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Securities Code: 6875  
June 1, 2023

To: Our Shareholders

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

## NOTICE OF THE 33<sup>rd</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are hereby notified that the 33rd Annual General Meeting of Shareholders of MegaChips Corporation (the “Company”) is to be held as described below. We have taken measures for the electronic provision of information for this meeting. Matters to be provided electronically have been posted on the Company’s Internet website under “Notice of the 33rd Annual General Meeting of Shareholders”.

The Company’s website:

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

The items are also posted on the Internet website shown below.

Please access to the website of TSE (Tokyo Stock Exchange), enter “MegaChips” to the field of “Issue Name (company name)” or “6875” to the field of “Code” and click “Search”, click “Basic Information”, and select the “Documents for public inspection/PR information” tab.

The TSE’s website (Tokyo Stock Exchange):

(<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>)

**You may exercise your voting rights by post 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 3 of Japanese version of Notice of the 33rd Annual General Meeting of Shareholders). Please send it to ensure its arrival by 6 p.m. on Thursday, June 22, 2023 (Japan time), the day before the Annual General Meeting of Shareholders.**

**1. Date and Time:** Friday, June 23, 2023 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, 2023 (April 1, 2022 to March 31, 2023) (“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, 2023 (April 1, 2022 to March 31, 2023)

#### **Matters to be resolved:**

- Proposal 1: Election of Ten (10) Directors
- Proposal 2: Election of Two (2) Auditors

- ◎ 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.
- ◎ We do not provide souvenirs to attending shareholders.
- ◎ Due to the change in the government's Basic Policies for Novel Coronavirus Disease Control, the mark wearing is now left up to individual judgment. However, we ask to the attending shareholders to take the physical conditions and the prevention of risk of infection into account.
- ◎ The following matters are not mentioned in the written information sent to the shareholders pursuant to applicable laws and regulations and Article 14 of the Company’s Articles of Incorporation. Therefore, such written documents include, in part, the information audited by the accounting auditors and the Audit and Supervisory Board.
  - (1) Following items from the 33<sup>rd</sup> Business Report (April 1, 2022 to March 31, 2023)
    - 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 for the 33<sup>rd</sup> Business Report (April 1, 2022 to March 31, 2023)
  - (3) Individual notes to Non-Consolidated Financial Statements for the 33<sup>rd</sup> Business Report (April 1, 2022 to March 31, 2023)
- ◎ If there are any correction to the matters to be provided electronically, there will be promptly posted on each website above.
- ◎ 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>).
- ◎ 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://disclosure2.edinet-fsa.go.jp/>).

## Reference Documents for Shareholders Meeting

### Proposal 1 : Election of Ten (10) 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 Heihachi Matsumoto will expire at the conclusion of the Annual General Meeting of Shareholders, it is proposed that ten (10) Directors be elected.

The nominees for Director are as follows:

Nominee Number	Name		Position in Company		Attendance Rate at Board of Director Meetings
1	Tetsuo Hikawa	Re-election	President and CEO		100% (16/16 times)
2	Masahiro Shindo	Re-election	Chairman		100% (16/16 times)
3	Yoshimasa Hayashi	Re-election	Executive Vice President		100% (16/16 times)
4	Ikuo Iwama	Re-election	Director, Executive Officer		100% (16/16 times)
5	Masashi Kuramoto	Newly elected	Executive Officer		
6	Masaaki Iwai	Newly elected	Executive Officer		
7	Junko Nagata	Re-election	Director	Outside, Independent	100% (16/16 times)
8	Hirofumi Nagai	Re-election	Director	Outside, Independent	100% (16/16 times)
9	Heihachi Matsumoto	Re-election	Director	Outside, Independent	100% (13/13 times)
10	Satoshi Nakamura	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): 11 years
- Number of shares held in the Company 103,000 shares
- Attendance at Board of Directors meetings 100% (16 of 16)

■ 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 has driven the Company's growth through designing a mid-to long-term vision, strengthening a business foundation, and establishing a new business model while flexibly coping with the changing social environment. Due to Mr. Hikawa's rich experience, expertise and achievement in corporate management of semiconductor sector, he is viewed as being capable of contributing to the sustainable growth and 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): 4 years
- Number of shares held in the Company 548,644 shares
- Attendance at Board of Directors meetings 100% (16 of 16)

■ 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

Since Mr. Shindo has founded MegaChips, Japan's first fabless semiconductor manufacturing company in 1990, he has driven continued growth of the Company by establishing solid business foundation through the pursuit of innovation under the rapidly evolving operating environment. Currently, Mr. Shindo is making efforts in corporate reform, human resource development, and new business creation initiatives in order to pervade a management philosophy and all employees will be able to demonstrate their comprehensive strengths for further future growth.

With his rich experience, knowledge and achievements in matters related to corporate management and personnel development, Mr. Shindo is viewed as a person capable of reinforcing business foundation, realizing growth strategy, and contributing to the continued enhancement of corporate value, and therefore continues to be nominated as a Director.



