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Securities Code: 6875

June 3, 2021

To: Our Shareholders

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

## NOTICE OF THE 31st ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are hereby notified that the 31st 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 by following the Guide to Exercising Voting Rights (page 4). Please send it to ensure its arrival by 6 p.m. on Thursday, June 24, 2021 (Japan time), the day before the Annual General Meeting of Shareholders.**

**1. Date and Time:** Friday, June 25, 2021 at 10:00 a.m. (Japan time)

**2. Venue:** Main Hall, 8th floor, Osaka Science & Technology Center

1-8-4, Utsubo-Honmachi, Nishi-ku, Osaka, Japan

※Please note that the venue for the Annual General Meeting of Shareholders has changed since the previous meeting.

### 3. Agenda of the Meeting

#### Matters to be reported:

1. Business report for the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021) (“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, 2021 (April 1, 2020 to March 31, 2021)

**4. Guide to Exercising Voting Rights** (Please refer to page 4).

#### Matters to be resolved:

Proposal 1: Election of Nine (9) Directors

Proposal 2: Election of Two (2) Auditors

Proposal 3: Determination of Remuneration for Granting Shares with Transfer Restrictions to 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 is limited due to spacing between the seats. In addition, we appreciate your understanding in advance that the proceedings of this Annual General Meeting of Shareholders will be shortened. (Please kindly note that the venue for this year has been changed.)
- 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 plan to 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

### Proposal 1: Election of Nine (9) Directors

Since the terms of office of the current nine Directors, Tetsuo Hikawa, Masahiro Shindo, Yoshimasa Hayashi, Yasuto Shimomae, Ikuo Yamaguchi, Ikuo Iwama, Jiun-Hao Lai, Junko Nagata, and Hirofumi Nagai 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%<br>(15/15times)                          |
| 2              | Masahiro Shindo   | Re-election   | Chairman                                       |                                   | 100%<br>(15/15times)                          |
| 3              | Yoshimasa Hayashi | Re-election   | Senior Managing Director,<br>Executive Officer |                                   | 100%<br>(15/15times)                          |
| 4              | Yasuto Shimomae   | Re-election   | Director,<br>Executive Officer                 |                                   | 100%<br>(15/15times)                          |
| 5              | Ikuo Yamaguchi    | Re-election   | Director,<br>Executive Officer                 |                                   | 100%<br>(15/15times)                          |
| 6              | Ikuo Iwama        | Re-election   | Director,<br>Executive Officer                 |                                   | 91%<br>(10/11times)                           |
| 7              | Junko Nagata      | Re-election   | Director                                       | Outside,<br>Independent,<br>Woman | 100%<br>(15/15times)                          |
| 8              | Hirofumi Nagai    | Re-election   | Director                                       | Outside,<br>Independent,          | 100%<br>(11/11times)                          |
| 9              | Kunihiro Yamada   | Newly elected | Director                                       | Outside,<br>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): 9 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): 2 years
- Number of shares held in the Company 540,644 shares
- Attendance at Board of Directors meetings 100% (15 of 15)

■ 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 2002, Mr. Shindo has been proactively engaged both at and outside the Company, including mentoring talented personnel with entrepreneurial training, and in the previous fiscal year, Mr. Shindo took the lead in structural reforms and made efforts to build a strong management foundation.

With his rich experience, knowledge and achievements in matters related to corporate management and personnel training, in a drastically changing environment, 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 continues to be nominated as a Director.

Nominee Number **3** **Yoshimasa Hayashi** Date of birth: September 23, 1957 Re-election



■ Positions and responsibilities at the Company

Senior Managing Director, Executive Officer  
General Manager of New Business Division

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 5 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 Sales Headquarters  
Oct. 2019 Executive Officer, Division Director of ASIC Business Headquarters  
Apr. 2020 Executive Officer, Division Director of ASIC Business Headquarters No. 2 (to present)  
Jun. 2020 Senior Managing Director (to present)  
Jan. 2021 Executive Officer, General Manager of New Business Division (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 Human Relations Department and the Sales Department, while simultaneously contributing to the expansion and development of the Company as a member of the management team. Currently, as the head of the New Business Division, Mr. Hayashi is responsible for expanding the company's business domain, while at the same time, he has made a strong contribution to 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

General Manager of High-Speed Cable Communications

Business Division

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 4 years
- Number of shares held in the Company 4,200 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 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
- Apr. 2021 Executive Officer, General Manager of High-Speed Cable Communications Business 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, as the General Manager of the of the High-Speed Cable Communications Business Division, Mr. Shimomae is concentrating on the development of new products for the automotive and industrial equipment sectors, which we expect to grow in future, and is playing a vital role in 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

General Manager of ASIC Business Division No. 1

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 2 years
- Number of shares held in the Company 1,600 shares
- Attendance at Board of Directors meetings 100% (15 of 15)

■ Career summary and material concurrent positions at the Company

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 No. 1  
Apr. 2021 Executive Officer, General Manager of ASIC Business Division No. 1 (to present)

(Material concurrent positions)

Director of Shun Yin Investment Ltd.

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 General Manager of ASIC Business 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 Re-election



■ **Positions and responsibilities at the Company**

Director, Executive Office

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 1 years
- Number of shares held in the Company —
- Attendance at Board of Directors meetings 91% (10 of 11)

■ **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  
Jun. 2020 Director (to present)  
Jun. 2020 Executive Officer (to present)

(Material concurrent positions)  
CEO of MegaChips LSI USA Corporation

**Reasons for Nomination as Outside 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. With his use of these experiences and achievements, Mr. Iwama is viewed as a person capable of contributing to the continued enhancement of corporate value through the sustained promotion of business at our U.S. subsidiaries, and therefore has been nominated again as a Director

**Nominee Number 7 Junko Nagata**

Date of birth: October 9, 1961 Re-election



■ **Positions and responsibilities at the Company**

Outside Director, Independent Officer, Woman

- 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**

- 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)
- Jun. 2019 Outside Director (to present)

(Material concurrent positions)

Board member of International Human Resource Network Organization Foundation

Advisor of Tanita Health Link. Inc.

Director of Women's Business Association

**Reasons for Nomination as Outside Director and Expected Role**

Ms. Junko Nagata entered the Japan Coast Guard Academy as the first female student 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. For the reasons described above, she will make a great contribution to the Company through her experiences and networks to provide advices for the further growth of the Company. Therefore, the Company has judged that Ms. Nagata will be able to serve as an Outside Director properly and we have nominated her again as a candidate for Outside Director.

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

**Nominee Number 8 Hirofumi Nagai** Date of birth: January 23, 1972 Re-election / Outside Director / Independent Officer



■ Positions and responsibilities at the Company

Director

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

■ 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
- Jun. 2020 Outside Director (to present)

(Material concurrent positions)

Representative Partner of ALT Tsukiji Audit LLC

Reasons for Nomination as Outside Director and Expected Role

As a certified public accountant and certified tax accountant, Mr. Nagai 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 he will be able to appropriately perform his duties as an Outside Director and further strengthen the Company's management system by providing advice on the Company's overall management. Therefore, we continue to nominate him again as an Outside Director.

