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Securities Code: 6875
June 2, 2022

To: Our Shareholders

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

NOTICE OF THE 32nd ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are hereby notified that the 32nd 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 of Japanese version of Notice of the 32nd Annual General Meeting of Shareholders). Please send it to ensure its arrival by 6 p.m. on Thursday, June 23, 2022 (Japan time), the day before the Annual General Meeting of Shareholders.**

1. Date and Time: Friday, June 24, 2022 at 10:00 a.m. (Japan time)

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

3. Agenda of the Meeting

Matters to be reported:

1. Business report for the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022) (“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, 2022 (April 1, 2021 to March 31, 2022)

Matters to be resolved:

Proposal 1: Partial Amendments to the Articles of Incorporation

Proposal 2: Election of Nine (9) Directors

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

- ◎ 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 continued situation of a 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. 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 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: Partial Amendments to the Articles of Incorporation

1. Reasons for the Proposal

The amended provisions stipulated in the provisions of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make following changes to its Articles of Incorporation in preparation for the introduction of the system for providing information materials of the general shareholder meeting in electronic format.

- (1) The proposed Article 14, Paragraph 1 stipulates that the Company takes the electronic provision measure for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc.
- (2) The purpose of the proposed Article 14, Paragraph 2 is to establish a provision to limit the scope of items to be delivered to shareholders who have requested the delivery of paper-based documents.
- (3) The provisions related to the Internet Disclosure and Deemed Provision of Reference Documents for the general meeting of shareholders, etc. (Article 14 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
- (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

2. Contents of the Amendments

Current	
<p>GENERAL MEETING OF SHAREHOLDERS (Internet Disclosure and Deemed Provision of Reference Documents for General Shareholders Meeting, etc.) Article 14 In connection with convening a General Shareholders Meeting, the Company may be deemed as having provided shareholders with information in connection with the matters to be entered or indicated in the reference documents for a General Shareholders Meeting, business reports, financial documents as well as consolidated financial statements through the disclosure thereof by means of the Internet as stipulated in a Ministry of Justice Ordinance.</p> <p>(Newly established)</p>	<p>(Deleted)</p> <p>Article 14 (Electronic Provision Measure, etc.) 1. The Company shall, when convening a general meeting of shareholders, take measures for providing information that constitutes the content of reference document for the general meeting of shareholders, etc. in electronic format. 2. Among items subject to the electronic provision measure, the Company may exclude all or part of the items stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</p>
<p>(Newly established)</p>	<p>(Supplementary Provisions) 1. The deletion of Article 14 (Internet Disclosure and Deemed Provision of Reference Documents for General Shareholders Meeting, etc.) of the current Articles of Incorporation and the new establishment of the proposed Article 14 (Electronic Provision Measure, etc.) shall come into effect on September 1, 2022. 2. Notwithstanding the provisions of the preceding paragraph, Article 14 of the current Articles of Incorporation shall remain in force with respect to a general meeting of shareholders to be held on a date within six (6) months from September 1, 2022. 3. These supplementary provisions shall be deleted on the later of either the day on which six (6) months elapse from September 1, 2022 or the day on which three (3) months elapse from the day of the general meeting of shareholders set forth in the preceding paragraph.</p>

Proposal 2: 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, Junko Nagata, Hirofumi Nagai, and Kunihiro Yamada 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		93% (14/15times)
2	Masahiro Shindo	Re-election	Chairman		100% (15/15times)
3	Yoshimasa Hayashi	Re-election	Senior Managing Director, Executive Officer		100% (15/15times)
4	Yasuto Shimomae	Re-election	Director, Executive Officer		100% (15/15times)
5	Ikuo Yamaguchi	Re-election	Director, Executive Officer		100% (15/15times)
6	Ikuo Iwama	Re-election	Director, Executive Officer		100% (15/15times)
7	Junko Nagata	Re-election	Director	Outside, Independent	100% (15/15times)
8	Hirofumi Nagai	Re-election	Director	Outside, Independent	100% (15/15times)
9	Heihachi Matsumoto	Newly elected	—	Outside, Independent	—

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



■ Positions and responsibilities at the Company

President and CEO

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 10 years
- Number of shares held in the Company 99,000 shares
- Attendance at Board of Directors meetings 93% (14 of 15)

■ Career summary and material concurrent positions at the Company

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

Reasons for Nomination as Director

As President / CEO since 2019, Mr. Hikawa has demonstrated strong leadership in managing the MegaChips Group, and by tackling management issues such as business structural reforms from a medium- to long-term perspective and implementing the managerial reforms consistently, he has contributed to enhancement of the corporate value of the MegaChips Group. Due to Mr. Hikawa's rich experience, knowledge and achievement in corporate management of semiconductor sector, 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.



■ **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): 3 years
- Number of shares held in the Company 544,644 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 since assuming the position of director in 2019, he went back to the managerial philosophy and has committed to building a solid management foundation for future growth.

With his business decision based on 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.