■ Positions and responsibilities at the Company

Executive Vice President

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 7 years
- Number of shares held in the Company 137,500 shares
- Attendance at Board of Directors meetings 100% (16 of 16)

■ 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
Feb. 2022	Executive Officer, General Manager of Planning Department, General Manager of Application Technology Division
Jul. 2022	Executive Vice President (to present)

(Material concurrent positions)

Director of MegaChips LSI USA Corporation

Reasons for Nomination as Director

As a founding member of the Company, Mr. Hayashi has contributed to the growth of the Company over the years as the person responsible for operations in various fields ranging from product development to the human relations, sales and corporate planning, while simultaneously contributing to the expansion and development of the Company as a member of the management team. Currently, Mr. Hayashi shows initiatives in formulating and implementing management strategy and corporate planning. With his rich experience, knowledge and achievements, Mr. Hayashi is viewed as being capable of strengthening operation basis, achieving growth strategy and continuously enhancing corporate value, and therefore has been nominated as a Director.

## Nominee Number 4 **Ikuo Iwama**

Date of birth: July 8, 1947 Re-election



### ■ Positions and responsibilities at the Company

Director, Executive Officer

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 3 years
- Number of shares held in the Company —
- Attendance at Board of Directors meetings 100% (16 of 16)

### ■ 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.  
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 promotes in creation of new businesses through an operation of a corporate venture capital in the U.S. and has achieved collaborations with startups. Reflecting these experiences and achievements in the management of the Company and promoting a new business strategy, 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 5 **Masashi Kuramoto**

Date of birth: January 10, 1968 Newly elected



### ■ Positions and responsibilities at the Company

Officer, Senior General Manager of ASIC Memory  
Division

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): —
- Number of shares held in the Company 8,200 shares

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

Apr. 2016 General Manager of ASIC No. 1 Business Development Division  
Apr. 2020 General Manager and Development Manager of ASIC No. 1 Business Development Division  
Jun. 2021 Officer, Vice General Manager and Development Manager of ASIC No. 1 Business  
Development Division  
Oct. 2022 Officer, Senior General Manager of ASIC Memory Business Division (to present)

### Reasons for Nomination as Director

Mr. Kuramoto has many years of experiences in design development operations and has led the business and energetically fostered the next generation as the head of the amusement business, which is our core business, and contributed to the growth of business for the specific customer. Currently, Mr. Kuramoto demonstrates his ability as the Senior General Manager of ASIC Memory Business Division. Reflecting his many years of experiences and achievements in the management of the Company focusing on the enhancement of our business competitiveness, Mr. Kuramoto viewed as a person capable of contributing to the continued enhancement of corporate value and therefore has been nominated as a Director.



## Nominee Number 6 Masaaki Iwai

Date of birth: March 3, 1964 Newly elected



### ■ Positions and responsibilities at the Company

Officer, Senior General Manager of ASIC Division

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

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

Apr. 1989 Joined Toshiba Corporation  
Feb. 2009 Toshiba America Electronic Components, Inc.  
Jan. 2012 Back to Toshiba Corporation  
Nov. 2020 Joined MegaChips Corporation, Deputy Senior General Manager, General Manager of Product Engineering Dept. of ASIC Business Division No. 2/ASIC Business HQ. No. 2  
Jan. 2021 Senior General Manager of ASIC Business Division No. 2/ ASIC Business HQ. No. 2  
Oct. 2021 Officer, Senior General Manager of Business Division No. 3  
Oct. 2022 Officer, Executive General Manager of ASIC Business HQ. (to present)

### Reasons for Nomination as Director

Since joining MegaChips, Mr. Iwai has led a planning and promoting the business projects as a head of business division for the specific customer and product engineering. He has many years of experiences in the semiconductor development, enhancement of productivity and cost improvement in the semiconductor factory. In addition to his deep knowledge about technology and manufacturing of semiconductor, he has the global business experience that he cultivated in overseas. Reflecting his experiences, knowledge and achievements in the management of the Company, Mr. Iwai viewed as a person capable of contributing to the continued enhancement of corporate value and therefore has been nominated 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): 4 years
- Number of shares held in the Company 2,000 shares
- Attendance at Board of Directors meetings 100% (16 of 16)

■ 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 (currently, Osaka Metropolitan University) (to present)
- Jun. 2019 Outside Director (to present)

(Material concurrent positions)

Professor of Graduate School of Urban Management at Osaka Metropolitan 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 and worked for Japan Coast Guard and became the youngest and first female captain of "Matsunami", a patrol boat. She was 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 proactively provide advice from diversified and objective perspectives as an outside director, 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 four 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): 3 years
- Number of shares held in the Company 2,000 shares
- Attendance at Board of Directors meetings 100% (16 of 16)

■ 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, corporate accounting and auditing as well as a rich career and high degree of insight. With these experiences and expertise, we believe he will be able to provide advice 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 three 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

Re-election / Outside Director / Independent Officer



### ■ Positions and responsibilities at the Company

Director

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 1 year
- Number of shares held in the Company 1,000 shares
- Attendance at Board of Directors meetings 100% (13 of 13)

### ■ 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)
- Jun. 2022 Outside Director (to present)

(Material concurrent positions)

Visiting Professor, Kochi University of Technology

### 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. Furthermore, he has extensive experience in the semiconductor field including Research and Development, quality assurance, and business operations. We have nominated Mr. Matsumoto as a candidate for Outside Director because we believe that he will further strengthen our corporate system by supervising our management with his high level of expertise and by proactively providing advice on R&D and business operations. Therefore, we continue to nominate him again as an Outside Director.

