 1994 Joined Show & Ota (currently, EY ShinNihon LLC)
 - May 1998 Registered as a certified public accountant
 - Oct. 2005 Transferred to the Listing Examination Department of the Osaka Securities Exchange Co., Ltd. (currently, Osaka Exchange, Inc.)
 - Oct. 2007 Returned to Ernst & Young ShinNihon LLC (currently, EY ShinNihon LLC)
 - Feb. 2010 Head of Nagai Public Accountant Office (to present)
 - Mar. 2010 Registered as a certified tax accountant
- (Material concurrent positions)
- Alt Kansa, Representative/Head

Reasons for Nomination as Director

Although Mr. Nagai does not have experience participating in direct management, as a certified public accountant and certified tax accountant, he has extensive expertise in finance, accounting and auditing as well as a rich career and high degree of insight, and as an Outside Director, we believe that the Company's management system will be further strengthened by receiving advice on all aspects of the Company's management. Therefore, we have nominated him again as an Outside Director.

Further, in the event of his election, the Company plans to register him with the Tokyo Stock Exchange as an Independent Director.

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

2. Jiun-Hao Lai, Junko Nagata and Hirofumi Nagai are nominees as Outside Directors of the Company. In addition, Jiun Hao Lai and Junko Nagata meet the standards for Independent Director set by the Tokyo Stock Exchange and the Company has submitted filings to the Tokyo Stock Exchange designating them as an Independent Officers. Further, if Jiun-Hao Lai, Junko Nagata as well as Hirofumi Nagai 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 and Junko Nagata, the Company's current outside directors, to limit liability for damages. If Hirofumi Nagai 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.

(Provided Documents)

Business Report (from April 1, 2019 to March 31, 2020)

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 demand in the electronic machinery and equipment industry for industrial electronics, consumer electronics, and electronic components and devices declined, with a year-on-year decrease in the overall market for the electronic machinery and equipment industry.

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, to achieve further growth in the midst of rapid innovation in telecommunication technologies, the Group puts the focus of its management resources on the fields of in-vehicle devices, industrial equipment, and telecommunications infrastructure, where future growth is expected. We strive to foster new businesses that will become an important pillar for future profits by developing and providing a superior, value-added solution capable of differentiation through initiatives to enhance the competitiveness of the analog circuit's development and design technology and engaging in strategic collaboration with businesses inside and outside Japan.

In addition, the Smart Connectivity (DisplayPort) business, which was developed for video interfaces in various electronics, was transferred to Kinetic Technologies as of December 12, 2019 as part of our business restructuring in the third fiscal quarter. By doing this, the Group puts the focus of its management resources on growth areas to strengthen medium- and long-term measures.

As for the consolidated operating results for the consolidated fiscal year under review, the Group recorded net sales of ¥65,764 million (a 30.9% decrease from the previous consolidated fiscal year) due to a decrease in sales resulting from the transfer of the System Product Division in the fourth quarter of the previous consolidated fiscal year and a decrease in demand for the customer-specific LSI field and Smart Connectivity LSIs, respectively.

As a result of ¥2,477 million in amortization of goodwill and intangible assets attributable to corporate acquisitions in the previous consolidated fiscal year and R&D expenses of ¥6,581 million (a 16.1% decrease from the previous consolidated fiscal year) from future-oriented R&D investments as well as steady progress in improving the operational efficiency as part of the business restructuring and other factors, the operating income before amortization of goodwill and other items was ¥3,449 million, the operating income after amortization of goodwill and other items was ¥972 million (a 69.5% increase from the previous consolidated fiscal year), and ordinary profits amounted to ¥639 million (a 27.1% increase from the previous consolidated fiscal year).