■ Positions and responsibilities at the Company

Senior Managing Director, Executive Officer

General Manager of Planning Department

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 6 years
- Number of shares held in the Company 134,000 shares
- Attendance at Board of Directors meetings 100% (15 of 15)

■ Career summary and material concurrent positions at the Company

Jun. 2000	Director
Jan. 2008	Executive Officer, General Manager of Business Control Office
Feb. 2009	Director, Vice President, Division Director, Executive Manager of Sales Headquarters
Jun. 2013	Resigned as Director
Apr. 2016	Executive Officer, Senior General Manager of Human Resources Development Division, and General Manager of System Product Division
Jun. 2016	Director
Apr. 2020	Executive Officer, Division Director of ASIC Business Headquarters
Jun. 2020	Senior Managing Director (to present)
Oct. 2021	Executive Officer, General Manager of Planning Department (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 Planning Department, Mr. Hayashi is responsible for projecting and promoting management plan, while at the same time, he has made a strong contribution to expanding the company's business domain. 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.



■ [Positions and responsibilities at the Company](#)

Director, Executive Officer

General Manager of Telecommunications Division

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 5 years
- Number of shares held in the Company 6,200 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
Apr. 2021	Executive Officer, General Manager of High-Speed Cable Communications Business Division
Apr. 2022	Executive Officer, General Manager of Telecommunications Division

[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 Telecommunications Division, Mr. Shimomae is concentrating on the development of new products using communication technologies, which we expand our business 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 Memory Division

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 3 years
- Number of shares held in the Company 3,800 shares
- Attendance at Board of Directors meetings 100% (15 of 15)

■ Career summary and material concurrent positions at the Company

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
Jun. 2019 Director (to present)
Apr. 2020 Executive Officer, Division Director of ASIC Business Headquarters No. 1
Apr. 2022 Executive Officer, General Manager of ASIC Memory Division (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 Memory Division, a key division, where he shows great skill in growing and expanding our business. 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.



■ Positions and responsibilities at the Company

Director, Executive Officer

- 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

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

(Material concurrent positions)

CEO of MegaChips LSI USA Corporation
Representative of MegaChips VC USA LLC
Representative of MegaChips VC2 USA LLC

Reasons for Nomination as Director

Mr. Iwama has broad expertise in management based on his extensive knowledge and experience in semiconductor-related fields over many years, including semiconductor technology and manufacturing processes as well as his experience in overseas business operations. In addition, he has launched a corporate venture capital in the U.S., and currently operates and promotes creation of new business. 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 and therefore has been nominated again as a Director.

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

Re-election / Outside Director / Independent Officer



■ Positions and responsibilities at the Company

Director

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 3 years
- Number of shares held in the Company 1,000 shares
- 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)

- Professor of Graduate School of Urban Management at Osaka City University
- Board member of International Human Resource Network Organization Foundation
- Director of Women's Business Association

Reasons for Nomination as Outside Director and Expected Role

Ms. Junko Nagata entered the Japan Coast Guard Academy as the first female student 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 proactively provide advices from diversified and objective perspectives as an outside director, and supervise our management for strengthening our group's corporate governance and 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 three 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): 2 years
- Number of shares held in the Company 1,000 shares
- Attendance at Board of Directors meetings 100% (15 of 15)

■ Career summary and material concurrent positions at the Company

- Oct. 1994 Joined Show & Ota (currently, EY ShinNihon LLC)
- May 1998 Registered as a certified public accountant
- Oct. 2005 Transferred to the Listing Examination Department of the Osaka Securities Exchange Co., Ltd. (currently, Osaka Exchange, Inc.)
- Oct. 2007 Returned to Ernst & Young ShinNihon LLC (currently, EY ShinNihon LLC) Feb. 2010
Head of Nagai Public Accountant Office (to present)
- Mar. 2010 Registered as a certified tax accountant
- Jun. 2020 Outside Director (to present)

(Material concurrent positions)

- Representative Partner of ALT Tsukiji Audit LLC
- Outside auditor of Broad Enterprise Co., Ltd.

Reasons for Nomination as Outside Director and Expected Role

As a certified public accountant and certified tax accountant, Mr. Nagai has extensive expertise in finance, accounting and auditing as well as a rich career and high degree of insight, and as an Outside Director, we believe he will be able to provide advices from objective perspectives as an outside director, and prompt fair decision-making in the meeting of the Board of Directors and strengthen supervisory function of the management thus our management structure will be further enhanced. 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 two term of office. The Company has registered Mr. Nagai as an Independent Officer with the Tokyo Stock Exchange.

Nominee Number 9 Heihachi Matsumoto

Date of birth: November 2, 1946

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

Reasons for Nomination as Outside Director and Expected Role

As a Doctor of Engineering, Mr. Matsumoto has a wealth of knowledge of semiconductor and 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. Matsumoto 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 supervising the Company's overall management.

Further, if Mr. Matsumoto is elected, the Company plans to register Mr. Matsumoto 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 Heihachi Matsumoto 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 Heihachi Matsumoto 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 Heihachi Matsumoto 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.

