

FOR IMMEDIATE RELEASE



November 16, 2018

Name of the Company: MegaChips Corporation  
Representative: Akira Takata, President and CEO  
(Code No. 6875, First Section of the Tokyo Stock Exchange)

### Notice Concerning Partial Succession of Business by Absorption-type Split

MegaChips Corporation (the Company) today announces that the Company signed an agreement with Mamezou Holdings Co., Ltd. (Headquarters: Shinjuku-ku, Tokyo; President / CEO: Koji Sato; “Mamezou” hereinafter) on November 16, 2018, to transfer its System Product Division to Sense Things Japan INC. (“Sense Things Japan” hereinafter), a consolidated subsidiary of Mamezou.

#### 1. Purpose

The System Product Division of the Company has developed digital surveillance system as a customer-specific product and provided for security and monitoring applications.

However, through the rearrangement of business structure to secure the Group’s sustainable growth and enhance efficient management, the Company decided to transfer the rights of the business of System Product Division to Sense Things Japan, who handles R&D and sales of IoT-related products.

The Company will focus its managerial resources to growth markets including automotive, industrial equipment and 5G telecommunication, expand business with global leading companies, and strengthen measures for the mid-term sustainable growth.

#### 2. Summary of the company split

##### (1) Schedule

The resolution of the Board of Directors	November 16, 2018
Contract date	November 16, 2018
Effective date of the company split	January 1, 2019 (expected)

(Note) Since this company split corresponds to simplified absorption-type split prescribed in Article 784, Paragraph 2 of the Company Act, shareholders meeting of the Company to approve this company split will not be held.

##### (2) Split method

This is an absorption-type company split in which the Company is splitting company and Sense Things Japan is the successor company.

##### (3) Details of allocation related to the company split

The Company plans to receive a payment of JPY800 million from Sense Things Japan as a consideration of the rights of the business.

##### (4) Handling of subscription rights to shares and bonds accompanying the company split

There is no corresponding matter.

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(5) Increase / Decrease of capital

There will be no change in the Company's capital stock.

(6) Rights and obligation to be succeeded

Rights and obligation such as assets, liabilities and contractual positions regarding the company split which is prescribed in absorption-type company split contract will be succeeded to Sense Things Japan.

(7) Prospect of fulfillment of obligations

The company split has no impact on ability of Sense Things Japan, the successor company, to fulfill obligations after an effective date. The transfer of obligations shall be undertaken based on the concomitant assumption method.

3. Evidence and reasons for allocation related to the company split

(1) Evidence and reasons for allocation

The Company appointed an independent appraiser to appraise allocation about a value of the rights and obligation of the business and future feasibility of the business succeeded to Sense Things Japan, and the Companies agreed that the payment amount is adequate.

(2) Matters regarding calculation

There is no calculation report from appraiser.

(3) Prospect of being delisted and the reasons thereof

There are no applicable matters.

(4) Measure of fairness

There are no applicable matters.

(5) Measure for preventing conflicts of interest

There are no applicable matters.

4. Overview of companies involved in the company split

	Split company (as of September 30, 2018)	Successor company (as of September 30, 2018)
(1) Company name	MegaChips Corporation	Sense Things Japan INC.
(2) Head office	1-1-1 Miyahara, Yodogawa-ku, Osaka	2-7-1 Nishishinjuku, Shinjuku-ku, Tokyo
(3) Representative	Akira Takata, President and CEO	Shutaro Kashima, President / CEO
(4) Lines of business	Design, development and manufacturing for MEMS Timing Device and LSIs with unique analog, digital and MEMS technology	Development and sales of products of IOT technology
(5) Capital	JPY4,840 Million	JPY95 Million
(6) Established	April 4, 1990	July 13, 2015
(7) Outstanding number of shares	23,038,400 shares	3,800 shares
(8) Fiscal year end	April 1 to March 31	April 1 to March 31
(9) Employees (non-consolidated)	544	3
(10) Key customers	Nintendo Co., Ltd.	ORIX Auto Corporation GMO CLOUD K.K.
(11) Major banks	MUFG Bank, Ltd.	MUFG Bank, Ltd.

(12) Major Shareholders and Shareholding Ratio (excluding own stock)	Shindo Corporation 5.7% Shindo and Associates Co., Ltd. 5.7% Japan Trustee Services Bank, Ltd. (Trust Account) 4.9% THE BANK OF NEW YORK 133524 4.4% Shigeki Matsuoka 3.7%	Mamezou Holdings Co., LTD. 100%
(13) Relationship between the Company and Sense Things Japan		
Capital Relationship	Not applicable	
Personal Relationship	Not applicable	
Business Relationship	Not applicable	
Applicability to Related Parties	Not applicable	

(14) The results of operations and financial position within the past three years (JPY Million)						
Fiscal period	The Company (consolidated)			Sense Things Japan INC.		
	FY2015	FY2016	FY2017	FY2015	FY2016	FY2017
Net assets	28,846	27,631	31,184	146	(83)	(74)
Total assets	69,921	80,465	94,633	261	127	128
BPS (yen)	1,341.86	1,280.71	1,435.37	38,587.67	(21,961.22)	(19,684.16)
Net sales	55,662	67,438	89,029	67	108	229
Operating income	(335)	1,926	2,709	(57)	(67)	11
Ordinary income	313	994	2,207	(59)	(69)	9
Net income	(782)	(947)	1,948	(43)	(230)	8
EPS (yen)	(35.24)	(44.14)	90.05	(11,412.33)	(60,548.89)	2,277.06
DPS (yen)	34.00	34.00	34.00	—	—	—

## 5. Overview of the business unit to be split and succeeded

### (1) Business of Division to be split and succeeded

Design, development, manufacturing and sales of surveillance system for security and monitoring

### (2) Operation results of Division to be split and succeeded (Year ended March 31, 2018) (Unit: JPY Million)

	System Product Division (a)	The Company (consolidated) (b)	Ratio (a/b)
Consolidated net sales	4,494	89,029	5.0%

### (3) Financial position to be split and succeeded (as of September 30, 2018) (Unit: JPY Million)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	433	Current assets	202
Fixed assets	357	Fixed assets	—
Total	790	Total	202

(Note) Above numbers are estimated value as of September 30, 2018 and fluctuate according to the situation.

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#### 6. Post-company split details

Following this company split, there are no changes to the company name, head office, representative, line of business, capital and fiscal year end of the Company, split company, and Sense Things Japan, successor company as stated in above 「4. Overview of companies involved in the company split」. Net assets and total assets are not finalized at this time.

#### 7. Outline of accounting

The company will process this absorption-type company split in accordance with 「Accounting Standard for Business Divestitures」 (ASBJ Statement No. 7, December 26, 2008) as a divesting enterprise.

#### 8. Future outlook

The impact of the transaction has not been incorporated in the consolidated business forecast for FY2018 that was disclosed in November 2, 2018.

There is no material impact on the Company's consolidated financial results for FY2018. The company will make timely disclosure of the impact of the transfer on the consolidated results for the fiscal year ending in March 2019 once it is determined.