Further, due to a ¥599 million gain on liquidation of subsidiaries and affiliates arising from the liquidation of the consolidated subsidiary MegaChips Technology America Corporation, a ¥2,092 million loss on transfer of business attributable to the transfer of the Smart Connectivity (DisplayPort) Division, and a ¥546 million loss on valuation of investment securities, a ¥1,792 million loss attributable to the owners of parent was reported (compared to a loss attributable to the owners of parent of 1,727 million in the previous consolidated 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 13, 2020, an ordinary dividend of ¥17 per share was declared.

② Status of capital investments

During the current consolidated fiscal year under review, the MegaChips Group made capital investments of ¥1,516 million (including intangible assets).

The main items in the breakdown are the ¥520 million as well as ¥692 million for, among other things, the acquisition of software IP which will make the Company more competitive in the future.

In addition, in accordance with revisions of the allocation of management resources, the Company recorded an impairment loss of ¥271 million on buildings and land.

③ Status of financing

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

In the consolidated fiscal year under review, SiTime Corporation, the Company's consolidated subsidiary, raised ¥6,081 million in capital as working capital for business growth through the issuance of new shares in connection with its IPO in the U.S.

As of the end of the consolidated fiscal year under review, the MegaChips Group's interest-

bearing liabilities outstanding amounted to ¥28,491 million, a decrease of ¥24,335 million from the end of the previous consolidated fiscal year.

④ Status of business transfer

As part of a revision of its business structuring to ensure sustainable growth and improve operational efficiency, the MegaChips Group decided to sell the Smart Connectivity (DisplayPort) business, and, pursuant to business transfer agreement executed on November 26, 2019 (US Pacific Time), the Smart Connectivity (DisplayPort) Divisions of MegaChips Technology America Corporation, a consolidated subsidiary located in the United States, and MegaChips Taiwan Corporation, a consolidated subsidiary located in Taiwan, were transferred to Kinetic Technologies as of December 12, 2019.

(2) Status of assets and profits and losses

Classification		27th (FY2016 ended March 2017)	28th (FY2017 ended March 2018)	29th (FY2018 ended March 2019)	30th (Consolidated fiscal year under review) (FY2019 ended March 2020)
Net sales	(Million Yen)	67,438	89,029	95,145	65,764
Ordinary income	(Million Yen)	994	2,207	502	639
Profit (Loss) attributable to owners of the parent	(Million Yen)	(947)	1,948	(1,727)	(1,792)
Profits (Loss) per share	(Yen)	(44.14)	90.05	(79.40)	(82.35)
Total assets	(Million Yen)	80,465	94,633	91,977	72,347
Net assets	(Million Yen)	27,631	31,184	26,223	31,031
Net assets per share	(Yen)	1,280.71	1,435.37	1,204.98	1,289.72

(3) Status of material parent company and subsidiaries

① Status of parent company

There is no relevant information to report.

② Status of major subsidiaries (as of March 31, 2020)

Company names	Capital	Company's ratio of voting rights (%)	Details of major businesses
Shun Yin Investment Ltd.	NT\$309,040 thousand	100.0%	Investment business
MegaChips Taiwan Corporation	NT\$400,000 thousand	100.0% (41.0)	Sales, development and technical support as a sales base of east Asia
(MegaChips Corporation, China)	CNY8,500 thousand	100.0%	Sales and technical support to Chinese customers
MegaChips LSI USA Corporation	US\$3,000 thousand	100.0%	Development, sales and marketing as a sales base of North America
SiTime Corporation	US\$ 1 thousand	66.8%	Development and sales of MEMS (Micro-Electro-Mechanical Systems) timing device

- (Note) 1. Including the major subsidiaries noted above, the Company has a total of 9 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.
4. As of October 31, 2019, MegaChips Corporation, China (Shenzhen) was dissolved and is in liquidation proceedings.
5. MegaChips Technology America Corporation was excluded from the scope of consolidation as of March 31, 2020 due to the completion of its liquidation proceedings as of March 25, 2020.