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

Newly elected / Outside Director / Independent Officer



■ Positions and responsibilities at the Company

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

■ Career summary and material concurrent positions at the Company

- Apr. 1981 Joined Sharp Corporation, Central Research Labs., Information Technology Research Laboratories
- Mar. 1992 Doctor of Engineering, Kyoto University
- Apr. 1994 Associate Professor of The Graduate School of Information Science at Nara Institute of Science and Technology
- Apr. 2000 Head of Department 1 of ATR Spoken Language Translation Research Laboratories
- Dec. 2003 Honorarprofessor of Karlsruher Institut für Technologie (to present)
- Apr. 2005 Director of Spoken Language Communication Laboratories, Advanced Telecommunications Research Institute International
- Jun. 2007 Board Member of Advanced Telecommunications Research Institute International
- Apr. 2010 Director of Knowledge Creating Communication Research Center, Director General of Keihanna Research Centre, National Institute of Information and Communications Technology
- Apr. 2011 Professor of The Division of Information Science, The Graduate School of Information Science at Nara Institute of Science and Technology
- Apr. 2018 Professor of The Graduate School of Information Science at Nara Institute of Science and Technology (to present)

(Material concurrent positions)

- Honorarprofessor of Karlsruher Institut für Technologie
- Professor of The Graduate School of Information Science at Nara Institute of Science and Technology

Reasons for Nomination as Outside Director and Expected Role

Having been involved in information technology research for a long time, Mr. Nakamura has been engaged in information and communication technology research while teaching at The Division of Information Science, The Graduate School of Information Science at Nara Institute of Science and Technology (NAIST) and at the Karlsruher Institut für Technologie, Germany. He was responsible for the establishment of NAIST Data Science Center, and currently teaches as a professor in the area of information science at NAIST. We have nominated him as a candidate for outside director because we believe that he can contribute to the development of the Company by proactively providing suggestions and proposals from a diverse and objective perspective, leveraging his wealth of experience and wide-ranging expertise.

If this appointment is approved, the Company is going to register Mr. Nakamura as an independent director with the Tokyo Stock Exchange.

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

2. Junko Nagata, Hirofumi Nagai, Heihachi Matsumoto, and Satoshi Nakamura are nominees as Outside Directors of the Company. In addition, Junko Nagata, Hirofumi Nagai, Heihachi Matsumoto meet the standards for Independent Officer set by the Tokyo StockExchange and the Company has submitted filings to the Tokyo Stock Exchange designating them as an Independent Officers. Further, if Junko Nagata, Hirofumi Nagai, Heihachi Matsumoto, and Satoshi Nakamura 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, Hirofumi Nagai, and Heihachi Matsumoto, the Company's current outside directors, to limit liability for damages. If Satoshi Nakamura 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 belimited 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.

END

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

Since the terms of office of two Auditors, Makiko Yamakawa and Tomoyoshi Furukawa will expire at the conclusion of the Annual General Meeting of Shareholders, it is proposed that two (2) Auditors be elected. The Board of Corporate Auditors has given its consent to this proposal.

The nominees for Auditor are as follows:

Nominee Number	Name		Position in Company		Attendance Rate at Board of Auditor Meetings
1	Hiroshi Aoki	Newly elected	—		—
2	Tomoyoshi Furukawa	Re-election	Auditor	Outside, Independent	100% (13/13 times)

## Nominee Number 1 **Hiroshi Aoki**

Date of birth: May 19, 1971 Newly elected



### ■ 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 24,032 shares

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

- Apr. 2009 Group Leader of Corporate Management Dept., Finance and Accounting HQ
- Apr. 2011 Manager of Corporate Management Sec., Business Management Dept., Management Control HQ
- Apr. 2019 General Manager of Corporate Management Dept., Corporate Planning HQ
- Oct. 2022 General Manager of Business Management Dept., Office of the President
- Apr. 2023 General Manager of Business Management Dept., Business Management HQ

### Reasons for Nomination as Director

Since joining the Company, Mr. Aoki has been engaged in quality control and business management. Over the years, he has promoted initiatives in business planning and budget control in the Corporate Planning and Corporate Control, and through these activities, he has led a wide variety of business improvement efforts for the Company's group and has a broad range of experience in corporate management. He also has extensive knowledge of group business management, finance, and corporate accounting and is well versed in the Company's overall business through his wealth experience.

We have nominated him as a candidate for a corporate auditor because we believe that he will be able to accurately perform auditing duties throughout the entire management of the Company with his deep understanding of the Company and long experience and deep knowledge.



## Nominee Number 2 Tomoyoshi Furukawa

Date of birth: October 6, 1978

Re-election / Outside Director / Independent Officer



### ■ Positions and responsibilities at the Company

Auditor

- Number of terms of office (at the conclusion of the Annual General Shareholders Meeting): 4 years
- Number of shares held in the Company –
- Attendance at Board of Directors meetings 100% (13 of 13)

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

Nov. 2002 Passed (Japanese) bar exam

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

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

Feb. 2012 Admitted as a lawyer in New York State

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

Jun. 2019 Outside Auditor (to present)

(Material concurrent positions)

Partner of Ohara & Furukawa

Partner of JSK Co.,Ltd.