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

**Nominee Number 9 Kunihiro Yamada** Date of birth: October 24, 1945  
Newly elected / Outside Director / Independent Officer



■ Positions and responsibilities at the Company

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- 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. 1973 Joined Mitsubishi Electric Corporation
- May 1984 Mitsubishi Electric Semiconductor Software Corporation (seconded)
- Jun. 1992 General Manager of Microcomputer Department 1, Mitsubishi Electric Semiconductor Software Corporation
- Oct. 1997 Deputy General Manager, Application Technology Headquarters, Mitsubishi Electric Semiconductor Systems Corporation (seconded)
- Apr. 2003 Managing Director and General Manager, 1st Applied Technology Division, Renesas Solutions Corporation
- Apr. 2005 Professor, Department of Information Media Technology, School of Information Technology and Electronics, Tokai University
- Apr. 2006 Professor, Department of Software Development Engineering, School of Information Science and Technology, Tokai University
- Jun. 2006 Outside Auditor, MegaChips System Solutions Inc. (Resigned in Mar. 2007)
- Apr. 2007 Professor, Professional Graduate School of Embedded Technology, Tokai University
- Jun. 2009 Outside Director of the Company (Resigned in June 2013)
- Apr. 2011 Specially Appointed Professor, Professional Graduate School of Embedded Technology, Tokai University (Resigned in Mar. 2014)
- Apr. 2014 Visiting Professor, Department of Mechanical Engineering, Graduate School of Systems Design, Tokyo Metropolitan University
- Apr. 2019 Visiting Professor, Faculty of Systems Design, Tokyo Metropolitan University (currently Tokyo Metropolitan University) (to present)

(Material concurrent positions)

Visiting Professor, Faculty of System Design, Tokyo Metropolitan University

Reasons for Nomination as Outside Director and Expected Role

Mr. Yamada has served and been an Outside Officer of the Company and its subsidiaries in the past and has a wealth of experience as a manager of the MegaChips Group. He is also highly regarded for his achievements and insight with respect to technical specialties that he has cultivated as a university professor, and has sufficient insight to oversee all aspects of corporate management. We have determined to nominate Mr. Yamada as a new candidate for Outside Director because we believe that he will be able to appropriately perform his duties as an Outside Director and further strengthen the Company's management system by providing advice on the Company's overall management.

Further, if Mr. Yamada is elected, the Company plans to register Mr. Yamada as an Independent Officer with the Tokyo Stock Exchange.

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

2. Junko Nagata, Hirofumi Nagai, and Kunihiro Yamada are nominees as Outside Directors of the Company. In addition, Junko Nagata and Hirofumi Nagai meet the standards for Independent Officer set by the Tokyo Stock Exchange and the Company has submitted filings to the Tokyo Stock Exchange designating them as an Independent Officers. Further, if Junko Nagata, Hirofumi Nagai, and Kunihiro Yamada 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 officers 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 Junko Nagata and Hirofumi Nagai, the Company's current outside directors, to limit liability for damages. If Kunihiro Yamada is elected, the Company intends to enter into an agreement to limit his liability for damages.

The outline of the agreement is as follows.

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

4. Director and Officer Liability Insurance Contract

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

**Proposal 2: Election of Two (2) Auditors**

As the term of office of Auditor Keiichi Kitano will expire at the conclusion of this Annual General Meeting of Shareholders, we propose that the number of auditors be increased in order to strengthen the auditing system, and that two auditors be elected.

The Audit & Supervisory Board has given its consent to this proposal.

The candidates for Auditors are as follows.

| Nominee Number | Name             |               | Position in Company |                      | Attendance Rate at Board of Director Meetings | Attendance Rate at Audit & Supervisory Board Meetings |
|----------------|------------------|---------------|---------------------|----------------------|-----------------------------------------------|-------------------------------------------------------|
| 1              | Keiichi Kitano   | Re-election   | Auditor             | Outside, Independent | 100% (15 of 15)                               | 100% (13 of 13)                                       |
| 2              | Akira Matsushima | Newly elected | —                   | Outside, Independent | —                                             | —                                                     |

**Nominee Number 1 Keiichi Kitano** Date of birth: January 12, 1962

Re-election Outside Auditor Independent Officer



■ Positions at the Company

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- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 19 years
- Number of shares held in the Company: 17,660 shares
- Attendance at Board of Directors meetings: 100% (15 of /15)
- Attendance at Audit & Supervisory Board meetings: 100% (13 of 13)

■ Career summary and material concurrent positions

- Apr. 1985 Joined Amagasaki Naniwa Shinkin Bank (currently Amagasaki Shinkin Bank)
- Jan. 1988 Retired from the bank above
- Feb. 1988 Joined Wada Sogo Accounting Office
- Feb. 1996 Registered as a tax accountant
- Sept. 1998 Deputy General Manager of Wada Sogo Accounting Office
- Jun. 2002 Outside Auditor of the Company (to present)

(Material concurrent positions)

Director of Kitano Keiichi Tax Law Firm

Outside Auditor of SUS Co., Ltd.

Reason for Nomination as Outside Auditor

We have nominated Mr. Kitano as an Outside Auditor because we believe that he will be able to appropriately perform his duties as an Outside Auditor and further strengthen the Company's auditing system by providing advice on the Company's overall management, including taxation and accounting matters, by utilizing his professional knowledge and expertise as a tax accountant. He will have served as an Outside Auditor of the Company for 19 years at the conclusion of this Annual General Meeting of Shareholders. As such, he has a deep understanding of the Company's internal affairs and has reflected his insight and experience in the Company's audits with a high level of awareness of details.

The Company has registered him as an Independent Officer with the Tokyo Stock Exchange.



**Nominee Number 2 Akira Matsushima** Date of birth: September 2, 1956 Newly elected  
Outside Auditor Independent Officer



■ Positions at the Company

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- 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

- Mar. 1981 Graduated from School of Engineering and Master's Program of Graduate School of Management Engineering, Hiroshima University
- Apr. 1981 Joined Ricoh Co., Ltd.
- Sept. 1981 Management Office, Electronic Devices Division, Ricoh Co., Ltd.
- Dec. 1983 Production Control Section/System Section, Management Office, Electronic Devices Division, Ricoh Co., Ltd.
- Jan. 1995 Manager of Production Planning Group, Business Planning Department, Copier Division, Ricoh Co., Ltd.,
- Oct. 1997 Manager of System Section/Production Control Section, Production Control Department, Electronic Devices Division, Ricoh Co., Ltd.
- May 2008 Manager of Sales Management Section, Sales Management Department, Electronic Devices Division, Ricoh Co., Ltd.
- Oct. 2011 Manager of Business Planning Section, Corporate Planning Department, Electronic Devices Division, Ricoh Co., Ltd.
- Apr. 2016 Manager of ITS Section, Corporate Planning Department, Ricoh Electronic Devices Co., Ltd. (to present) (resignation expected in June 2021)

(Material concurrent positions)

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Reason for Nomination as Outside Auditor

Mr. Matsushima has been engaged in business management, building production systems, and sales management in the semiconductor field for many years, and has broad insight into management based on his experience in business operations, including the planning of medium- to long-term management strategies. We have decided to nominate him as Outside Auditor because we believe that he will be able to appropriately perform his duties as an Outside Auditor and strengthen the audit function of the Company by providing advice on the Company's business and overall management.