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

In the next fiscal period's global environment, with the rapid growth of the ultra-high-speed communication network that will support the society of the 2020s and the realization of an increasing highly advanced information society close at hand, industries and ways of life are likely to continue to evolve in major ways. In addition, efforts to realize a low-carbon, recycling-oriented society in harmony with nature with the aim of maintaining the global environment will continue.

Although the electronics industry in which the MegaChips Group is involved is experiencing a slowdown of production performance for all electronics manufacturing industries, particularly in the industrial electronics field and electronic components and devices, the importance of certain fields has been increasing as they support future industrial development.

In the in-vehicle device field, there is a growing trend toward the use of electronics in automobiles, such as connected cars with communication functions, self-driving cars, and electric vehicles, with the aim of improving safety and reducing environmental impact. In the field of telecommunications infrastructure, the introduction of 5G has led to progress in the development of telecommunications infrastructure for the IoT era, including increased communication speed, reduced time lag and multiple simultaneous connections of many devices to be connected simultaneously. IoT for the industrial sector is expected to contribute to the transformation of industries such as logistics, manufacturing automation and power smart grids.

In this way, with the development of the in-vehicle device field, the industrial equipment field, and the infrastructure field (including telecommunications infrastructures) where further growth is anticipated, there is a growing need for higher performance and multifunctionality of electronic components used in the equipment surrounding us, as well as an expected expansion of demand for semiconductor products, which are key devices, mainly products that contribute to high precision, multifunctionality, compactness and low power consumption.

Under these circumstances, the MegaChips Group has adopted the following basic policies and intends to accelerate medium- to long-term growth by putting the ASIC business back on a path of renewed growth to strengthen its revenue base, and putting the focus of its management resources on the in-vehicle devices, industrial equipment, and infrastructure fields.

- ① The Group will strive to develop new technologies and improve quality for its mainstay amusement business in order to strengthen its business base.
- ② The Group will put the focus of its management resources on the in-vehicle devices, industrial equipment, and infrastructure (wired networks, server equipment, 5G base stations, etc.) fields where future growth is expected and will strive to foster new businesses by using its proprietary core technologies in the high-speed wired communications field. At

the same time, the Group will strengthen our sales capabilities and cultivate leading customers in order to develop its business.

- ③ SiTime Corporation, a subsidiary of MegaChips, will endeavor to expand business by engaging in initiatives to expand business with global leading customers and cultivating customers in new areas through the expansion of the product lineup of MEMS timing devices.
- ④ The Group will strengthen its management base so that it can flexibly and quickly adapt to changes in the business environment by implementing measures such as improving the ratio of net worth to total assets to establish a sound financial structure; improving operational efficiency by proactively promoting fixed cost reduction, administrative cost reduction and cost reduction activities; reforming the personnel system to focus on results and talent; and proactively appointing personnel with rich knowledge and experience.

We would like to take this opportunity to ask all of the shareholders for your continued support and encouragement.

2 Status of MegaChips Corporation

(1) Status of shares (as of March 31, 2020)

- ① Total number of authorized shares 100,000,000 shares
- ② Total number of issued shares 23,038,400 shares
- ③ Number of shareholders 21,106
- ④ Major shareholders (top 10)

Names of shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)
STATE STREET BANK AND TRUST COMPANY 505253	1,332	6.12
Shindo Corporation	1,239	5.70
Shindo and Associates Co., Ltd.	1,239	5.70
The Master Trust Bank of Japan, Ltd. (Trust Account)	889	4.09
THE BANK OF NEW YORK MELLON 140051	734	3.37
Shigeki Matsuoka	600	2.76
Masahiro Shindo	550	2.53
Ritsuko Shindo	546	2.51
Noriko Matsui	517	2.38
Mika Aoki	504	2.32

(Note) 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, 2020)