Skill Matrix for Directors and Auditors

Name	Title	Corporate Management	Technology/Product Development/Innovation	Financial affairs /Accounting	Legal/Risk management/Governance	Sales strategy/Marketing	Manufacturing/Quality management	Human resources development /Diversity
Tetsuo Hikawa	President and CEO	●		●	●			
Masahiro Shindo	Chairman	●	●					●
Yoshimasa Hayashi	Senior Managing Director	●				●		●
Yasuto Shimomae	Director				●		●	
Ikuo Yamaguchi	Director		●			●		
Ikuo Iwama	Director		●			●		
Junko Nagata	Director (Independent)				●			●
Hirofumi Nagai	Director (Independent)			●	●			
Heihachi Matsumoto	Director (Independent)		●				●	
Makiko Yamakawa	Full-time auditor				●			●
Keiichi Kitano	Outside auditor (Independent)			●	●			
Tomoyoshi Furukawa	Outside auditor (Independent)			●	●			
Akira Matsushima	Outside auditor (Independent)		●				●	

* The skill of corporate management includes areas such as organizational management necessary for management oversight.

(Provided Documents)

Business Report (from April 1, 2021 to March 31, 2022)

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 exceeded the level of previous consolidated year due to the increase of demand mainly in the industrial equipment, electronics components and devices.

In the ASIC business, the Group is providing optimal solutions for customer 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 industrial equipment, telecommunication, AI, energy control, robotics, and automotive. 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.

As consolidated operating results for the current consolidated fiscal year, the MegaChips Group saw net sales of ¥75,256 million (a decrease of 10.2% from the previous consolidated fiscal year), mainly due to the decrease in net sales of SiTime Corporation in connection with it becoming an affiliated company from the second quarter of the previous fiscal year and the decrease in net sales of timing controller LSIs for LCD panels whose orders had ceased in the third quarter of the previous fiscal year, while, on the other hand, there was a steady demand primarily in the ASIC business for LSIs for storing game software (customized memories).

Regarding profits, operating profits, ordinary profits, and net income attributable to owners of the parent reached record highs. The operating profits amounted to ¥7,030 million (a 39.9% increase from the previous consolidated fiscal year) due to a reduction in SiTime Corporation's selling, general and administrative expenses in connection with it becoming an affiliated company from the second quarter of the previous fiscal year and improved business efficiency and ordinary profits totaled ¥7,857 million (a 100.8% increase from the previous consolidated fiscal year) as a result of ¥420 million of shares of profit of entities accounted for using the equity method.

In addition, due to the sale of a portion of shares in SiTime Corporation, an affiliated company, and an increase in SiTime Corporation's capital through a secondary offering, a gain on sales of shares of subsidiaries and associates of ¥29,251 million was recorded, resulting in net profit attributable to owners of parent of ¥27,544 (a 31.7% increase from the previous consolidated fiscal year).

Pursuant to the resolution adopted at the Board of Directors' meeting held on May 13, 2022, the Company will pay an end-of year dividend for this current consolidated fiscal year of a total of ¥90 yen per common share, consisting of a ¥40 yen per common share ordinary dividend and a ¥50 yen per common share special dividend.

② Status of capital investments

During the current consolidated fiscal year under review, the MegaChips Group made capital investments of ¥1,117 million (including intangible assets).

A rough breakdown of the investment in equipment consists mainly of ¥399 million for the acquisition of reticles used in LSI manufacturing and ¥453 million for the acquisition of software IP, etc., for future competitiveness.

In addition, the Company retired ¥690 million in connection with a review of valuation of intangible fixed assets, mainly software developed in-house.

③ Status of financing

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

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

In the current consolidated fiscal year, the Company acquired ¥24,491 million from the sale of a portion of its shares in SiTime Corporation, an affiliated company. The part of the funds is used for the purposes such as the dividend of surplus, repurchase of treasury stock, and the investment for the launch of new business.

As of the end of the consolidated fiscal year under review, the MegaChips Group's interest-bearing liabilities outstanding reduced by ¥4,790 million from the end of the previous consolidated fiscal year., and there is no balance.

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 1,000,000 of its shares in November 2021, through a secondary offering of shares in conjunction with the issuance of 1,300,000 shares of SiTime Corporation. SiTime Corporation remained as Company's equity-method affiliate after the sale of shares.

(2) Status of assets and profits and losses

Classification		29th (FY2018 ended March 2019)	30th (FY2019 ended March 2020)	31st (FY2020 ended March 2021)	32nd (Consolidated fiscal year under review) (FY 2021 ended March 2022)
Net sales	(Million Yen)	95,145	65,764	83,814	75,256
Ordinary income	(Million Yen)	502	639	3,912	7,857
Profit (Loss) attributable to owners of the parent	(Million Yen)	(1,727)	(1,792)	20,920	27,544
Profits (Loss) per share	(Yen)	(79.40)	(82.35)	961.28	1,349.01
Total assets	(Million Yen)	91,977	72,347	74,627	89,842
Net assets	(Million Yen)	26,223	31,031	50,043	67,428
Net assets per share	(Yen)	1,204.98	1,289.72	2,299.49	3,517.30

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

(3) Status of material parent company and subsidiaries

① Status of parent company

There is no relevant information to report.