Further, if Mr. Matsushima is elected, the Company plans to register Mr. Matsushima as an Independent Officer with the Tokyo Stock Exchange.

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

2. Keiichi Kitano and Akira Matsushima are nominees as Outside Auditors of the Company. In addition, Keiichi Kitano meets the standards for Independent Officer set by the Tokyo Stock Exchange and the Company has submitted filings to the Tokyo Stock Exchange designating them as an Independent Officers. Further, if Keiichi Kitano and Akira Matsushima 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 officers and have been determined as having substantial independence by the Company. There is no business relationship between the Company and Ricoh Co., Ltd. or Ricoh Electronic Devices Co. Ltd. to which Mr. Akira Matsushima initially belonged.

3. In connection with the performance of the duties by outside auditors and to ensure the performance of their duties as outside auditors as well as to enable the Company to employ talented personnel, the Company's Articles of Incorporation permit the Company to conclude agreements with auditors. The Company has concluded such an agreement with Keiichi Kitano the Company's current auditor, to limit liability for damages. If Akira Matsushima is elected, the Company intends to enter into an agreement to limit his liability for damages.

The outline of the agreement is as follows.

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

4. Director and Officer Liability Insurance Contract

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

### **Proposal 3: Determination of Remuneration for Granting Shares with Transfer Restrictions to Directors**

The amount of remuneration, etc. for Directors of the Company was approved at the 27th Annual General Meeting of Shareholders held on June 23, 2017, at an annual amount of not more than 550 million yen (including not more than 100 million yen for Outside Directors; however, this does not include employee salaries for Directors who also serve simultaneously as employees).

At this time, as part of the review of the remuneration system for directors and auditors, the Company proposes to grant remuneration for the granting shares with transfer restrictions to the subject Directors of the Company (including Outside Directors, hereinafter referred to as "Subject Directors") separately from the above remuneration framework in order to provide them with incentives to continuously improve the corporate value of the Company and to further share value with our shareholders.

The total amount of remuneration to be paid to the Subject Directors for the grant of shares with transfer restrictions under this proposal will be monetary claims, the total amount of which may not exceed 200 million yen per year (the amount for Outside Directors shall not exceed 40 million yen per year; however, this does not include employee salaries for Directors who also serve simultaneously as employees). The specific timing and distribution of remuneration to each Subject Director will be determined by the Board of Directors.

Currently, although there are nine Directors (of whom three are Outside Directors), if Proposal 1, "Election of Nine (9) Directors," is approved as proposed, the number of Directors will still be nine (including three Outside Directors).

In addition, based on a resolution of the Company's Board of Directors, the Subject Directors will pay all of the monetary claims paid under this proposal as in-kind contributions and will receive the issuance or disposal of the Company's common shares. By doing so, the total number of the Company's common shares issued or disposed of as a result of such payment will not exceed 40,000 shares per year (of which not more than 8,000 shares per year will be issued to Outside Directors; however, if, after the date of approval of this proposal, a stock split (including gratis allotment of the Company's common shares) or a reverse stock split of the Company's common shares is conducted, and any event requiring adjustment of the total number of the Company's common shares to be issued or disposed of as shares with transfer restrictions occurs, the total number of such shares shall be adjusted to a reasonable extent).

The amount to be paid in per share shall be determined by resolution of the Board of Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors (or, if no trading is conducted on such day, the closing price of the immediately preceding business day) to the extent that the amount is not particularly favorable to the Subject Directors who receive such common shares. By doing so, the issuance or disposal of the Company's common shares as well as the payment of monetary claims as in-kind contributions will be subject to the execution of an agreement for the allotment of shares with transfer restrictions (the "Allotment Agreement") between the Company and the Subject Directors that includes the following contents. In addition, the maximum amount of remuneration under this proposal, the total number of the Company's common shares to be issued or disposed of, and other conditions for granting shares with transfer restrictions to the Subject Directors under this proposal were determined, taking into consideration, the aforementioned purposes, the Company's business circumstances, the Company's policy concerning decisions about the details of remuneration and the like for the Company's individual Directors (if this proposal item is approved, the Company plans to change the said policy to the one stated in the "Reference" column on page 32 of this Notice of the 31st Annual General Meeting of Shareholders), and other various circumstances, which the Company believes to be appropriate.

#### **【Outline of the Details of this Allotment Agreement】**

##### **(1) Period of Transfer Restrictions**

The Subject Directors will be subject to the transfer restrictions on the Company's common shares allotted to them under this Allotment Agreement (the "Allotted Shares") for the period from the date of allotment under this Allotment Agreement until the time immediately following the resignation or retirement [of a Subject Director] from his or her position as an officer or employee of the Company or any of its subsidiaries, as determined in advance by the Board of Directors of the Company, (the "Period of Transfer Restrictions"), during which period [the Subject Directors] must not transfer, grant a security interest in, or otherwise dispose of the Allotted Shares (the "Transfer Restrictions").

(2) Handling at the Time of Resignation or Retirement

If a Subject Director resigns or retires from his or her position as an officer or employee of the Company or any of its subsidiaries, as determined in advance by the Board of Directors of the Company, prior to the expiration of the period from the commencement date of work duties to the time immediately preceding the conclusion of the first Annual General Meeting of Shareholders (hereinafter referred to as the "Service Period"), the Company shall automatically acquire the Allotted Shares without compensation, unless there is a justifiable reason for such resignation or retirement.

(3) Termination of Transfer Restrictions

Notwithstanding the provisions of paragraph (1) above, the Company will release the Transfer Restrictions on all of the Allotted Shares upon the expiration of the Period of Transfer Restrictions, provided that the Subject Director has continuously held the position as an officer or employee of the Company or any of its subsidiaries as determined in advance by the Board of Directors of the Company during the Service Period. However, if the relevant Subject Director resigns or retires from his or her position as an officer or employee of the Company or any of its subsidiaries, as determined in advance by the Board of Directors of the Company, prior to the expiration of the Service Period for a justifiable reason, the number of the Allotted Shares to be released from the Transfer Restrictions shall be reasonably adjusted as necessary. In addition, immediately following the termination of the Transfer Restrictions in accordance with the above provisions, [the Company] shall automatically acquire the Allotted Shares whose Transfer Restrictions have not yet been terminated without compensation.

(4) Handling in Organizational Restructuring

Notwithstanding the provisions of paragraph (1) above, if, during the Period of Transfer Restrictions, a merger agreement in which the Company is disappearing company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly-owned subsidiary, or other organizational restructuring matter is approved at the Company's shareholder meeting (however, in the case where the approval of such organizational restructuring or the like does not require the approval of the Company's shareholder meeting, the Company's Board of Directors), the Transfer Restrictions shall be terminated, by resolution of the Company's Board of Directors, of the number of Allocated Shares reasonably stipulated based on the period from the commencement date of the Period of Transfer Restrictions to the date of approval of the organizational restructuring, etc., prior to the effective date of the organizational restructuring, etc. In addition, in the cases specified above, the Company shall automatically acquire the Allotted Shares whose Transfer Restrictions have not yet been terminated without compensation.