Title	Name	Areas of responsibility and status of significant concurrent positions
President and CEO	Tetsuo Hikawa	
Chairman	Masahiro Shindo	
Senior Managing Director Executive Officer	Akira Takata	Director of Shun Yin Investment Ltd. Officer of SiTime Corporation Officer of MegaChips LSI USA Corporation
Director Executive Officer	Yoshimasa Hayashi	Division Director of ASIC Business
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 of MegaChips LSI USA Corporation
Director Executive Officer	Ikuo Yamaguchi	General Manager of ASIC Business Division No. 1
Director	Jiun-Hao Lai	Director of Wolley Inc. Independent Director of Silicon Optronics, Inc. Director of Giga Solution Tech. Co., Ltd. Independent Director of True Light Corporation
Director	Junko Nagata	Board member of International Human Resource Network Organization Foundation Advisor of Tanita Health Link, Inc.
Standing Statutory Auditor	Makiko Yamakawa	
Auditor	Keiichi Kitano	President of Kitano Keiichi Tax Accountant Office Outside Auditor of SUS Co., Ltd.
Auditor	Katsuhiko Asada	Director of I&T Tech Co., Ltd.
Auditor	Tomoyoshi Furukawa	Partner of Ohara & Furukawa

- (Note)
1. Directors Jiun-Hao Lai and Junko Nagata are outside directors as defined in Article 2, Item 15 of the Companies Act.
 2. Auditors Keiichi Kitano, Katsuhiko Asada and Tomoyoshi Furukawa 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 has considerable knowledge about finance and accounting.
 4. MegaChips LSI USA Corporation and SiTime Corporation, subsidiaries of the Company, engage in transactions with the Company for the sale and purchase of products.
 5. 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, International Human Resource Network Organization Foundation, Tanita Health Link, Inc., Kitano Keiichi Tax Accountant Office, SUS Co., Ltd., I&T Tech Co., Ltd., or Ohara & Furukawa.
 6. Directors Jiun-Hao Lai, Junko Nagata and Auditors Keiichi Kitano, Katsuhiko Asada and Tomoyoshi Furukawa 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)	13 (4)	¥193,844 thousand (25,800 thousand)
Auditors (of those, the Outside Director)	6 (4)	¥38,100 thousand (27,000 thousand)
Total (of those, the Outside Director)	19 (8)	¥231,944 thousand (52,800 thousand)

- (Note)
1. Pursuant to the resolution adopted at the 27th Annual General Meeting of Shareholders held on June 23, 2017, the annual aggregate compensation for Directors shall not exceed ¥550 million (¥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 4 Directors (2 of whom was an Outside Director) and 2 Auditors (1 of whom was an Outside Auditor) who resigned as of the conclusion of the 29th Annual General Meeting of Shareholders held on June 21, 2019.

③ Policy for determining details of compensation

The compensation structure for the Company's Directors and Auditors focuses on enhancing the enterprise value of the MegaChips Group taking into consideration standards that enable the Company to acquire and retain talented personnel as a source of competitiveness.

A. Director's Compensation Policy

The compensation of a Director consists of a fixed compensation amount and a director's bonus. Directors' bonuses are linked to performance in order to motivate them to improve their performance, and at the end of each fiscal year, the source of the directors' bonuses is determined based on an amount not exceeding 5% of the MegaChips Group's profit attributable to the owners of parent. The Company uses "profit attributable to the owners of parent," which is the final result of management, as an indicator for evaluating the linkage of business results, and uses actual results as a standard.