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

Mr. Furukawa has a global business experience in addition to a high degree of knowledge and broad experience regarding corporate law and international legal matters. Mr. Furukawa is viewed as person capable of overseeing the appropriateness of business judgement in audits from a perspective of a compliance and a corporate law, while, at the same time, contributing to improving the Company's governance, and therefore has been nominated again as an outside auditor.

Further, as of the conclusion of this Annual General Meeting of Shareholders, Mr. Furukawa will have served as an Outside Auditor of the Company for four terms of office.

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

The Company has no advisory contract or other business relationship with Mr. Furukawa.

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

2. Tomoyoshi Furukawa is nominee as Outside Auditor of the Company. In addition, Tomoyoshi Furukawa meets the standards for Independent Officer set by the Tokyo Stock Exchange and the Company has submitted filings to the Tokyo Stock Exchange designating them as an Independent Officers. Further, if Tomoyoshi Furukawa is elected, we plan to submit filings to the Tokyo Stock Exchange designating them as Independent Officer who meet the Tokyo Stock Exchange's criteria for independent officer and have been determined as having substantial independence by the Company.

3. In connection with the performance of the duties by outside auditors and to ensure the performance of their duties as outside auditors as well as to enable the Company to employ talented personnel, the Company's Articles of Incorporation permit the Company to conclude agreements with auditors. The Company has concluded such an agreement with Tomoyoshi Furukawa, the Company will continue to hold the contract while he is the Company's auditor, to limit liability for damages.

The outline of the agreement is as follows.

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

4. Director and Officer Liability Insurance Contract

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

## Skill Matrix for Directors and Auditors

Name	Title	Corporate management	Technology · Product development/ Innovation	Financial accounting	Legal · Risk management · Governance	Sales strategy · Marketing	Manufacturing · Quality management	Human resource development · Diversity	Global business experience
Tetsuo Hikawa	President and CEO	●		●	●				
Masahiro Shindo	Chairman of the Board	●	●					●	
Yoshimasa Hayashi	Executive Vice President	●				●		●	
Ikuo Iwama	Director		●			●			●
Masashi Kuramoto	Director		●			●			
Masaaki Iwai	Director		●				●		●
Junko Nagata	Director (Independent)				●			●	
Hirofumi Nagai	Director (Independent)			●	●				
Heihachi Matsumoto	Director (Independent)		●				●	●	
Satoshi Nakamura	Director (Independent)		●					●	●
Hiroshi Aoki	Auditor	●		●			●		
Keiichi Kitano	Auditor (Independent)			●	●				
Tomoyoshi Furukawa	Auditor (Independent)			●	●				●
Akira Matsushima	Auditor (Independent)		●				●		

\* The above list represents areas in which each person has more specialized knowledge based on their experiences and does not represent all the knowledge they possess

(Provided Documents)

Business Report (from April 1, 2022 to March 31, 2023)

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

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

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

In the electronic machinery and equipment industry in the current consolidated fiscal year, demand for consumer electronics and electronic components and devices remained consistent as same period last year, while demand for the industrial electronic devices slightly decreased, however, the overall market for the electronics device industry was on par with the previous corresponding period.

In the ASIC business, the Group is providing optimal solutions for applications in customer devices and services, not only in the mainstay game console, digital camera and office machine sectors, but also in the global industrial equipment area. Our competitive advantage is our ability to develop and supply System LSI with unique algorithm and architecture to solve our customers problems based on our deep understanding of our customers applications and our proprietary core technology.

In the ASSP business, to achieve further growth in a world where innovation in telecommunication technologies is occurring at a breakneck pace, the Company is concentrating its management resources on launching new LSI businesses, targeting fields where future growth is expected, such as the areas of industrial equipment, telecommunications, energy control and robotics. MegaChips strives to foster new businesses that will become important pillars for future profits by developing and providing a superior, value-added solution capable of differentiation through initiatives to enhance the competitiveness of the analog and digital circuits development and design technology and engaging in strategic collaboration with businesses inside and outside Japan.

The consolidated operating results for the current fiscal year has decreased from the previous fiscal year, the MegaChips group saw net sales of ¥70,722 million (a decrease of 6.0% year-on-year), and the operating profit amounted to ¥6,029 million (a decrease of 14.2% year-on-year) mainly due to the strong demand for the game software storage LSI (customized memories) in the second and third quarters.

With regard to profit, share of profit of entities accounted for using equity method (goodwill amortization included) and foreign exchange gains occurred for ¥206 million and ¥642 million, respectively, the ordinary profit amounted to ¥7,311 million (a decrease of 6.9% year-on-year).

The profit attributable to owners of parent reached ¥7,086 million (a decrease of 74.3% year-on-year) due to a gain on sales of shares of subsidiaries and associates of ¥3,467 million as an extraordinary income from the sale of a portion of shares in SiTime Corporation, an affiliated company. In the previous fiscal year, a gain on sale of shares of subsidiaries and associates of ¥29,251 million was posted as an extraordinary profit due to the sale of a portion of shares in SiTime Corporation, an affiliated company, and an increase in SiTime's capital increase through an issuance of new stocks.

Pursuant to the resolution adopted at the Board of Directors' meeting held on May 12, 2023, 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 ¥50 yen per share as an ordinary dividend and a ¥40 yen per share as a special dividend.