(5) Other Items

Other matters concerning this Allotment Agreement shall be determined by the Board of Directors of the Company.

(Provided Documents)

Business Report (from April 1, 2020 to March 31, 2021)

## **I Current Status of the MegaChips Group**

### **(1) Status of business for current fiscal year**

#### **① Progress and results of operations**

In the current consolidated fiscal year, the overall market for the electronic machinery and equipment industry remained at the same level as in the previous consolidated fiscal year.

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 our ability to develop and supply System LSIs equipped with unique algorithm architecture to solve our customers' problems.

In the ASSP business, to achieve further growth in the midst of rapid innovation in telecommunication technologies, the MegaChips Group has concentrated its management resources on the launch of new LSI businesses targeting, among other fields, the fields of automotive, industrial equipment, telecommunications infrastructure, energy control, and robotics. 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, as of June 2020 and February 2021, MegaChips sold a portion of its shares in SiTime Corporation, its U.S.-based consolidated subsidiary, through a secondary offering of shares in conjunction with the issuance of new shares of SiTime Corporation, in order to improve corporate value and shareholder value by, among other things, focusing its management resources on growth areas and strengthening its management structure and management base through financial and capital strategies. As a result, SiTime Corporation was changed from a consolidated subsidiary to an equity-method affiliate at the end of the first quarter of the current consolidated fiscal year.

As consolidated operating results for the current consolidated fiscal year, the MegaChips Group saw net sales of ¥83,814 million (an increase of 27.4% from the previous consolidated fiscal year), mainly due to the steady demand for LSIs for storing game software (customized memories) in the ASIC business.

With regard to profits, as a result of, among other things, improved business efficiency, the Group saw operating income before amortization of goodwill and other items of ¥5,608 million and operating income after amortization of goodwill and other items of ¥5,025 million (an increase of 416.7% from the previous consolidated fiscal year). As a result of a ¥899 million equity in net loss from SiTime Corporation, which became an equity-method affiliate, (including amortization of goodwill and other items in the second fiscal quarter), the Group saw ordinary profits of ¥3,912 million (an increase of 512.3% from the previous consolidated fiscal year).

In addition, due to a gain on sales of shares of subsidiaries and associates of ¥26,387 million as a result of the sale of a portion of its shares in SiTime Corporation, a consolidated subsidiary, and SiTime Corporation's issuance of new shares, a ¥2,543 million loss on retirement of non-current assets, mainly of software assets developed in-house, and a ¥895 million loss associated with an office lease agreement and real property of the business location, the profit attributable to owners of the parent of the current consolidated fiscal year amounted to ¥20,920 million (compared to a loss attributable to owners of the parent of ¥1,792 million in the previous consolidated fiscal year).

Pursuant to the resolution adopted at the Board of Directors' meeting held on May 14, 2021, the Company will pay an end-of year dividend for this current consolidated fiscal year of a total of ¥80 yen per common share, consisting of a ¥35 yen per common share ordinary dividend and a ¥45 yen per common share commemorative dividend to express appreciation upon the 30<sup>th</sup> anniversary of the Company's founding.

## ② Status of capital investments

During the current consolidated fiscal year under review, the MegaChips Group made capital investments of ¥1,225 million (including intangible assets).

A rough breakdown of the investment in equipment consists mainly of ¥482 million for the acquisition of reticles used in LSI manufacturing and ¥392 million for the acquisition of software IP, etc., for future competitiveness.

In addition, the Company retired ¥2,543 million in connection with a review of valuation of intangible fixed assets, mainly software developed in-house, and long-term prepaid expenses, which are technical assets.

In addition, the Company recorded an impairment loss of ¥703 million on buildings, land, and other tangible fixed assets that became idle in connection with a review of the allocation of management resources.

## 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 current consolidated fiscal year, while the Company received ¥27,131 million from the sale of a portion of its shares in SiTime Corporation, an affiliated company, it repaid ¥21,210 million in long-term loans payable.

As of the end of the consolidated fiscal year under review, the MegaChips Group's interest-bearing liabilities outstanding amounted to ¥4,790 million, a decrease of ¥23,701 million from the end of the previous consolidated fiscal year.

④ Status of disposal of shares in other companies

In order to focus its management resources on growth areas and strengthen its mid- to long-term policy initiatives, the MegaChips Groups sold a portion of its shares in SiTime Corporation, its U.S.-based consolidated subsidiary, which is 2,500,000 of its shares in June 2020 and 1,500,000 of its shares in February 2021, respectively, through a secondary offering of shares in conjunction with the issuance of new shares of SiTime Corporation. As a result, SiTime Corporation was changed from the Company's consolidated subsidiary to its equity-method affiliate at the end of the first quarter of the current consolidated fiscal year.

## (2) Status of assets and profits and losses

| Classification                                           |               | 28th<br>(FY2017 ended March 2018) | 29th<br>(FY2018 ended March 2019) | 30th<br>(FY2019 ended March 2020) | 31th<br>(Consolidated<br>fiscal year under review)<br>(FY2020 ended March 2021) |
|----------------------------------------------------------|---------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------------------------------------------------------|
| Net sales                                                | (Million Yen) | 89,029                            | 95,145                            | 65,764                            | 83,814                                                                          |
| Ordinary income                                          | (Million Yen) | 2,207                             | 502                               | 639                               | 3,912                                                                           |
| Profit (Loss)<br>attributable to owners<br>of the parent | (Million Yen) | 1,948                             | (1,727)                           | (1,792)                           | 20,920                                                                          |
| Profits (Loss) per share                                 | (Yen)         | 90.05                             | (79.40)                           | (82.35)                           | 961.28                                                                          |
| Total assets                                             | (Million Yen) | 94,633                            | 91,977                            | 72,347                            | 74,627                                                                          |
| Net assets                                               | (Million Yen) | 31,184                            | 26,223                            | 31,031                            | 50,043                                                                          |
| Net assets per share                                     | (Yen)         | 1,435.37                          | 1,204.98                          | 1,289.72                          | 2,299.49                                                                        |



### (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, 2021)

| 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%<br>(41.0)                 | Sales, development and technical support as a sales base of east Asia |
| MegaChips LSI USA Corporation | US\$3,000 thousand   | 100.0%                           | Development, sales and marketing as a sales base of North America     |

- (Note)
1. The Company's consolidated subsidiaries are the three major subsidiaries above.
  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. MegaChips Taiwan Corporation has been excluded from the scope of consolidation from the current consolidated fiscal year due to the completion of its liquidation procedures.
  5. As a result of the sale of a portion of the shares owned by the Company and the capital increase through the issuance of new shares by SiTime Corporation on June 16, 2020, the Company's ownership ratio in SiTime Corporation decreased. Therefore, SiTime Corporation has been changed from the Company's consolidated subsidiary to its equity-method affiliate since the current consolidated fiscal year.

#### 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 social environment, people's lifestyles are likely to continue to evolve in major ways due to the further development of ultra-high-speed, low-latency, high capacity, and high functionality in communication networks, and the realization of an increasingly highly advanced information society. In addition, various efforts are expected to be strengthened throughout society by aiming for the realization of a sustainable society where a low-carbon, recycling-oriented society in harmony with nature is achieved in an integrated manner.