The amount of fixed compensation and individual bonuses for directors is determined after deliberation by the Compensation Committee, in which more than half of the committee members are Company's outside directors and auditors, and reports to the Board of Directors. The fixed compensation amount is determined based on each director's position and type of work (full-time or part-time), taking into account the difficulty of execution of their duties, the weight of responsibility, and public market conditions, 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. Auditor's Compensation Policy

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

④ Matters concerning Outside Officers

A. Major activities for this fiscal year

Title	Name	Status of activities
Director	Jiun-Hao Lai	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 Directors meetings.
Director	Junko Nagata	Attended 12 of 12 (100%) meetings of the Board of Directors held in the current fiscal year after being appointed on June 21, 2019. To clarify the points of contention and doubts, asked appropriate questions and expressed opinions on each proposal and deliberation concerning management from an objective viewpoint independent of directors conducting the Company's affairs. In addition to the above, provided necessary advice about improving corporate governance through Board of Directors meetings.
Auditor	Keiichi Kitano	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. Attended 13 of 13 (100%) meetings of the Board of Auditors held in the current fiscal year and made appropriate remarks at every meeting attended and expressed opinions. In addition, exchanged opinions about audit results and consulted about important matters concerning audits. Served as a member of the Compensation Committee that was voluntarily formed as a consultative body by the Board of Directors; provided necessary advice.
Auditor	Katsuhiko Asada	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. 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.

Title	Name	Status of activities
Auditor	Tomoyoshi Furukawa	<p>Attended 12 of 12 (100%) meetings of the Board of Directors held in the current fiscal year after being appointed on June 21, 2019. To clarify the points of contention and doubts, asked appropriate questions and expressed opinions on proposals and deliberations mainly from the legal perspective and broad insight as an attorney. Also, provided necessary advice.</p> <p>Attended 10 of 10 (100%) meetings of the Board of Auditors held in the current fiscal and made appropriate remarks at every meeting attended and expressed opinions. In addition, exchanged opinions about audit results and consulted about important matters concerning audits.</p> <p>Served as a member of the Compensation Committee that was voluntarily formed as a consultative body by the Board of Directors; provided necessary advice.</p>

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, 2020)

(Unit : Thousand Yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
【Current assets】	【45,628,799】	【Current liabilities】	【36,073,187】
Cash and deposits	17,255,431	Notes and accounts payable-trade	7,317,139
Notes and accounts receivable-trade	23,671,755	Short-term loans payable	4,491,960
Inventories	3,533,276	Current portion of long-term loans payable	21,000,000
Other	1,183,567	Accounts payable-other	1,467,760
Allowance for doubtful accounts	(15,231)	Income taxes payable	110,810
【Non-current assets】	【26,718,634】	Provision for bonuses	429,124
(Property, plant and equipment)	(3,201,279)	Provision for loss on construction contracts	51,322
Buildings	1,161,666	Other	1,205,071
Land	198,156	【Non-current liabilities】	【5,243,235】
Other	1,841,456	Long-term loans payable	3,000,000
(Intangible assets)	(13,031,968)	Deferred tax liabilities	676,282
Goodwill	7,985,503	Other	1,566,952
Technical assets	2,504,750	Total liabilities	41,316,423
Software	2,536,810	(Net equity)	
Other	4,904	【Shareholders' equity】	【26,445,841】
(Investment and other assets)	(10,485,386)	Capital stock	4,840,313
Investment securities	3,059,822	Capital surplus	9,318,392
Long-term prepaid expenses	1,931,652	Earned surplus	13,896,168
Deferred tax assets	1,515,020	Treasury stock	(1,609,032)
Other	3,978,890	【Other accumulated comprehensive equity】	【1,622,323】
		Valuation difference on available-for-sale securities	2,586,607
		Foreign currency translation adjustment	(964,284)
		【Stock option】	【118,195】
		【Non-controlling interests】	【2,844,650】
		Total net assets	31,031,010
Total assets	72,347,434	Total liabilities and net assets	72,347,434

Consolidated Statements of Income

(From April 1, 2019 To March 31, 2020)

(Unit: Thousand Yen)

