

**Consolidated Financial Results**  
**for the Fiscal Year Ended March 31, 2017**  
**[Japanese GAAP]**

May 10, 2017

Company name: MegaChips Corporation  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 6875  
 URL: <http://www.megachips.co.jp/>  
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 Scheduled date of Ordinary General Meeting of Shareholders: June 23, 2017  
 Scheduled date of commencing dividend payments: June 2, 2017  
 Scheduled date of filing annual securities report: June 23, 2017  
 Availability of supplementary briefing material on annual financial results: Available  
 Schedule of annual financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)**

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2017	67,438	21.2	1,926	—	994	217.8	(947)	—
March 31, 2016	55,662	(13.3)	(335)	—	313	(90.8)	(782)	—

(Note) Comprehensive income: Fiscal year ended March 31, 2017: ¥(658) million [-%]

Fiscal year ended March 31, 2016: ¥(1,775) million [-%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2017	(44.14)	—	(3.4)	1.3	2.9
March 31, 2016	(35.24)	—	(2.6)	0.4	(0.6)

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2017: ¥- million

Fiscal year ended March 31, 2016: ¥- million

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	80,465	27,631	34.3	1,280.71
As of March 31, 2016	69,921	28,846	41.1	1,341.86

(Reference) Equity: As of March 31, 2017: ¥27,617 million

As of March 31, 2016: ¥28,754 million

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
Fiscal year ended	Million yen	Million yen	Million yen	Million Yen
March 31, 2017	(346)	(6,540)	7,439	11,954
March 31, 2016	4,272	(5,955)	(379)	10,732

### 2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2016	—	—	—	34.00	34.00	728	—	2.4
March 31, 2017	—	—	—	34.00	34.00	733	—	2.6
Fiscal year ending March 31, 2018 (Forecast)	—	—	—	—	—		—	

We pay dividends once per year based on the dividend policy, using the year-end date as the record date. Amount of dividends paid is determined as equivalent to more than 30% of profit attributable to owners of parent for the year, taking into consideration the medium-term business outlook. Since the concrete dividend forecast is yet to be decided, “—” is shown for the year-end dividend.

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	70,000	3.8	1,300	(32.5)	1,000	0.5	200	—	9.28

**\* Notes**

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2017 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: –

Exception: –

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Number of shares outstanding (common stock)

1) Number of outstanding shares at the end of the period (including treasury stock)

March 31, 2017: 23,038,400 shares

March 31, 2016: 23,038,400 shares

2) Number of shares of treasury stock at the end of the period

March 31, 2017: 1,474,051 shares

March 31, 2016: 1,609,450 shares

3) Average number of shares outstanding during the period

Fiscal year ended March 31, 2017: 21,468,765 shares

Fiscal year ended March 31, 2016: 22,211,319 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2017	55,665	16.4	3,314	(26.6)	3,170	(25.6)	1,890	(21.0)
March 31, 2016	47,821	(20.5)	4,518	(4.4)	4,261	(23.1)	2,391	(28.4)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2017	88.06	87.58
March 31, 2016	107.69	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	77,510	32,311	41.7	1,498.36
As of March 31, 2016	64,892	31,013	47.8	1,447.28

(Reference) Equity: As of March 31, 2017: ¥32,311 million

As of March 31, 2016: ¥31,013 million

\* These financial results are outside the scope of audit.

\* Explanation of the proper use of financial results forecast and other notes

(Note on the forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as of the date of publication of this document. The Company does not guarantee the forecast results. Actual results may differ significantly from these forecasts due to a wide range of factors.

(Method to acquire supplementary documents for financial results)

Supplementary briefing material on annual financial results will be presented on the Company's website immediately after disclosure of the summary of consolidated financial results.

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## 1. Overview of the Consolidated Operating Results, Etc.

### (1) Overview of the consolidated operating results

In the electronic machinery and equipment industry, in which the MegaChips Group operates, demand for both industrial electronic equipment as well as electronic parts and devices declined. Consequently, the entire electronic machinery and equipment market shrank year-on-year.