In the electronics industry in which the MegaChips Group is involved, the production results of electronic components and devices are increasing in order to realize an advanced networked society where everything is connected to the network, and the importance of this industry is growing as it supports 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, the increasing need for higher performance and more multi-functional electronic components used in devices surrounding us has led to a situation where demand for LSI products is expected to expand as key devices that contribute to high precision, multi-functionality, compactness, and low power consumption.

Under the following basic policies, the MegaChips Group intends to accelerate its medium- to long-term growth by strengthening its revenue base and concentrating its management resources on, among other fields, the automotive, industrial equipment, telecommunications infrastructure, energy control, and robotics fields, which are expected to grow in the future.

- ① In the ASIC business, which is our core business, we will strengthen the sales force by proactively promoting a customer-oriented and proposal-based business and strive to improve quality and develop new technology. We will also strengthen our business base by providing optimal solutions in response to customers' needs by focusing on information coordination and securing a manufacturing infrastructure in order to fulfill our responsibility as a part of the supply chain.
- ② We will promote business structure transformation for long-term sustainable growth by concentrating our management resources by targeting, among other fields, the automotive, industrial equipment, telecommunications infrastructure, energy control, and robotics fields, where rapid market expansion is expected.

- ③ To create new businesses with a view to long-term growth, we will promote the launch of new businesses by strengthening the infrastructure of the Group's North American base, promoting joint R&D of cutting-edge technologies with U.S. universities, and establishing a CVC (corporate venture capital) fund to promote strategic alliances and business investments with start-up companies with cutting-edge technologies and ideas, mainly in the U.S.
- ④ In order to support long-term growth through business structure transformation and the fostering of new businesses, we will strengthen our management base so that we can flexibly and quickly respond to changes in the business environment by implementing measures to strengthen our financial base, and building a personnel system and promoting gender diversity measures in order to make the most of our diverse human resources, including women, and to maximize their abilities.

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, 2021)

|                                     |             |        |
|-------------------------------------|-------------|--------|
| ① Total number of authorized shares | 100,000,000 | shares |
| ② Total number of issued shares     | 23,038,400  | shares |
| ③ Number of shareholders            | 13,174      |        |
| ④ Major shareholders (top 10)       |             |        |

| Names of shareholders                                   | Number of shares held<br>(thousand shares) | Shareholding ratio (%) |
|---------------------------------------------------------|--------------------------------------------|------------------------|
| The Master Trust Bank of Japan, Ltd.<br>(Trust Account) | 1,392                                      | 6.40                   |
| Shindo Corporation                                      | 1,239                                      | 5.70                   |
| Shindo and Associates Co., Ltd.                         | 1,239                                      | 5.70                   |
| THE BANK OF NEW YORK MELLON 140051                      | 1,056                                      | 4.85                   |
| THE BANK OF NEW YORK 133652                             | 753                                        | 3.46                   |
| Custody Bank of Japan (Trust Account)                   | 604                                        | 2.78                   |
| Masahiro Shindo                                         | 540                                        | 2.48                   |
| Shigeki Matsuoka                                        | 540                                        | 2.48                   |
| Ritsuko Shindo                                          | 536                                        | 2.47                   |
| Noriko Matsui                                           | 507                                        | 2.33                   |

(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, 2021)

| Title                                         | Name              | Areas of responsibility and status of significant concurrent positions                                                                                                                                             |
|-----------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| President and CEO                             | Tetsuo Hikawa     |                                                                                                                                                                                                                    |
| Chairman                                      | Masahiro Shindo   |                                                                                                                                                                                                                    |
| Senior Managing Director<br>Executive Officer | Yoshimasa Hayashi | General Manager of New Business Division, Division Director of ASIC Business HQ No. 2<br>Officer of MegaChips LSI USA Corporation                                                                                  |
| Director<br>Executive Officer                 | Yasuto Shimomae   | Division Director of ASSP Business Headquarters and Executive Manager of Intellectual Property & Legal Division                                                                                                    |
| Director<br>Executive Officer                 | Ikuo Yamaguchi    | General Manager of ASIC Business Division No. 1<br>Director of Shun Yin Investment Ltd.                                                                                                                            |
| Director<br>Executive Officer                 | Ikuo Iwama        | MegaChips LSI USA Corporation CEO                                                                                                                                                                                  |
| Director                                      | Jiun-Hao Lai      | Director of Wolley Inc.<br>Independent Director of Silicon Optronics, Inc.<br>Director of Giga Solution Tech. Co., Ltd.<br>Independent Director of True Light Corporation<br>Member of FocalTech Systems Co., Ltd. |
| Director                                      | Junko Nagata      | Board member of International Human Resource Network<br>Organization Foundation<br>Advisor of Tanita Health Link, Inc.<br>Director of Women's Business Association                                                 |
| Director                                      | Hirofumi Nagai    | Representative Member of Alt Professional Services                                                                                                                                                                 |
| Standing Statutory Auditor                    | Makiko Yamakawa   |                                                                                                                                                                                                                    |
| Auditor                                       | Keiichi Kitano    | President of Kitano Keiichi Tax Accountant Office<br>Outside Auditor of SUS Co., Ltd.                                                                                                                              |

- (Note)
- Directors Jiun-Hao Lai, Junko Nagata and Hirofumi Nagai are outside directors as defined in Article 2, Item 15 of the Companies Act.
  - Auditors Keiichi Kitano and Tomoyoshi Furukawa are outside auditors as defined in Article 2, Item 16 of the Companies Act.
  - Auditor Keiichi Kitano is a qualified certified tax accountant and has considerable knowledge about finance and accounting.
  - MegaChips LSI USA Corporation, a subsidiary of the Company, engages in transactions with the Company for the outsourcing, contracting, etc. of operations.
  - 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, FocalTech Systems Co., Ltd., the International Human Resource Network Organization Foundation, Tanita Health Link, Inc., the Women's Business Association, Alt Professional Services, Kitano Keiichi Tax Accountant Office, SUS Co., Ltd., Ohara & Furukawa or JSK Co., Ltd.
  - Directors Jiun-Hao Lai, Junko Nagata, Hirofumi Nagai and Auditors Keiichi Kitano 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.
  - Liability Insurance Contracts for Officers, etc.  
The Company has entered into a liability insurance contract with all officers, executive officers, and others as insured pursuant to Article 430-3, Paragraph 1 of the Companies Act. The liability insurance contract covers damages that may be caused by the insured officers, executive officers, and others being held liable for the execution of their duties or receiving claims related to the pursuit of such liability.