Item	Amount
Net sales	65,764,572
Cost of sales	49,068,642
Gross profit	16,695,930
Selling, general and administrative expenses	15,723,468
Operating income	972,461
Non-operating income	228,971
Interest income	13,898
Dividends earned	98,357
Gain on investments in partnership	1,918
Receiving dispatching fee	100,965
Other	13,832
Non-operating expenses	562,387
Interest expenses	482,811
Borrowing fees	500
Loss on sales of accounts receivable	39,893
Foreign exchange losses	28,665
Other	10,516
Ordinary income	639,045
Extraordinary income	599,232
Gain on liquidation of subsidiaries and affiliates	599,232
Extraordinary loss	3,203,469
Loss on retirement of non-current assets	167,375
Impairment loss	271,134
Loss on valuation of investment securities	546,749
Loss on transfer of business	2,092,466
Special retirement expenses	125,743
Net loss before taxes	(1,965,191)
Income taxes-current	176,742
Income taxes-deferred	(317,726)
Net Loss	(1,824,208)
Net Loss attributable to non-controlling interests	(32,087)
Net Loss attributable to owners of the parent	(1,792,121)

Consolidated Statements of Changes in Net Assets

(From April 1, 2019 To March 31, 2020)

(Unit: Thousand Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balances at April 1, 2019	4,840,313	6,183,846	16,058,261	(1,608,924)	25,473,496
Changes of items during the consolidated year					
Dividends of surplus	–	–	(369,971)	–	(369,971)
Loss attributable to owners of the parent	–	–	(1,792,121)	–	(1,792,121)
Purchase of treasury shares	–	–	–	(108)	(108)
Changes in scope of consolidation	–	3,110,988	–	–	3,110,988
Change in ownership interest of parent due to transactions with non-controlling interests	–	23,556	–	–	23,556
Net changes of items other than shareholders' equity during the consolidated year	–	–	–	–	–
Changes of items during the consolidated year (total)	–	3,134,545	(2,162,092)	(108)	972,344
Balances at March 31, 2020	4,840,313	9,318,392	13,896,168	(1,609,032)	26,445,841

	Accumulated Other Comprehensive Income (AOCI)			Stock option	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total other accumulated comprehensive income			
Balances at April 1, 2019	1,041,475	(291,018)	750,456	–	–	26,223,953
Changes of items during the consolidated year						
Dividends of surplus	–	–	–	–	–	(369,971)
Loss attributable to owners of the parent	–	–	–	–	–	(1,792,121)
Purchase of treasury shares	–	–	–	–	–	(108)
Capital increase of consolidated subsidiaries	–	–	–	–	–	3,110,988
Change in ownership interest of parent due to transactions with non-controlling interests	–	–	–	–	–	23,556
Net changes of items other than shareholders' equity during the consolidated year	1,545,132	(673,265)	871,866	118,195	2,844,650	3,834,712
Changes of items during the consolidated year (total)	1,545,132	(673,265)	871,866	118,195	2,844,650	4,807,057
Balances at March 31, 2020	2,586,607	(964,284)	1,622,323	118,195	2,844,650	31,031,010

Balance Sheet

(As of March 31, 2020)