② Status of major subsidiaries (as of March 31, 2022)

Company names	Capital	Company's ratio of voting rights (%)	Details of major businesses
Shun Yin Investment Ltd.	NT\$309,040 thousand	100.0%	Investment business
MegaChips Taiwan Corporation	NT\$400,000 thousand	100.0% (41.0)	Sales, development and technical support as a sales base of east Asia
MegaChips LSI USA Corporation	US\$3,000 thousand	100.0%	Development, sales and marketing as a sales base of North America
MegaChips VC USA LLC	US\$7,000 thousand	100.0% (100.0)	Business investment in startups mainly in the U.S.

(Note) 1. The Company's consolidated subsidiaries are the four major subsidiaries above.

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

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

4. MegaChips VC USA LCC is the fund and above capital is the investment amount.

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 telecommunication sector, which the MegaChips Group is targeting, development of communication infrastructure has been progressing in response to the IoT era, such as improved transmission speed, reduced lag time, and the capacity to connect many devices simultaneously. In the industrial equipment field, IoT is increasingly used in various fields including logistics, automated manufacturing, and smart grids, and, is expected to contribute to the transformation of the industrial world. In addition, in the AI field, its technology has rapidly spread and is being installed in, among others, driverless cars and robotics. As AI technology progress from now, it is expected that AI will be incorporated in even more applications widely in various industries, including manufacturing, logistics, medicine, agriculture, and automotive, thereby bringing about change to society.

As a result, the growing need for high-performance and multifunctional electronic components used in the devices surrounding us in various fields has led to an increase in demand for LSI products as a key device that contributes to high precision, multifunctionality, compactness, and low power consumption.

Under these circumstances, in accordance with 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, in fields which are expected to grow in the future, including the industrial equipment, telecommunications, AI, energy control, robotics, and automotive fields, while strengthening the foundation of the ASIC business, focusing on the gaming sector.

In addition, as our initiatives for sustainability, we will build a foundation for sustainable growth prioritizing environmentally friendly business activities, the creation of a sustainable supply chain, specific social contribution activities in the electronics field, diversity promotion and an improved work environment.

① Strengthening of business foundation in our core business field

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 innovative technology. We will also strengthen our business base by maintaining a stable supply and providing optimal solutions in response to customers' needs by focusing on information coordination and securing a manufacturing infrastructure to fulfill our responsibility as a part of the supply chain.

② Fostering new business fields

We will concentrate the deployment of our management resources, targeting the fields of industrial equipment, telecommunications, AI, energy control, robotics, and automotive, where rapid market expansion is expected, to proactively launch excellent products into the domestic and overseas markets and promote sustainable growth by fostering new business fields.

③ Initiatives to create new businesses for the future

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 MegaChips Group's North American base, promoting joint R&D of innovative technologies with U.S. universities, and bolstering strategic alliances and business investments with startup companies with innovative technologies and ideas, mainly in the U.S. through a CVC (corporate venture capital) fund.

④ Strengthening financial position that supports medium- to long-term growth

To support long-term growth through business structure transformation and the fostering of new businesses, we will maintain and strengthen our management base so that we can flexibly and quickly respond to changes in the business environment. As a safety index, we will enhance the ratio of net worth to total assets.

⑤ Addressing global environmental conservation and supply chain issues

For global environmental conservation, the MegaChips Group will operate its business taking into consideration countermeasures for global warming and reduction of the environmental load. We will continue to strive to establish a sustainable supply chain by, among other things, requesting our manufacturing partners to comply with guidelines on the use of hazardous chemicals and to ensure compliance with emission standards for CO₂ and toxic substances, while, at the same time engaging in ecofriendly office activities including the reduction of energy consumption and waste. In addition, we will analyze and study the impact of climate change risks and opportunities in our business activities and revenue according to the TCFD framework and manage the disclosure of information.

⑥ Fostering engineers in the electronics field

To support the younger generation, which is the foundation of Japan's strength, we are dedicated to developing highly skilled human resources who will lead the next generation in the electronics field through donations to Japanese universities and joint or outsourced research, while, at the same time, promoting the creation of innovative technologies through research activities. We will promote diversity of engineers in the electronics field.

⑦ Building diversified organization and working environment

In order to promote diversity not only among employees but also among core personnel, we will create a comfortable work environment and promote fostering of human resources by implementing a fair and impartial performance appraisal system that supports a merit-based and results-based system where diverse personnel can demonstrate their abilities, by creating a work environment that allows various work styles such as teleworking and a parental leave system, providing varied educational programs by professionals, language training and stratified education.

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, 2022)

- | | | |
|-------------------------------------|-------------|--------|
| ① Total number of authorized shares | 100,000,000 | shares |
| ② Total number of issued shares | 21,967,700 | shares |
| ③ Number of shareholders | 11,534 | |
| ④ Major shareholders (top 10) | | |

Names of shareholders	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,410	12.57
Shindo Corporation	1,239	6.47
Shindo and Associates Co., Ltd.	1,239	6.47
MSCO CUSTOMER SECURITIES	742	3.87
Custody Bank of Japan (Trust Account)	708	3.70
THE BANK OF NEW YORK 133652	613	3.20
THE BANK OF NEW YORK MELLON 140051	598	3.12
Masahiro Shindo	544	2.84
Ritsuko Shindo	536	2.80
Noriko Matsui	507	2.65

- (Note) 1. The shareholding ratio is calculated by deducting the treasury shares (2,797,000 shares) .
2. Although MegaChips Corporation holds 2,797,000 shares of treasury shares, it is excluded from the above list of major shareholders.