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

| Title                                          | Total Amount of Compensation, etc.     | Total Amount of Compensation etc. by Category |                                       |                                 | Number of People |
|------------------------------------------------|----------------------------------------|-----------------------------------------------|---------------------------------------|---------------------------------|------------------|
|                                                |                                        | Base Compensation                             | Performance-Linked Compensation, etc. | Non-Monetary Compensation, etc. |                  |
| Directors<br>(of those, the Outside Directors) | ¥361,879 thousand<br>(29,400 thousand) | ¥199,879 thousand<br>(29,400 thousand)        | ¥162,000 thousand<br>(-)              | -                               | 11<br>(3)        |
| Auditors<br>(of those, the Outside Director)   | ¥29,850 thousand<br>(19,050 thousand)  | ¥29,850 thousand<br>(19,050 thousand)         | -                                     | -                               | 4<br>(3)         |
| Total<br>(of those, the Outside Director)      | ¥391,729 thousand<br>(48,450 thousand) | ¥229,729 thousand<br>(48,450 thousand)        | ¥162,000 thousand<br>(-)              | -                               | 15<br>(6)        |

- (Note)
- Pursuant to the resolution adopted at the 27th Annual General Meeting of Shareholders held on June 23, 2017, the annual aggregate compensation for Directors shall not exceed ¥550 million for 12 Directors (of whom 4 are Outside Directors) (¥100 million for Outside Directors).
  - Pursuant to the resolution adopted at the Extraordinary Meeting of Shareholders held on February 25, 1998, the annual aggregate compensation paid to Auditors shall not exceed ¥50 million for 4 Auditors.
  - Performance-linked compensation, etc. was recorded as bonuses for officers for six Directors during the current fiscal year. The total amount of bonuses for officers for the current fiscal year was set at ¥162,000 thousand, after considering the source of funds to be up to 7% of the Group's "profit attributable to the owners of parent" (actual results for the current fiscal year were ¥20,920 million), in accordance with the policy for determining the details of compensation, etc. for officers.
  - The above figures include two Directors and one Auditor (of whom 1 is Outside Auditor) who resigned at the conclusion of the 30th Annual General Meeting of Shareholders held on June 26, 2020.
  - (1) Performance Indicators The actual results of the performance-linked index (profit attributable to the owners of parent) for the amount of compensation, etc. for the current fiscal year are as stated in "1.(2) Status of assets and profit and losses" on page 25.
  - In determining the details of the individual compensation, etc., for Directors, the decision has been entrusted to Tetsuo Hikawa, President and CEO, who is considered to be the most appropriate person to evaluate the Company's overall performance and the achievements of each Director. The President & CEO determines the individual amounts of fixed compensation and the evaluation and allocation of bonuses for officers for each Director within the range of compensation amount designated by the Compensation Committee. Since the Compensation Committee reviews and proposes the individual compensation amount taking into consideration the compensation standards of companies of a business scale similar to that of the Company and in a related industry, including the consistency with a policy for determining the details of compensation, etc. for officers, the Board of Directors respects the decision of the Compensation Committee and judges that it is consistent with such policy.

③ Summary of policy for determining details of officers' compensation

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

The compensation structure for the Company Officers focuses on enhancing the enterprise value of the MegaChips Group taking into consideration standards that enable the Company to acquire and retain talented personnel as a source of competitiveness. The following is a summary of a policy for determining the details of compensation, etc. for officers.

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 7% 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, and the Board of Directors will get the report from the Committee. Following this, the Board of Directors will then entrust the decision of the individual amounts of compensation to the President & CEO, who will respect the contents of the Compensation Committee's report and will determine the details of the individual compensation, etc. for each Director within the scope of the compensation ratio by category indicated in the report.

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

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.

(Reference)

Policies for determining the details of individual compensation, etc. for Directors if Proposal 3 to be discussed at the 31st Annual General Meeting of Shareholders scheduled to be held on June 25, 2021 is approved as proposed

1. Basic policy

The Company's compensation system for Directors will be designed to emphasize the Group's increase in corporate value, taking into consideration the standards that allow the Company to retain and attract excellent human resources, which is the source of the Group's competitiveness. Specifically, the basic policy will consist of a fixed amount of compensation as basic compensation, bonuses for officers as performance-linked compensation, etc., and compensation in the form of shares with transfer restrictions as non-monetary compensation, etc. The total amount of compensation will be within the scope determined by a resolution adopted at the Annual General Meeting of Shareholders.

2. Policies for determining each individual's compensation, etc. for the basic compensation (monetary compensation) (including policies for determining the timing or conditions for payments of compensation, etc.)

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

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

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

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



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

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

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

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

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

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

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 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 as an Outside Director of the Company, she has played an appropriate role in monitoring and advising about the execution of the Company's business by making proactive comments from such perspective. In addition to the above, provided necessary advice about improving corporate governance through Board of Directors meetings.                                                                                                                                                                                                                     |
| Director | Hirofumi Nagai     | Attended 11 of 11 (100%) of the meetings of the Board of Directors held in the current fiscal year after being appointed on June 26, 2020. As an Outside Director of the Company, he has played an appropriate role in monitoring and advising the execution of the Company's business by making proactive comments on each agenda item and deliberation, etc., from an objective viewpoint independent of the directors who execute the Company's business. In addition, he has also provided necessary advice from his professional perspective as a certified public accountant and tax accountant through the 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.<br>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  | Tomoyoshi Furukawa | 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 legal perspective and broad insight as an attorney. Also, provided necessary advice.<br>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.<br>Served as a member of the Compensation Committee that was voluntarily formed as a consultative body by the Board of Directors; provided necessary advice. |

## 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, 2021)

(Unit: Thousand Yen)

| Item                                  | Amount            | Item                                                  | Amount            |
|---------------------------------------|-------------------|-------------------------------------------------------|-------------------|
| (Assets)                              |                   | (Liabilities)                                         |                   |
| <b>【Current assets】</b>               | 50,866,164        | <b>【Current liabilities】</b>                          | 23,825,729        |
| Cash and deposits                     | 21,407,837        | Notes and accounts payable-trade                      | 9,486,207         |
| Notes and accounts receivable-trade   | 23,071,412        | Short-term loans payable                              | 2,000,000         |
| Inventories                           | 3,995,352         | Current portion of long-term loans payable            | 2,790,000         |
| Other                                 | 2,392,922         | Accounts payable-other                                | 1,572,606         |
| Allowance for doubtful accounts       | (1,359)           | Income taxes payable                                  | 6,762,580         |
| <b>【Non-current assets】</b>           | 23,761,123        | Provision for bonuses                                 | 664,636           |
| (Property, plant and equipment)       | 1,498,311         | Provision for loss on construction contracts          | 16,388            |
| Buildings                             | 324,155           | Other                                                 | 533,309           |
| Land                                  | 116,149           | <b>【Non-current liabilities】</b>                      | 758,073           |
| Other                                 | 1,058,006         | Other                                                 | 758,073           |
| (Intangible assets)                   | 558,114           | <b>Total liabilities</b>                              | <b>24,583,802</b> |
| Software                              | 551,130           | (Net equity)                                          |                   |
| Other                                 | 6,983             | <b>【Shareholders' equity】</b>                         | 47,039,871        |
| (Investment and other assets)         | 21,704,697        | Capital stock                                         | 4,840,313         |
| Investment securities                 | 3,590,087         | Capital surplus                                       | 9,362,461         |
| Shares of subsidiaries and associates | 11,958,131        | Earned surplus                                        | 34,446,477        |
| Long-term prepaid expenses            | 1,247,326         | Treasury stock                                        | (1,609,380)       |
| Deferred tax assets                   | 1,864,528         | <b>【Other accumulated comprehensive equity】</b>       | 3,003,613         |
| Other                                 | 3,044,623         | Valuation difference on available-for-sale securities | 3,054,006         |
|                                       |                   | Foreign currency translation adjustment               | (50,393)          |
|                                       |                   | <b>Total net assets</b>                               | <b>50,043,484</b> |
| <b>Total assets</b>                   | <b>74,627,287</b> | <b>Total liabilities and net assets</b>               | <b>74,627,287</b> |