(Unit: Thousand Yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
【Current assets】	【32,381,664】	【Current liabilities】	【30,093,344】
Cash and deposits	7,918,938	Account payables-trade	6,980,045
Account receivables	21,747,116	Short-term loans payable	21,000,000
Merchandise and finished goods	1,640,031	Account payables-other	1,325,006
Work in process	426,102	Income taxes payable	104,622
Raw materials and supplies	197,377	Accrued expenses	171,441
Prepaid expenses	211,272	Deposits received	28,492
Other	241,945	Provision for bonuses	419,008
Allowance for doubtful accounts	(1,117)	Provision for loss on construction contracts	51,322
【Non-current assets】	【36,145,985】	Other	13,405
(Tangible fixed assets)	(1,738,412)	【Non-current liabilities】	【3,425,577】
Buildings	502,471	Long-term loans payable	3,000,000
Tools, furniture and fixtures	692,744	Other	425,577
Land	198,156	Total liabilities	33,518,922
Other	345,039	(Net assets)	
(Intangible assets)	(2,049,870)	【Shareholders' equity】	【35,008,643】
Patent rights	308	(Capital stock)	(4,840,313)
Telephone subscription rights	4,595	(Capital surplus)	(6,183,846)
Software	2,044,966	Legal capital surplus	6,181,300
(Investment and other assets)	(32,357,702)	Other capital surplus	2,545
Investment securities	11,073	(Retained earnings)	(25,593,516)
Shares of subsidiaries and affiliates	25,610,289	(Net assets)	97,042
Long-term loans receivable	7,976	Other retained earnings	25,496,474
Long-term prepaid expenses	1,931,652	Voluntary retained earnings	3,830,500
Guarantee deposits	261,899	Retained earnings brought forward	21,665,974
Deferred tax assets	1,539,071	(Treasury shares)	(1,609,032)
Other	2,995,739	【Valuation and translation adjustment】	【84】
		(Valuation difference on available-for-sale securities)	(84)
		Total net assets	35,008,728
Total assets	68,527,650	Total liabilities and net assets	68,527,650

Statements of Income

(From April 1, 2019 To March 31, 2020)

(Unit: Thousand Yen)

Item	Amount
Net Sales	54,493,430
Cost of sales	43,712,782
Gross profit	10,780,647
Selling, general and administrative expenses	6,708,680
Operating income	4,071,967
Non-operating income	242,248
Interest and dividend income	140,739
Gain on investments in partnership	1,918
Other	99,591
Non-operating expenses	351,067
Interest expenses	281,950
Commission loan-payable	500
Loss on sales of accounts receivable	39,893
Foreign exchange losses	18,595
Other	10,128
Ordinary income	3,963,149
Extraordinary income	462
Gain on sales of non-current assets	462
Extraordinary loss	3,042,382
Loss on retirement of non-current assets	165,061
Impairment loss	271,134
Loss on valuation of investment securities	546,749
Loss on liquidation of subsidiaries and affiliates	1,949,299
Special retirement expenses	110,137
Profit before income taxes	921,228
Income taxes-current	171,228
Income taxes-deferred	(359,115)
Profit	1,109,114

Statement of Changes in Net Assets

(From April 1, 2019 To March 31, 2020)

(Unit: Thousand Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		Voluntary retained earnings	Retained earnings brought forward	Total retained earnings
Balances at April 1, 2019	4,840,313	6,181,300	2,545	6,183,846	97,042	3,830,500	20,926,831	24,854,373
Changes of items during the consolidated year								
Dividends of surplus	–	–	–	–	–	–	(369,971)	(369,971)
Profit	–	–	–	–	–	–	1,109,114	1,109,114
Purchase of treasury shares	–	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity during the consolidated year	–	–	–	–	–	–	–	–
Changes of items during consolidated year (total)	–	–	–	–	–	–	739,143	739,143
Balances at March 31, 2020	4,840,313	6,181,300	2,545	6,183,846	97,042	3,830,500	21,665,974	25,593,516

	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, 2019	(1,608,924)	34,269,608	5,815	5,815	34,275,424
Changes of items during the consolidated year					
Dividends surplus	–	(369,971)	–	–	(369,971)
Profit	–	1,109,114	–	–	1,109,114
Purchase of treasury shares	(108)	(108)	–	–	(108)
Net changes of items other than shareholders' equity during the consolidated year	–	–	(5,731)	(5,731)	(5,731)
Changes of items during the consolidated year (total)	(108)	739,035	(5,731)	(5,731)	733,303
Balances at March 31, 2020	(1,609,032)	35,008,643	84	84	35,008,728

Audit Reports in consolidated financial statements

Independent Auditor's Report

May 12, 2020

To the Board of Directors of
MegaChips Corporation

KPMG AZSA LLC
Osaka Office, Japan

Yasuhiro Wada (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tetsuo Yamada (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of MegaChips Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 444-4 of the Companies Act.