② Status of capital investments

During the current consolidated fiscal year under review, the MegaChips Group made capital investments of ¥1,328 million (including intangible assets).

A rough breakdown of the investment in equipment consists mainly of ¥731 million for the acquisition of reticles used in LSI manufacturing and ¥138 million for the acquisition of software IP, etc., for future competitiveness.

In addition, the Company retired ¥333 million in connection with a review of valuation of tangible fixed assets, mainly reticles.

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 ¥4,591 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 and repurchase of treasury stock.

In addition, there is no balance of the MegaChips group's interest-bearing liabilities in the end of current consolidated fiscal year.

④ Status of disposal of shares in other companies

In order to focus its management resources on growth areas and strengthen its mid- to long-term policy initiatives, the MegaChips groups sold a portion of its shares in SiTime Corporation, its U.S.-based affiliate, which is 300,000 of its shares in March 2023, through a negotiation transaction. SiTime Corporation remained as Company's equity-method affiliate after the sale of shares.

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

Classification		30th	31st	32nd	33rd
		(FY2019 ended March 2020)	(FY2020 ended March 2021)	(FY2021 ended March 2022)	(Consolidated fiscal year under review) (FY2022 ended March 2023)
Net sales	(Million Yen)	65,764	83,814	75,256	70,722
Ordinary profit	(Million Yen)	639	3,912	7,857	7,311
Profit (Loss) attributable to owners of parent	(Million Yen)	(1,792)	20,920	27,544	7,086
Profits (Loss) per share	(Yen)	(82.35)	961.28	1,349.01	369.40
Total assets	(Million Yen)	72,347	74,627	89,842	89,021
Net assets	(Million Yen)	31,031	50,043	67,428	74,535
Net assets per share	(Yen)	1,289.72	2,299.49	3,517.30	3,883.46

Note: From the beginning of the 32<sup>nd</sup> fiscal year, the Company applies “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020). Each number after the 32<sup>nd</sup> fiscal year 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, 2023)

Company names	Capital	Company's ratio of voting rights or investment ratio(%)	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.
MegaChips VC2 USA LLC	US\$7,299 thousand	100.0% (100.0)	Business investment in startups mainly in the U.S.
LDVP MCC Co-Investment Fund, L.P.	US\$3,636 thousand	82.5% (27.5)	Investment in early-stage companies in the deep tech sector

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

2. Shun Yin Investment Ltd., MegaChips Taiwan Corporation, MegaChips VC USA LLC and MegaChips VC2 USA LLC are deemed to be specified subsidiaries.
3. MegaChips VC2 USA LLC and LDVP MCC Co-Investment Fund, L.P. were newly established and included the scope of consolidation from the current year.
4. The figures in parentheses under "Company's ratio of voting rights" represent the ratio of voting rights indirectly owned by the Company.
5. Since MegaChips VC USA LLC, MegaChips VC2 USA LLC and LDVP MCC Co-Investment Fund, L.P. are funds, above capital is the investment amount and above ratio voting is the investment ratio.

#### 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 where those that were not connected to the network are now connected, the development of communication technology 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, the industrial robots and various industrial equipment are becoming more important as the global need of automation and the digital shifts are rapidly progressing everywhere in our daily life including logistics and manufacture automation.

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, 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, energy control, and robotics, while strengthening the foundation of the ASIC business, focusing on the amusement sector.

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

##### 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, energy control, and robotics, 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. Especially in the telecommunication field, we will accelerate the launch of products for the wireless communication, high-speed wired communication and power-line communication based on the cutting-edge technology of business partners, as well as commercialization by focusing on the development of module products that integrate these products by developing domestic and overseas sales and production systems and allocating human resources.



③ Initiatives to create new businesses for the future

With a view to long-term growth, we will promote the collaborative research and development of cutting-edge technologies with domestic and overseas universities, we will bolster strategic alliances and business investments with startup companies, mainly in the U.S. through a CVC (corporate venture capital) fund. We will combine these technologies with our existing expertise that we have cultivated over the years, enhance values and create unique businesses.

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 Promoting human resource development and diversification and improving working environment

To bring the best out of our human resources, we will promote the development of human resources and diversification and improve the work environment. As to the human resource development and diversification, we will expand on education system, such as job-level training and theme-based training, employ a wide variety of people through a year-round recruitment system, and enhance internship opportunities in our new graduate recruitment activities. We will also strive to create a comfortable working environment for all employees by conducting stress checks and workshops on women's health and encouraging employees to take paid leave.

⑥ 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 carbon-dioxide and toxic substances, while, at the same time engaging in eco-friendly office activities including the reduction of energy consumption and waste.