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

The Company delivered 18,000 shares of outstanding shares to 8 directors (3,000 outstanding shares to 3 outside directors), and 3,000 shares of outstanding shares to 6 officers of the Company as restricted stock compensation. The information of the Company's stock compensation are described in "② Total compensation of Directors and Auditors for the current fiscal year" and "③ Summary of policy for determining details of officers' compensation" of "(2) Status of Corporate Officers".

(2) Status of Corporate Officers

① Status of Directors and Auditors (as of March 31, 2022)

Title	Name	Areas of responsibility and status of significant concurrent positions
President and CEO	Tetsuo Hikawa	
Chairperson	Masahiro Shindo	
Senior Managing Director Executive Officer	Yoshimasa Hayashi	General Manager of Planning Department and Applied Technology Officer of MegaChips LSI USA Corporation
Director Executive Officer	Yasuto Shimomae	Division Director of Business Division No. 4
Director Executive Officer	Ikuo Yamaguchi	General Manager of Business Division No. 1 Director of Shun Yin Investment Ltd.
Director Executive Officer	Ikuo Iwama	CEO of MegaChips LSI USA Corporation Representative of MegaChips VC USA LLC
Director	Junko Nagata	Professor at Graduate School of Urban Management at Osaka City University Board member of International Human Resource Network Organization Foundation Director of Women's Business Association
Director	Hirofumi Nagai	Representative Member of Alt Professional Services Outside auditor of Broad Enterprise Co., Ltd.
Director	Kunihiro Yamada	
Full-time Auditor	Makiko Yamakawa	
Auditor	Keiichi Kitano	President of Kitano Keiichi Tax Accountant Office Outside Auditor of SUS Co., Ltd.
Auditor	Tomoyoshi Furukawa	Partner of Ohara & Furukawa Outside Auditor of JSK Co., Ltd.
Auditor	Akira Matsushima	

(Note) 1. Directors Junko Nagata, Hirofumi Nagai, and Kunihiro Yamada are outside directors as defined in Article 2, Item 15 of the Companies Act.

2. Auditors Keiichi Kitano, Tomoyoshi Furukawa, and Akira Matsushima are outside auditors as defined in Article 2, Item 16 of the Companies Act.

3. Auditor Keiichi Kitano is a qualified certified tax accountant and has considerable knowledge about finance and accounting.

4. MegaChips LSI USA Corporation, a subsidiary of the Company, engages in transactions with the Company for the outsourcing, contracting, etc. of operations

5. There is no relationship of special interest between the Company and any of Osaka City University, the International Human Resource Network Organization Foundation, the Women's Business Association, Alt Professional Services, Broad Enterprise Co., Ltd., Kitano Keiichi Tax Accountant Office, SUS Co., Ltd., Ohara & Furukawa or JSK Co., Ltd., and JSK Co., Ltd.

6. Directors Junko Nagata, Hirofumi Nagai, and Kunihiro Yamada, and Auditors Keiichi Kitano, Tomoyoshi Furukawa, and Akira Matsushima, each satisfies the requirements for independent directors as stipulated by the Tokyo Stock Exchange and have been reported to the Exchange as independent directors.

7. Liability Insurance Contracts for Officers, etc.

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

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

Title	Total Amount of Compensation, etc.	Total Amount of Compensation etc. by Category			Number of People
		Base Compensation	Performance-Linked Compensation, etc.	Non-Monetary Compensation, etc.	
Directors (of those, the Outside Directors)	¥433,300 thousand (38,625 thousand)	¥205,800 thousand (31,200 thousand)	¥182,950 thousand (-)	¥44,550 thousand (7,425 thousand)	10 (4)
Auditors (of those, the Outside Directors)	¥34,800 thousand (23,100 thousand)	¥34,800 thousand (23,100 thousand)	-	-	4 (3)
Total (of those, the Outside Directors)	¥468,100 thousand (61,725 thousand)	¥240,600 thousand (54,300 thousand)	¥182,950 thousand (-)	¥44,550 thousand (7,425 thousand)	14 (7)