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

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

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

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

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

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

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

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

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

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

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

Notes to the Reader of Independent Auditor's Report:

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

End

Audit Reports in consolidated financial statements

Independent Auditor's Report

May 12, 2020

To the Board of Directors of
MegaChips Corporation

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

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

Audit Opinion

Pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements for the 30th fiscal year of MegaChips Corporation from April 1, 2019 to March 31, 2020, namely, the Balance Sheet, the Statement of Income, the Statement of Changes in Equity, the individual notes and their supplementary schedules ("Financial Statements, etc.>").

In our opinion, the Financial Statements, etc. referred to above present fairly, in all material respects, the situation for the assets and liabilities for the period related to the Financial Statements, etc. in conformity with corporate accounting standards generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Our Responsibility in Auditing Financial Statements, etc.>" We are independent of the Company and fulfill other ethical responsibilities as an auditor in accordance with the provisions of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility for the Financial Statements, etc. of Management, Auditor and Board of Auditors

Management is responsible for the preparation and fair presentation of the Financial Statements, etc. in conformity with corporate accounting standards generally accepted in Japan. This includes the development and operation of internal control as management determines is necessary to enable the preparation and fair presentation of the Financial Statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, etc., the management is responsible for assessing whether it is appropriate to prepare the Financial Statements, etc. on a going concern basis, and if it is necessary to disclose matters relating to a going concern, to disclose such matters in accordance with corporate accounting standards generally accepted in Japan.

The responsibility of the Auditors and the Board of Auditors is to oversee the performance of duties by directors in developing and operating the financial reporting process.

Auditor's Responsibility in Auditing Financial Statements, etc.

Our responsibility is to independently express an opinion on the Financial Statements, etc. in our auditor's report based on our audit to obtain reasonable assurance whether the Financial Statements, etc. as a whole are free from material misstatement due to fraud or error. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements, etc.

We exercise professional judgment and maintain professional skepticism throughout the audit in accordance with auditing standards generally accepted in Japan. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The selection and application of audit procedures is at our discretion. As well, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but the purpose of the audit of the Financial Statements, etc. is not to express an opinion on the effectiveness of the internal control
- Evaluate the appropriateness of accounting policies used and the application thereof and the reasonableness of accounting estimates and related disclosures made by management.
- Make a conclusion on the appropriateness of management's preparation of the Financial Statements, etc. on a going concern basis and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements, etc. or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, etc., including the disclosures, and whether the Financial Statements, etc. represent the underlying transactions and events in a manner that achieves fair presentation in conformity with corporate accounting standards generally accepted in Japan.

We communicate with the Auditor and Board of Auditors regarding, among other matters required by audit standards, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Auditor and Board of Auditors with a statement that we have complied with the provisions of professional ethics in Japan regarding independence, and communicate to them matters that may reasonably be thought to bear on our independence, and if safeguards are taken to eliminate or mitigate constraints on our independence.

Interest

There are no interests that should be noted in accordance with the provisions of the Certified Public Accountant Act between the Company and our auditing firm or engagement partners.

End

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, 2019 to March 31, 2020, the Audit & Supervisory Board has prepared this Audit Report after deliberations, based on the Audit Report prepared by each Audit & Supervisory Board Member, and hereby report as follows:

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

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

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

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

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

III. Each Audit & Supervisory Board Member monitored and verified whether the Independent

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

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

2. Results of Audit

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

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

(2) Results of Audit of financial statements and the accompanying supplemental schedules

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

(3) Results of Audit of consolidated financial statements

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

May 12, 2020

Audit & Supervisory Board of
MegaChips Corporation
Standing Statutory Auditor: Makiko
Yamakawa (Seal)
Auditor : Keiichi Kitano (Seal)
Auditor : Katsuhiko Asada (Seal)
Auditor : Tomoyoshi Furukawa
(Seal)

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