⑦ 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 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, 2023)

- ① Total number of authorized shares 100,000,000 shares
- ② Total number of issued shares 21,967,700 shares
- ③ Number of shareholders 12,407
- 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)	2,140	11.15
Shindo Corporation	1,239	6.46
Shindo and Associates Co., Ltd.	1,239	6.46
Custody Bank of Japan (Trust Account)	683	3.56
THE BANK OF NEW YORK 133652	588	3.06
Masahiro Shindo	548	2.86
Ritsuko Shindo	536	2.80
Noriko Matsui	507	2.64
Mika Aoki	494	2.58
MUFG Bank, Ltd.	487	2.54

- (Note) 1. The shareholding ratio is calculated by deducting the treasury shares (2,774,000 shares) .  
2. Although MegaChips Corporation holds 2,774,000 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 18,500 shares of outstanding shares to 8 directors (3,000 outstanding shares to 3 outside directors), and 6,400 shares of outstanding shares to 12 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, 2023)

Title	Name	Areas of responsibility and status of significant concurrent positions
President and CEO	Tetsuo Hikawa	
Chairperson	Masahiro Shindo	
Executive Vice President	Yoshimasa Hayashi	Officer of MegaChips LSI USA Corporation
Director Executive Officer	Yasuto Shimomae	General Manager of Intellectual Property and Legal Affairs Division
Director Executive Officer	Ikuo Yamaguchi	General Manager of Sensor Development Director of Shun Yin Investment Ltd.
Director Executive Officer	Ikuo Iwama	CEO of MegaChips LSI USA Corporation Representative of MegaChips VC USA LLC Representative of MegaChips VC2 USA LLC
Director	Junko Nagata	Professor at Graduate School of Urban Management at Osaka Metropolitan 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	Heihachi Matsumoto	Visiting Professor at Kochi University of Technology
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 Heihachi Matsumoto 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., Kochi University of Technology, 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 Heihachi Matsumoto, 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)	¥446,144 thousand (39,491 thousand)	¥216,900 thousand (31,200 thousand)	¥178,527 thousand (-)	¥50,716 thousand (8,291 thousand)	10 (4)
Auditors (of those, the Outside Directors)	¥37,200 thousand (25,200 thousand)	¥37,200 thousand (25,200 thousand)	-	-	4 (3)
Total (of those, the Outside Directors)	¥483,344 thousand (64,691 thousand)	¥254,100 thousand (56,400 thousand)	¥178,527 thousand (-)	¥50,716 thousand (8,291 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 32nd Annual General Meeting of Shareholders held on June 24, 2022.
  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 ¥178,527 thousand, after considering the source of funds to be up to 7% of the Group's "profit attributable to the owners of parent", 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 16 of 16 (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 16 of 16 (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	Heihachi Matsumoto	Attended 13 of 13 (100%) of the meetings of the Board of Directors held in the current fiscal year after being appointed on June 24, 2022. 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 based on his technological expertise.
Auditor	Keiichi Kitano	Attended 16 of 16 (100%) meetings of the Board of Directors held in the current fiscal year. To clarify the points of contention and doubts, asked appropriate questions and expressed opinions on proposals and deliberations mainly from the expert viewpoint as a certified tax accountant. Also, provided necessary advice. Attended 13 of 13 (100%) meetings of the Board of Auditors held in the current fiscal year and made appropriate remarks at every meeting attended and expressed opinions. In addition, exchanged opinions about audit results and consulted about important matters concerning audits. Served as a member of the Compensation Committee that was voluntarily formed as a consultative body by the Board of Directors; provided necessary advice.
Auditor	Tomoyoshi Furukawa	Attended 16 of 16 (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 13 of 13 (100%) meetings of the Board of Auditors held in the current fiscal and made appropriate remarks at every meeting attended and expressed opinions. In addition, exchanged opinions about audit results and consulted about important matters concerning audits. 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 16 of 16 (100%) of the 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 viewpoint of expert with business management experiences mainly in the semiconductor sector. Also, provided necessary advice. Attended 13 of 13 (100%) of the 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.

#### 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.

Pursuant to the resolution adopted at the Board of Directors' meeting held on May 12, 2023, 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 ¥50 yen per share as an ordinary dividend and a ¥40 yen per share as a special dividend to the shareholders as of March 31, 2023.



## Consolidated Balance Sheet

(As of March 31, 2023)

(Unit: Thousand Yen)

Item	Amount	Item	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>【Current assets】</b>	<b>【48,752,371】</b>	<b>【Current liabilities】</b>	<b>【13,902,436】</b>
Cash and deposits	19,265,419	Notes and accounts payable-trade	7,344,452
Notes and accounts receivable-trade, and contract assets	10,353,476	Accounts payable-other	1,958,026
Securities	1,451,821	Income taxes payable	1,969,952
Inventories	4,297,574	Provision for bonuses	733,733
Accounts receivable - other	11,960,299	Provision for loss on construction contracts	210,644
Other	1,500,044	Other	1,685,627
Allowance for doubtful accounts	(76,264)	<b>【Non-current liabilities】</b>	<b>【583,555】</b>
<b>【Non-current assets】</b>	<b>【40,268,672】</b>	Other	583,555
<b>Property, plant and equipment</b>	<b>1,837,045</b>	<b>Total liabilities</b>	<b>14,485,992</b>
Buildings	169,804	<b>(Net equity)</b>	
Tools, furniture and fixtures	938,873	<b>【Shareholders' equity】</b>	<b>【67,265,884】</b>
Other	728,366	Share capital	4,840,313
<b>Intangible assets</b>	<b>457,482</b>	Capital surplus	9,359,915
Software	455,907	Retained earnings	61,364,420
Other	1,574	Treasury shares	(8,298,764)
<b>Investment and other assets</b>	<b>37,974,145</b>	<b>【Accumulated other comprehensive income】</b>	<b>【7,269,167】</b>
Investment securities	14,214,221	Valuation difference on available-for-sale securities	2,045,472
Shares of subsidiaries and associates	21,149,636	Foreign currency translation adjustment	5,223,695
Long-term prepaid expenses	931,619		
Deferred tax assets	1,026,233	<b>Total net assets</b>	<b>74,535,052</b>
Other	652,434		
<b>Total assets</b>	<b>89,021,044</b>	<b>Total liabilities and net assets</b>	<b>89,021,044</b>