- (Note)
1. Pursuant to the resolution adopted at the 27th Annual General Meeting of Shareholders held on June 23, 2017, the annual aggregate compensation for Directors shall not exceed ¥550 million for 12 Directors (of whom 4 are Outside Directors) (¥100 million for Outside Directors).
 2. Pursuant to the resolution adopted at the 31st Annual General Meeting of Shareholders held on June 25, 2021, the annual aggregate non-monetary compensation for Directors shall not exceed ¥200 million for 9 Directors (of whom 3 are Outside Directors) (¥40 million for Outside Directors).
 3. Pursuant to the resolution adopted at the Extraordinary Meeting of Shareholders held on February 25, 1998, the annual aggregate compensation paid to Auditors shall not exceed ¥50 million for 4 Auditors.
 4. The above figures include one Director (of whom 1 is Outside Director) who resigned at the conclusion of the 31st Annual General Meeting of Shareholders held on June 25, 2021.
 5. Performance-linked compensation, etc. was recorded as bonuses for officers for six Directors during the current fiscal year. The total amount of bonuses for officers for the current fiscal year was set at ¥182,950 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 ¥27,540 million), in accordance with the policy for determining the details of compensation, etc. for officers.
 6. The actual results of the performance-linked index (profit attributable to the owners of parent) for the amount of compensation, etc. for the current fiscal year are as stated in "1. (2) Status of assets and profit and losses".
 7. In determining the details of the individual compensation, etc., for Directors, the decision has been entrusted to Tetsuo Hikawa, President and CEO, who is considered to be the most appropriate person to evaluate the Company's overall performance and the achievements of each Director. The President & CEO determines the individual amounts of fixed compensation and the evaluation and allocation of bonuses for officers for each Director within the range of compensation amount designated by the Compensation Committee. Since the Compensation Committee reviews and proposes the individual compensation amount taking into consideration the compensation standards of companies of a business scale similar to that of the Company and in a related industry, including the consistency with a policy for determining the details of compensation, etc. for officers, the Board of Directors respects the decision of the Compensation Committee and judges that it is consistent with such policy.

③ Summary of policy for determining details of officers' compensation

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

A. Director's Compensation Policy

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

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

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

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

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

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

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

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

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

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

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

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

F. Auditor's Compensation Policy

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

④ Matters concerning Outside Officers

A. Major activities for this fiscal year

Title	Name	Status of activities
Director	Junko Nagata	Attended 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 initiative-taking 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 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 initiative-taking comments from such perspective. In addition to the above, provided necessary advice from the professional perspective of a certified public accountant and certified tax accountant
Director	Kunihiro Yamada	Attended 12 of 12 (100%) of the meetings of the Board of Directors held in the current fiscal year after being appointed on June 25, 2021. As an Outside Director of the Company, he has played an appropriate role in monitoring and advising the execution of the Company's business by making initiative-taking comments on each agenda item and deliberation, etc., from an objective viewpoint independent of the directors who execute the Company's business. In addition, he has also provided necessary advice from his professional perspective as a businessperson.
Auditor	Keiichi Kitano	Attended 15 of 15 (100%) meetings of the Board of Directors held in the current fiscal year. To clarify the points of contention and doubts, asked appropriate questions and expressed opinions on proposals and deliberations mainly from the expert viewpoint as a certified tax accountant. Also, provided necessary advice. Attended 14 of 14 (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. Attended 14 of 14 (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	Akira Matsushima	Attended 12 of 12 (100%) of the meetings of the Board of Directors held in the current fiscal year after being appointed on June 25, 2021. To clarify the points of contention and doubts, asked appropriate questions and expressed opinions on proposals and deliberations mainly from the viewpoint of expert with business management experiences mainly in the semiconductor sector. Also, provided necessary advice. Attended 10 of 10 (100%) of the meetings of the Board of Auditors held in the current fiscal year after being appointed on June 25, 2021 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.

B. Description of limited liability agreement

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

(3) Policy on determination of dividends of surplus

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

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

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

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

Consolidated Balance Sheet

(As of March 31, 2022)

(Unit: Thousand Yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
【Current assets】	【57,481,372】	【Current liabilities】	【21,368,278】
Cash and deposits	25,769,446	Notes and accounts payable-trade	8,101,451
Notes and accounts receivable-trade	7,950,688	Accounts payable-other	2,443,250
Inventories	3,621,151	Income taxes payable	7,991,659
Accounts receivable-other	18,702,209	Provision for bonuses	850,758
Other	1,439,335	Provision for loss on construction contracts	33,921
Allowance for doubtful accounts	(1,457)	Other	1,947,237
【Non-current assets】	【32,361,033】	【Non-current liabilities】	【1,045,509】
(Property, plant and equipment)	(1,758,370)	Other	1,045,509
Buildings	323,263	Total liabilities	22,413,787
Land	116,149		
Other	1,318,957	(Net equity)	
(Intangible assets)	(423,142)	【Shareholders' equity】	【61,849,135】
Software	416,516	Capital stock	4,840,313
Other	6,626	Capital surplus	9,359,915
(Investment and other assets)	(30,179,520)	Earned surplus	56,013,709
Investment securities	5,668,088	Treasury stock	(8,364,802)
Shares of subsidiaries and associates	19,105,173	【Other accumulated comprehensive equity】	【5,579,483】
Long-term prepaid expenses	1,246,877	Valuation difference on available-for-sale securities	3,455,486
Deferred tax assets	1,621,507	Foreign currency translation adjustment	2,123,997
Other	2,537,872	Total net assets	67,428,618
Total assets	89,842,406	Total liabilities and net assets	89,842,406

Consolidated Statements of Income

(From April 1, 2021 To March 31, 2022)

(Unit: Thousand Yen)