In the ASIC business, the Group provides optimal solutions for customers' equipment and service applications for major customers, both inside and outside of Japan, mainly in our existing core business areas (game consoles, digital cameras, and office machines), and additionally in the areas of factory automation, robotics, and other industrial machines. The Group's competitiveness lies in its ability to harness its deep understanding of customers' applications and unique core technologies to offer the development and supply of system LSIs incorporating original algorithms and architectures that offer outstanding performance and cost competitiveness through an integrated support system that covers all aspects from upstream logical design to downstream physical design, manufacturing operations, and quality assurance.

To respond to competitors and changes in the market environment in Japan and overseas as well as to achieve further growth, the Group has taken advantage of the advent of the IoT to launch an ASSP business for major global companies in growing device markets and is working to restructure its business portfolio. The Group is expanding its product lineup, primarily with products in the IoT field, which will constitute platforms. Meanwhile, to establish closer business ties with major global companies in growing device markets, the Group is striving to cultivate human resources that can work globally and is promoting changes in its earnings structure.

During the fiscal year under review, LSIs for game software storage (custom memories) saw improved demand, and the MEMS timing device business progressed steadily. As a result, consolidated net sales stood at ¥67,438 million (up 21.2% year-on-year). Expenses of ¥2,995 million arose from the amortization of goodwill and intangible assets associated with the acquisition of overseas companies, resulting in an operating income before depreciation and amortization of ¥4,922 million, an operating income after depreciation and amortization of ¥1,926 million (a loss of ¥335 million a year ago), an ordinary income of ¥994 million (up 217.8% year-on-year), an extraordinary loss of ¥1,158 million in relation to the valuation of investment securities, and a loss attributable to the owners of the parent of ¥947 million (a loss of ¥782 million a year ago).

Because the MegaChips Group operates as one business segment, no statement related to segment information has been presented.

### (2) Overview of the financial position

Total assets as of the end of the fiscal year under review amounted to ¥80,465 million (up ¥10,543 million from the end of the previous consolidated fiscal year). Comparing major asset items with the previous consolidated fiscal year, cash and deposit, notes and accounts receivable-trade, and merchandise and finished goods increased by ¥1,153 million, ¥8,405 million, and ¥1,684 million, respectively, while goodwill decreased by ¥2,567 million.

Total liabilities were ¥52,834 million (up ¥11,759 million). Comparing major items with the previous consolidated fiscal year, notes and accounts payable-trade, short-term loans payable, and the current portion of long-term loans payable increased by ¥4,629 million, ¥10,076 million, and ¥3,000 million, respectively, while long-term loans payable declined by ¥5,000 million.

Total net assets stood at ¥27,631 million (down ¥1,215 million). As a result, the shareholders' equity ratio declined 6.8 percentage points from the previous fiscal year to 34.3%.

### (3) Overview of the cash flow

Cash and cash equivalents ("net cash") reached ¥11,954 million at the end of the consolidated fiscal year under review, increasing ¥1,221 million from the end of the previous consolidated fiscal year (compared with a decrease of ¥2,295 million in the same period of the previous consolidated fiscal year). The status of cash flows at the end of the fiscal year under review was as follows.

Net cash used by operating activities was ¥346 million (compared with net cash of ¥4,272 million provided by such activities in the same period of the previous consolidated fiscal year). This was chiefly attributable to a loss before taxes of ¥294 million (net income before taxes of ¥284 million in the previous fiscal year) and an increase in notes and accounts receivable-trade of ¥8,356 million, together with depreciation and amortization of goodwill of ¥2,319 million and ¥1,916 million, respectively, and an increase in notes and accounts payable-trade of ¥4,484 million.

Net cash used in investing activities was ¥6,540 million (compared with net cash of ¥5,955 million used in such activities in the same period of the previous fiscal year). This was chiefly attributable to the purchase of property, plant, and equipment of ¥2,308 million, the purchase of intangible non-current assets of ¥2,839 million, and the purchase of long-term prepaid expenses of ¥856 million. As a result, free cash flow, which is the sum of net cash provided by or used in operating activities and net cash provided by or used in investing activities, resulted in net cash used of ¥6,886 million (compared to net cash used of ¥1,683 million in the same period of the previous fiscal year).

Net cash provided by financing activities was ¥7,439 million (compared with net cash of ¥379 million used in such activities in the same period of the previous consolidated fiscal year). This was chiefly attributable to a net increase in short-term loans payable of ¥10,165 million, despite repayments of long-term loans payable of ¥2,000 million and cash dividends paid of ¥726 million.