## Consolidated Statements of Income

(From April 1, 2022 To March 31, 2023)

(Unit: Thousand Yen)

Item	Amount
<b>Net sales</b>	<b>70,722,656</b>
<b>Cost of sales</b>	<b>58,672,673</b>
<b>Gross profit</b>	<b>12,049,983</b>
Selling, general and administrative expenses	6,020,136
<b>Operating profit</b>	<b>6,029,846</b>
<b>Non-operating income</b>	<b>1,344,298</b>
Interest income	115,753
Dividend income	175,952
Receiving dispatching fee	177,269
Share of profit of entities accounted for using equity method	206,208
Foreign exchange gains	642,528
Other	26,585
<b>Non-operating expenses</b>	<b>62,534</b>
Interest expenses	7,372
Loss on sales of accounts receivable	35,319
Loss on investments in investment partnerships	8,525
Other	11,316
<b>Ordinary profit</b>	<b>7,311,611</b>
<b>Extraordinary income</b>	<b>3,828,647</b>
Gain on sale of shares of subsidiaries and associates	3,467,999
Gain on change in equity	360,648
<b>Extraordinary losses</b>	<b>868,186</b>
Loss on retirement of non-current assets	480,068
Impairment losses	387,616
Loss on valuation of investment securities	501
<b>Profit before income taxes</b>	<b>10,272,072</b>
Income taxes-current	2,595,127
Income taxes-deferred	590,783
<b>Profit</b>	<b>7,086,161</b>
<b>Profit attributable to owners of parent</b>	<b>7,086,161</b>

## Consolidated Statements of Changes in Net Assets

(From April 1, 2022 To March 31, 2023)

(Unit: Thousand Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balances at April 1, 2022	4,840,313	9,359,915	56,013,709	(8,364,802)	61,849,135
Changes of items during the consolidated year					
Dividends of surplus	—	—	(1,725,353)	—	(1,725,353)
Profit attributable to owners of parent	—	—	7,086,161	—	7,086,161
Purchase of treasury shares	—	—	—	(8,425)	(8,425)
Disposal of treasury shares	—	—	(10,097)	74,463	64,366
Net changes in items other than shareholders' equity during the consolidated year	—	—	—	—	—
Changes of items during the consolidated year (total)	—	—	5,350,710	66,038	5,416,749
Balances at March 31, 2023	4,840,313	9,359,915	61,364,420	(8,298,764)	67,265,884

	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, 2022	3,455,486	2,123,997	5,579,483	67,428,618
Changes of items during the consolidated year				
Dividends of surplus	—	—	—	(1,725,353)
Profit attributable to owners of parent	—	—	—	7,086,161
Purchase of treasury shares	—	—	—	(8,425)
Disposal of treasury shares	—	—	—	64,366
Net changes in items other than shareholders' equity during the consolidated year	(1,410,014)	3,099,698	1,689,683	1,689,683
Changes of items during the consolidated year (total)	(1,410,014)	3,099,698	1,689,683	7,106,433
Balances at March 31, 2023	2,045,472	5,223,695	7,269,167	74,535,052

## Balance Sheet

(As of March 31, 2023)

(Unit: Thousand Yen)

Item	Amount	Item	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>【Current assets】</b>	<b>【42,654,767】</b>	<b>【Current liabilities】</b>	<b>【13,663,774】</b>
Cash and deposits	14,686,400	Electronically recorded obligations - operating	572,900
Electronically recorded monetary claims - operating	74,905	Accounts payable-trade	6,771,552
Accounts receivable - trade	8,570,971	Accounts payable - other	1,754,118
Contract asset	1,707,599	Income taxes payable	1,968,568
Merchandise and finished goods	2,182,487	Accrued expenses	183,257
Work in process	1,740,111	Contract liabilities	164,306
Raw materials and supplies	374,976	Deposits received	30,903
Prepaid expenses	247,520	Provision for bonuses	733,271
Accounts receivable - other	11,960,299	Provision for loss on construction contracts	210,644
Other	1,185,760	Other	1,274,251
Allowance for doubtful accounts	(76,264)	<b>【Non-Current liabilities】</b>	<b>【562,153】</b>
<b>【Non-current assets】</b>	<b>【31,499,530】</b>	Other	562,153
<b>Property, plant and equipment</b>	<b>1,807,029</b>	<b>Total liabilities</b>	<b>14,225,927</b>
Buildings	169,592	<b>(Net assets)</b>	
Tools, furniture and fixtures	932,387	<b>【Shareholders' equity】</b>	<b>【60,630,553】</b>
Other	705,049	<b>Share capital</b>	<b>4,840,313</b>
<b>Intangible assets</b>	<b>455,924</b>	<b>Capital surplus</b>	<b>6,181,300</b>
Patent right	16	Legal capital surplus	6,181,300
Software	455,907	<b>Retained earnings</b>	<b>57,907,703</b>
<b>Investment and other assets</b>	<b>29,236,577</b>	Legal retained earnings	97,042
Investment securities	9,568,276	Other retained earnings	57,810,661
Shares of subsidiaries and associates	17,151,310	Voluntary retained earnings	3,830,500
Investments in capital of subsidiaries and associates	258,760	Retained earnings brought forward	53,980,161
Long-term loans receivable	1,335	Retained earnings brought forward	53,980,161
Long-term prepaid expenses	565,107	<b>Treasury shares</b>	<b>(8,298,764)</b>
Guarantee deposits	373,389	<b>【Valuation and translation adjustment】</b>	<b>【(702,182)】</b>
Deferred tax assets	1,070,091	<b>Valuation difference on available-for-sale securities</b>	<b>(702,182)</b>
Other	248,307	<b>Total net assets</b>	<b>59,928,370</b>
<b>Total assets</b>	<b>74,154,298</b>	<b>Total liabilities and net assets</b>	<b>74,154,298</b>