Item	Amount
Net sales	75,256,424
Cost of sales	61,641,427
Gross profit	13,614,997
Selling, general and administrative expenses	6,584,735
Operating income	7,030,261
Non-operating income	1,017,623
Interest income	6,940
Dividends earned	112,852
Receiving dispatching fee	70,439
Equity gains of affiliated companies	420,364
Gain on investments in investment partnerships	13,212
Foreign exchange gains	367,931
Other	25,882
Non-operating expenses	190,278
Interest expenses	23,096
Loss on sales of accounts receivable	44,511
Commission for purchase of treasury shares	74,947
Other	47,722
Ordinary income	7,857,606
Extraordinary income	29,399,306
Gain on sales of shares of subsidiaries and associates	29,251,940
Gain on change in equity	147,365
Extraordinary loss	895,532
Loss on retirement of non-current assets	690,417
Write-down of other investments	205,115
Profit before income taxes	36,361,380
Income taxes-current	8,111,706
Income taxes-deferred	705,290
Net Profit	27,544,382
Profit attributable to owners of parent	27,544,382

Consolidated Statements of Changes in Net Assets

(From April 1, 2021 To March 31, 2022)

(Unit: Thousand Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balances at April 1, 2021	4,840,313	9,362,461	34,446,477	(1,609,380)	47,039,871
Cumulative effects of changes in accounting policies	—	—	(1,063,352)	—	(1,063,352)
Restated balance	4,840,313	9,362,461	33,383,124	(1,609,380)	45,976,519
Changes of items during the consolidated year					
Dividends of surplus	—	—	(1,741,029)	—	(1,741,029)
Profit attributable to owners of parent	—	—	27,544,382	—	27,544,382
Purchase of treasury shares	—	—	—	(10,000,037)	(10,000,037)
Disposal of treasury shares	—	26,629	—	42,670	69,300
Cancellation of treasury shares	—	(29,175)	(3,172,769)	3,201,944	—
Net changes of items other than shareholders' equity during the consolidated year	—	—	—	—	—
Changes of items during the consolidated year (total)	—	(2,545)	22,630,584	(6,755,422)	15,872,615
Balances at March 31, 2022	4,840,313	9,359,915	56,013,709	(8,364,802)	61,849,135

	Accumulated Other Comprehensive Income (AOCI)			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total other accumulated comprehensive income	
Balances at April 1, 2020	3,054,006	(50,393)	3,003,613	50,043,484
Cumulative effects of changes in accounting policies	—	—	—	(1,063,352)
Restated balance	3,054,006	(50,393)	3,003,613	48,980,132
Changes of items during the consolidated year				
Dividends of surplus	—	—	—	(1,741,029)
Profit attributable to owners of parent	—	—	—	27,544,382
Purchase of treasury shares	—	—	—	(10,000,037)
Disposal of treasury shares	—	—	—	69,300
Cancellation of treasury shares	—	—	—	—
Net changes of items other than shareholders' equity during the consolidated year	401,479	2,174,391	2,575,870	2,575,870
Changes of items during the consolidated year (total)	401,479	2,174,391	2,575,870	18,448,486
Balances at March 31, 2022	3,455,486	2,123,997	5,579,483	67,428,618

Balance Sheet

(As of March 31, 2022)

(Unit: Thousand Yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
【Current assets】	【51,957,717】	【Current liabilities】	【21,114,075】
Cash and deposits	20,694,521	Electronically recorded obligations - operating	2,044,739
Notes receivable	3,300	Account payables-trade	6,056,711
Electronically recorded monetary claims - operating	31,751	Accounts payable-other	2,222,467
Account receivables	6,769,329	Income taxes payable	7,991,659
contract asset	1,146,307	Accrued expenses	213,238
Merchandise and finished goods	2,345,180	contract liability	69,560
Work in process	951,209	Deposit received	23,679
Raw materials and supplies	324,761	Provision for bonuses	849,445
Prepaid expenses	262,935	Provision for loss on construction contracts	33,921
Accounts receivable	18,295,262	Other	1,608,652
Other	1,134,616	【Non-current liabilities】	【853,145】
Allowance for doubtful accounts	△1,457	Other	853,145
【Non-current assets】	【25,218,119】	Total liabilities	21,967,220
(Tangible fixed assets)	(1,736,806)	(Net assets)	
Buildings	323,263	【Shareholders' equity】	【55,191,063】
Tools, furniture and fixtures	621,526	(Capital stock)	(4,840,313)
Land	116,149	(Capital surplus)	(6,181,300)
Other	675,867	Legal capital surplus	6,181,300
(Intangible assets)	(421,225)	(Retained earnings)	(52,534,252)
Patent rights	113	Legal retained earnings	97,042
Telephone subscription rights	4,595	Other retained earnings	52,437,210
Software	416,516	Voluntary retained earnings	3,830,500
(Investment and other assets)	(23,060,088)	Retained earnings brought forward	48,606,710
Investment securities	255,291	(Treasury shares)	(△8,364,802)
Shares of subsidiaries and affiliates	17,851,223	【Valuation and translation adjustment】	【17,552】
Long-term loans receivable	1,609	(Valuation difference on available-for-sale securities)	(17,552)
Long-term prepaid expenses	780,903		
Guarantee deposits	285,798		
Deferred tax assets	1,637,919		
Other	2,247,342	Total net assets	55,208,615
Total assets	77,175,836	Total liabilities and net assets	77,175,836