## Consolidated Statements of Income

(From April 1, 2020 To March 31, 2021)

(Unit: Thousand Yen)

| Item                                                        | Amount            |
|-------------------------------------------------------------|-------------------|
| Net sales                                                   | 83,814,786        |
| Cost of sales                                               | 70,504,584        |
| <b>Gross profit</b>                                         | <b>13,310,202</b> |
| Selling, general and administrative expenses                | 8,285,061         |
| <b>Operating income</b>                                     | <b>5,025,140</b>  |
| <b>Non-operating income</b>                                 | <b>157,559</b>    |
| Interest income                                             | 10,140            |
| Dividends earned                                            | 99,060            |
| Receiving dispatching fee                                   | 33,451            |
| Gain on investments in partnership                          | 6,341             |
| Other                                                       | 8,565             |
| <b>Non-operating expenses</b>                               | <b>1,269,727</b>  |
| Interest expenses                                           | 208,504           |
| Borrowing fees                                              | 622               |
| Loss on sales of accounts receivable                        | 43,975            |
| Share of loss of entities accounted for using equity method | 899,128           |
| Foreign exchange losses                                     | 53,552            |
| Other                                                       | 63,943            |
| <b>Ordinary income</b>                                      | <b>3,912,972</b>  |
| <b>Extraordinary income</b>                                 | <b>26,546,845</b> |
| Gain on sales of shares of subsidiaries and associates      | 26,387,742        |
| Gain on change in equity                                    | 117,449           |
| Gain on transfer of business                                | 41,653            |
| <b>Extraordinary loss</b>                                   | <b>3,625,511</b>  |
| Loss on retirement of non-current assets                    | 2,543,415         |
| Impairment loss                                             | 703,978           |
| Loss on liquidation of subsidiaries and associates          | 26,231            |
| Loss on liquidation of business                             | 160,312           |
| Loss on transfer of rental contract                         | 191,574           |
| <b>Profit before income taxes</b>                           | <b>26,834,306</b> |
| Income taxes-current                                        | 6,564,284         |
| Income taxes-deferred                                       | (398,082)         |
| <b>Profit</b>                                               | <b>20,668,103</b> |
| Net Loss attributable to non-controlling interests          | (252,175)         |
| Profit attributable to owners of parent                     | 20,920,279        |

## Consolidated Statements of Changes in Net Assets

(From April 1, 2020 To March 31, 2021)

(Unit: Thousand Yen)

|                                                                                           | Shareholders' equity |                 |                   |                 |                            |
|-------------------------------------------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                                                           | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balances at April 1, 2020                                                                 | 4,840,313            | 9,318,392       | 13,896,168        | (1,609,032)     | 26,445,841                 |
| Changes of items during the consolidated year                                             |                      |                 |                   |                 |                            |
| Dividends of surplus                                                                      | —                    | —               | (369,970)         | —               | (369,970)                  |
| Profit attributable to owners of parent                                                   | —                    | —               | 20,920,279        | —               | 20,920,279                 |
| Purchase of treasury shares                                                               | —                    | —               | —                 | (347)           | (347)                      |
| Change in ownership interest of parent due to transactions with non-controlling interests | —                    | 44,068          | —                 | —               | 44,068                     |
| Net changes of items other than shareholders' equity during the consolidated year         | —                    | —               | —                 | —               | —                          |
| Changes of items during the consolidated year (total)                                     | —                    | 44,068          | 20,550,308        | (347)           | 20,594,030                 |
| Balances at March 31, 2021                                                                | 4,840,313            | 9,362,461       | 34,446,477        | (1,609,380)     | 47,039,871                 |

|                                                                                           | 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, 2020                                                                 | 2,586,607                                             | (964,284)                               | 1,622,323                                    | 118,195      | 2,844,650                 | 31,031,010       |
| Changes of items during the consolidated year                                             |                                                       |                                         |                                              |              |                           |                  |
| Dividends of surplus                                                                      | —                                                     | —                                       | —                                            | —            | —                         | (369,970)        |
| Profit attributable to owners of parent                                                   | —                                                     | —                                       | —                                            | —            | —                         | 20,920,279       |
| Purchase of treasury shares                                                               | —                                                     | —                                       | —                                            | —            | —                         | (347)            |
| Change in ownership interest of parent due to transactions with non-controlling interests | —                                                     | —                                       | —                                            | —            | —                         | 44,068           |
| Net changes of items other than shareholders' equity during the consolidated year         | 467,399                                               | 913,890                                 | 1,381,289                                    | (118,195)    | (2,844,650)               | (1,581,556)      |
| Changes of items during the consolidated year (total)                                     | 467,399                                               | 913,890                                 | 1,381,289                                    | (118,195)    | (2,844,650)               | 19,012,474       |
| Balances at March 31, 2021                                                                | 3,054,006                                             | (50,393)                                | 3,003,613                                    | —            | —                         | 50,043,484       |

## Balance Sheet

(As of March 31, 2021)

(Unit: Thousand Yen)

| Item                                                | Amount            | Item                                                    | Amount            |
|-----------------------------------------------------|-------------------|---------------------------------------------------------|-------------------|
| (Assets)                                            |                   | (Liabilities)                                           |                   |
| <b>【Current assets】</b>                             | 44,563,219        | <b>【Current liabilities】</b>                            | 23,770,317        |
| Cash and deposits                                   | 15,155,299        | Electronically recorded obligations - operating         | 2,119,804         |
| Electronically recorded monetary claims - operating | 23,873            | Account payables-trade                                  | 7,366,402         |
| Account receivables                                 | 23,046,135        | Short-term loans payable                                | 2,000,000         |
| Merchandise and finished goods                      | 3,116,736         | Current portion of long-term loans payable              | 2,790,000         |
| Work in process                                     | 650,911           | Account payables-other                                  | 1,568,111         |
| Raw materials and supplies                          | 227,705           | Income taxes payable                                    | 6,762,580         |
| Prepaid expenses                                    | 266,995           | Accrued expenses                                        | 205,339           |
| Other                                               | 2,076,922         | Deposit received                                        | 25,151            |
| Allowance for doubtful accounts                     | (1,359)           | Provision for bonuses                                   | 659,477           |
| <b>【Non-current assets】</b>                         | 28,110,949        | Provision for loss on construction contracts            | 16,388            |
| (Tangible fixed assets)                             | 1,475,168         | Other                                                   | 257,060           |
| Buildings                                           | 321,796           | <b>【Non-current liabilities】</b>                        | 750,004           |
| Tools, furniture and fixtures                       | 405,349           | Other                                                   | 750,004           |
| Land                                                | 116,149           | <b>Total liabilities</b>                                | <b>24,520,321</b> |
| Other                                               | 631,873           | (Net assets)                                            |                   |
| (Intangible assets )                                | 555,937           | <b>【Shareholders' equity】</b>                           | 48,153,110        |
| Patent rights                                       | 211               | (Capital stock )                                        | 4,840,313         |
| Telephone subscription rights                       | 4,595             | (Capital surplus)                                       | 6,183,846         |
| Software                                            | 551,130           | Legal capital surplus                                   | 6,181,300         |
| (Investment and other assets)                       | 26,079,843        | Other capital surplus                                   | 2,545             |
| Investment securities                               | 11,734            | (Retained earnings)                                     | 38,738,330        |
| Shares of subsidiaries and affiliates               | 20,184,266        | Net assets                                              | 97,042            |
| Long-term loans receivable                          | 2,833             | Other retained earnings                                 | 38,641,288        |
| Long-term prepaid expenses                          | 1,247,326         | Voluntary retained earnings                             | 3,830,500         |
| Guarantee deposits                                  | 272,938           | Retained earnings brought forward                       | 34,810,788        |
| Deferred tax assets                                 | 2,001,015         | (Treasury shares)                                       | (1,609,380)       |
| Other                                               | 2,818,954         | <b>【Valuation and translation adjustment】</b>           | 737               |
| Allowances for doubtful accounts                    | (459,225)         | (Valuation difference on available-for-sale securities) | 737               |
| <b>Total assets</b>                                 | <b>72,674,169</b> | <b>Total net assets</b>                                 | <b>48,153,848</b> |
|                                                     |                   | <b>Total liabilities and net assets</b>                 | <b>72,674,169</b> |