## Statements of Income

(From April 1, 2022 To March 31, 2023)

(Unit: Thousand Yen)

Item	Amount
<b>Net sales</b>	<b>70,722,656</b>
<b>Cost of sales</b>	<b>58,672,673</b>
<b>Gross profit</b>	<b>12,049,983</b>
<b>Selling, general and administrative expenses</b>	<b>5,934,518</b>
<b>Operating profit</b>	<b>6,115,464</b>
<b>Non-operating income</b>	<b>1,179,397</b>
Interest and dividend income	215,641
Gain on collection of accounts receivable	460,944
Foreign exchange gains	482,030
Other	20,780
<b>Non-operating expenses</b>	<b>53,798</b>
Interest expenses	7,132
Loss on sales of accounts receivable	35,319
Other	11,346
<b>Ordinary profit</b>	<b>7,241,062</b>
<b>Extraordinary income</b>	<b>3,891,610</b>
Gain on sales of shares of subsidiaries and associates	3,891,610
<b>Extraordinary losses</b>	<b>866,913</b>
Loss on retirement of non-current assets	478,796
Impairment losses	387,616
Loss on valuation of investment securities	501
<b>Profit before income taxes</b>	<b>10,265,760</b>
Income taxes-current	2,593,521
Income taxes-deferred	563,337
<b>Profit</b>	<b>7,108,901</b>

## Statement of Changes in Net Assets

(From April 1, 2022 To March 31, 2023)

(Unit: Thousand Yen)

	Shareholders' equity							
	Share capital	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, 2022	4,840,313	6,181,300	—	6,181,300	97,042	3,830,500	48,606,710	52,534,252
Changes of items during the consolidated year								
Dividends of surplus	—	—	—	—	—	—	(1,725,353)	(1,725,353)
Net Profit	—	—	—	—	—	—	7,108,901	7,108,901
Purchase of treasury shares	—	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—	—	(10,097)	(10,097)
Net changes of items other than shareholders' equity during the consolidated year	—	—	—	—	—	—	—	—
Changes of items during consolidated year (total)	—	—	—	—	—	—	5,373,450	5,373,450
Balances at March 31, 2023	4,840,313	6,181,300	—	6,181,300	97,042	3,830,500	53,980,161	57,907,703

	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, 2022	(8,364,802)	55,191,063	17,552	17,552	55,208,615
Changes of items during the consolidated year					
Dividends of surplus	—	(1,725,353)	—	—	(1,725,353)
Profit	—	7,108,901	—	—	7,108,901
Purchase of treasury shares	(8,425)	(8,425)	—	—	(8,425)
Disposal of treasury shares	74,463	64,366	—	—	64,366
Net changes in items other than shareholders' equity during the consolidated year	—	—	(719,734)	(719,734)	(719,734)
Changes of items during the consolidated year (total)	66,038	5,439,489	(719,734)	(719,734)	4,719,754
Balances at March 31, 2023	(8,298,764)	60,630,553	(702,182)	(702,182)	59,928,370

## Audit Reports in consolidated financial statements

### Independent Auditor's Report

May 11, 2023

To the Board of Directors of  
MegaChips Corporation

KPMG AZSA LLC  
Osaka Office, Japan

Tetsuo Yamada  
Designated Limited Liability  
PartnerEngagement Partner  
Certified Public Accountant

Tatsuo Amekawa  
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, 2023 and for the year from April 1, 2022 to March 31, 2023 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



Independent Auditor's Report

May 11, 2023

To the Board of Directors of  
MegaChips Corporation

KPMG AZSA LLC  
Osaka Office, Japan

Tetsuo Yamada  
Designated Limited Liability Partner  
Engagement Partner Certified Public  
Accountant

Tatsuo Amekawa  
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, 2023 and for the year from April 1, 2022 to March 31, 2023 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 33<sup>rd</sup> fiscal year from April 1, 2022 to March 31, 2023, 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 11, 2023

Audit & Supervisory Board of MegaChips Corporation

Standing Statutory Auditor : Makiko Yamakawa (Seal)  
Auditor : Keiichi Kitano (Seal)  
Auditor : Tomoyoshi Furukawa (Seal)  
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