Statements of Income

(From April 1, 2021 To March 31, 2022)

(Unit: Thousand Yen)

Item	Amount
Net sales	75,256,424
Cost of sales	61,641,427
Gross profit	13,614,997
Selling, general and administrative expenses	6,568,577
Operating income	7,046,419
Non-operating income	548,424
Interest income and dividends earned	183,313
Gain on investments in investment partnerships	13,212
Foreign exchange gains	289,834
Other	62,063
Non-operating expenses	153,001
Interest expenses	22,838
Loss on sales of accounts receivable	44,511
Commission for purchase of treasury shares	74,947
Other	10,702
Ordinary income	7,441,842
Extraordinary income	22,158,457
Gain on sales of shares of subsidiaries and associates	22,158,457
Extraordinary loss	891,513
Loss on retirement of non-current assets	686,398
Write-down of other investments	205,115
Profit before income taxes	28,708,786
Income taxes-current	8,111,608
Income taxes-deferred	824,104
Net Profit	19,773,073

Statement of Changes in Net Assets

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

(Unit: Thousand Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					Voluntary retained earnings	Retained earnings brought forward		
Balances at April 1, 2021	4,840,313	6,181,300	2,545	6,183,846	97,042	3,830,500	34,810,788	38,738,330
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	(1,063,352)	(1,063,352)
Restated balance	4,840,313	6,181,300	2,545	6,183,846	97,042	3,830,500	33,747,436	37,674,978
Changes of items during the consolidated year								
Dividends of surplus	—	—	—	—	—	—	(1,741,029)	(1,741,029)
Net Profit	—	—	—	—	—	—	19,773,073	19,773,073
Purchase of treasury shares	—	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	26,629	26,629	—	—	—	—
Cancellation of treasury shares	—	—	(29,175)	(29,175)	—	—	(3,172,769)	(3,172,769)
Net changes of items other than shareholders' equity during the consolidated year	—	—	—	—	—	—	—	—
Changes of items during consolidated year (total)	—	—	(2,545)	(2,545)	—	—	14,859,274	14,859,274
Balances at March 31, 2022	4,840,313	6,181,300	—	6,181,300	97,042	3,830,500	48,606,710	52,534,252

	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, 2021	(1,609,380)	48,153,110	737	737	48,153,848
Cumulative effects of changes in accounting policies	—	(1,063,352)	—	—	(1,063,352)
Restated balance	(1,609,380)	47,089,757	737	737	47,090,495
Changes of items during the consolidated year					
Dividends of surplus	—	(1,741,029)	—	—	(1,741,029)
Net profit	—	19,773,073	—	—	19,773,073
Purchase of treasury shares	(10,000,037)	(10,000,037)	—	—	(10,000,037)
Disposal of treasury shares	42,670	69,300	—	—	69,300
Cancellation of treasury shares	3,201,944	—	—	—	—
Net changes of items other than shareholders' equity during the consolidated year	—	—	16,814	16,814	16,814
Changes of items during consolidated year (total)	(6,755,422)	8,101,306	16,814	16,814	8,118,120
Balances at March 31, 2022	(8,364,802)	55,191,063	17,552	17,552	55,208,615

Audit Reports in consolidated financial statements

Independent Auditor's Report

May 12, 2022

To the Board of Directors of
MegaChips Corporation

KPMG AZSA LLC
Osaka Office, Japan

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

Tatsuo Amekawa (seal)
Designated Limited Liability
PartnerEngagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of MegaChips Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as of March 31, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 444-4 of the Companies Act.

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

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Reader of Independent Auditor's Report:

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

End

Audit Reports in consolidated financial statements

Independent Auditor's Report

May 12, 2022

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 financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules ("the financial statements and the accompanying supplementary schedules") of MegaChips Corporation ("the Company") as at March 31, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 436-2-1 of the Companies Act.

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

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

End

Audit report of the Audit & Supervisory Board

Audit Report

With respect to the Directors' performance of their duties during the 32nd fiscal year from April 1, 2021 to March 31, 2022, the Audit & Supervisory Board has prepared this Audit Report after deliberations, based on the Audit Report prepared by each Audit & Supervisory Board Member, and hereby report as follows:

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

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

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

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

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

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

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

2. Results of Audit

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

① We acknowledge that the Business Report and the accompanying supplemental schedules thereto fairly represents the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.

② We acknowledge that no misconduct of material fact constituting a violation of any law or regulation, or the Articles of Incorporation of the Company was found with respect to the Directors' performance of their duties.

③ We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the information provided in the Business Report or the Directors' performance of their duties concerning the internal control systems.

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

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

(3) Results of Audit of consolidated financial statements

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

May 12, 2022

Audit & Supervisory Board of MegaChips Corporation

Standing Statutory Auditor : Makiko Yamakawa (Seal)

Auditor : Keiichi Kitano (Seal)

Auditor : Tomoyoshi Furukawa (Seal)

Auditor : Akira Matsushima (Seal)

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