**Statements of Income**  
(From April 1, 2020 To March 31, 2021)

(Unit: Thousand Yen)

| Item                                                   | Amount            |
|--------------------------------------------------------|-------------------|
| Net Sales                                              | 81,149,771        |
| Cost of sales                                          | 69,258,673        |
| <b>Gross profit</b>                                    | <b>11,891,098</b> |
| Selling, general and administrative expenses           | 6,043,199         |
| <b>Operating income</b>                                | <b>5,847,898</b>  |
| <b>Non-operating income</b>                            | <b>607,572</b>    |
| Interest and dividend income                           | 399,641           |
| Gain on investments in partnership                     | 6,341             |
| Foreign exchange gains                                 | 192,528           |
| Other                                                  | 9,061             |
| <b>Non-operating expenses</b>                          | <b>1,083,033</b>  |
| Interest expenses                                      | 174,772           |
| Commission loan-payable                                | 622               |
| Loss on sales of accounts receivable                   | 43,975            |
| Provision of allowance for doubtful accounts           | 453,915           |
| Foreign exchange losses                                | 333,104           |
| Other                                                  | 76,642            |
| Ordinary income                                        | 5,372,437         |
| <b>Extraordinary income</b>                            | <b>17,841,179</b> |
| Gain on sales of shares of subsidiaries and associates | 17,799,526        |
| Gain on sale of business                               | 41,653            |
| <b>Extraordinary loss</b>                              | <b>3,590,388</b>  |
| Loss on retirement of non-current assets               | 2,542,252         |
| Impairment loss                                        | 317,521           |
| Loss on liquidation of subsidiaries and associates     | 21,116            |
| Loss on liquidation of business                        | 131,467           |
| Loss on transfer of lease contract                     | 578,031           |
| <b>Profit before income taxes</b>                      | <b>19,623,228</b> |
| Income taxes-current                                   | 6,570,676         |
| Income taxes-deferred                                  | (462,232)         |
| <b>Profit</b>                                          | <b>13,514,784</b> |



## Statement of Changes in Net Assets

(From April 1, 2020 To March 31, 2021)

(Unit: Thousand Yen)

|                                                                                   | Shareholders' equity |                       |                       |                       |                             |                         |                                   |                         |
|-----------------------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|-------------------------|-----------------------------------|-------------------------|
|                                                                                   | Capital stock        | Capital surplus       |                       |                       | Legal retained earnings     | Retained earnings       |                                   |                         |
|                                                                                   |                      | Legal capital surplus | Other capital surplus | Total capital surplus |                             | Other retained earnings | Retained earnings brought forward | Total retained earnings |
|                                                                                   |                      |                       |                       |                       | Voluntary retained earnings |                         |                                   |                         |
| Balances at April 1, 2020                                                         | 4,840,313            | 6,181,300             | 2,545                 | 6,183,846             | 97,042                      | 3,830,500               | 21,665,974                        | 25,593,516              |
| Changes of items during the consolidated year                                     |                      |                       |                       |                       |                             |                         |                                   |                         |
| Dividends of surplus                                                              | —                    | —                     | —                     | —                     | —                           | —                       | (369,970)                         | (369,970)               |
| Profit                                                                            | —                    | —                     | —                     | —                     | —                           | —                       | 13,514,784                        | 13,514,784              |
| Purchase of treasury shares                                                       | —                    | —                     | —                     | —                     | —                           | —                       | —                                 | —                       |
| Net changes of items other than shareholders' equity during the consolidated year | —                    | —                     | —                     | —                     | —                           | —                       | —                                 | —                       |
| Changes of items during consolidated year (total)                                 | —                    | —                     | —                     | —                     | —                           | —                       | 13,144,813                        | 13,144,813              |
| Balances at March 31, 2021                                                        | 4,840,313            | 6,181,300             | 2,545                 | 6,183,846             | 97,042                      | 3,830,500               | 34,810,788                        | 38,738,330              |

|                                                                                   | 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, 2020                                                         | (1,609,032)          | 35,008,643                 | 84                                                    | 84                                          | 35,008,728       |
| Changes of items during the consolidated year                                     |                      |                            |                                                       |                                             |                  |
| Dividends surplus                                                                 | —                    | (369,970)                  | —                                                     | —                                           | (369,970)        |
| Profit                                                                            | —                    | 13,514,784                 | —                                                     | —                                           | 13,514,784       |
| Purchase of treasury shares                                                       | (347)                | (347)                      | —                                                     | —                                           | (347)            |
| Net changes of items other than shareholders' equity during the consolidated year | —                    | —                          | 653                                                   | 653                                         | 653              |
| Changes of items during the consolidated year (total)                             | (347)                | 13,144,466                 | 653                                                   | 653                                         | 13,145,119       |
| Balances at March 31, 2021                                                        | (1,609,380)          | 48,153,110                 | 737                                                   | 737                                         | 48,153,848       |

## Audit Reports in consolidated financial statements

### Independent Auditor's Report

May 13, 2021

To the Board of Directors of  
MegaChips Corporation

KPMG AZSA LLC  
Osaka Office, Japan

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

Tatsuo Amekawa (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, 2021 and for the year from April 1, 2020 to March 31, 2021 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 13, 2021

To the Board of Directors of  
MegaChips Corporation

KPMG AZSA LLC  
Osaka Office  
Tetsuo Yamada (seal)  
Designated and Engagement Partner  
Certified Public Accountant

Tatsuo Amekawa (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 31st fiscal year of MegaChips Corporation from April 1, 2020 to March 31, 2021, 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 31st fiscal year from April 1, 2020 to March 31, 2021, 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, and 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 13, 2021

Audit & Supervisory Board of  
MegaChips Corporation  
Standing Statutory Auditor: Makiko  
Yamakawa (Seal)  
Auditor : Keiichi Kitano (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.