#### (4) Outlook

In the electronic machinery and equipment industry, in which the MegaChips Group operates, the industrial structure is expected to remain dependent on telecommunications equipment, and, as high-performance needs and applications become more widespread, demand is expected to grow, centered on electronic components that contribute to compact, lightweight, and energy-saving designs.

Looking at social trends, networks are developing at a rapid pace, which indicates a move toward an even more advanced information society. In addition, the efforts toward the realization of a low carbon and recycling society in symbiosis with nature for the preservation of the global environment are likely to continue.

In this environment, the Group will promote activities to put the businesses in which it has made aggressive upfront investments on the intended growth path, in accordance with its new policy.

In the ASIC business, the Group's basic policy is to focus on core technologies in the field of high-speed communications and expand their applications to the in-vehicle device and industrial equipment fields to acquire new major customers based in Japan. In the ASSP business, we will set MEMS timing devices and Smart Connectivity as core elements in expanding business with major global customers, and develop business in the IoT, in-vehicle device, and communication infrastructure fields at an accelerated pace.

In the fiscal year ending March 31, 2018, the Company forecasts consolidated net sales of ¥70,000 million (up 3.8% from the fiscal year under review), a consolidated operating income before depreciation and amortization of ¥4,100 million and a consolidated operating income after depreciation and amortization of ¥1,300 million (down 32.5%), reflecting ¥2,800 million for the amortization of goodwill and intangible non-current assets associated with the aggressive acquisition of overseas companies, a consolidated ordinary income of ¥1,000 million (up 0.5%), and a consolidated profit attributable to the owners of the parent of ¥200 million (compared with a loss of ¥947 million in the fiscal year under review).

## 2. Basic Approach to the Selection of Accounting Standards

The Company prepares consolidated financial statements and non-consolidated financial statements according to Japanese accounting standards. With respect to the implementation of International Financial Reporting Standards (IFRS), the Company constantly gathers information on the enactment and implementation of accounting standards, both inside and outside Japan, but will continue preparing consolidated financial statements and non-consolidated financial statements in accordance with Japanese accounting standards for the time being.

### 3. Consolidated Financial Statements, and Main Notes

#### (1) Consolidated balance sheet

(Thousand yen)

	Previous consolidated fiscal year (Ended March 31, 2016)	Consolidated fiscal year under review (Ended March 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	10,949,946	12,103,207
Notes and accounts receivable-trade	13,358,667	21,763,961
Merchandise and finished goods	2,019,432	3,704,345
Work in process	2,092,163	1,972,771
Raw materials and supplies	1,006,713	1,037,447
Deferred tax assets	1,146,507	884,818
Other	1,440,013	1,866,501
Allowance for doubtful accounts	(4,145)	(15,502)
Total current assets	32,009,297	43,317,549
Non-current assets		
Property, plant, and equipment		
Buildings	3,932,407	4,379,050
Accumulated depreciation	(2,996,991)	(3,084,331)
Buildings, net	935,415	1,294,719
Land	289,638	289,638
Construction in progress	858,822	942,483
Other	7,789,348	9,194,791
Accumulated depreciation	(6,781,369)	(7,106,622)
Other, net	1,007,979	2,088,169
Total property, plant, and equipment	3,091,855	4,615,010
Intangible assets		
Goodwill	17,478,244	14,910,416
Technical assets	6,106,168	5,089,205
Other	2,957,620	4,994,231
Total intangible assets	26,542,032	24,993,852
Investments and other assets		
Investment securities	1,173,226	1,140,253
Long-term prepaid expenses	3,086,797	2,903,799
Deferred tax assets	1,461,001	1,205,034
Other	2,569,001	2,301,604
Allowance for doubtful accounts	(11,508)	(11,508)
Total investment and other assets	8,278,517	7,539,183
Total non-current assets	37,912,406	37,148,046
Total assets	69,921,704	80,465,595



(Thousand yen)

	Previous consolidated fiscal year (Ended March 31, 2016)	Consolidated fiscal year under review (Ended March 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	4,242,223	8,871,279
Short-term loans payable	13,394,730	23,471,120
Current portion of long-term loans payable	2,000,000	5,000,000
Accounts payable-other	2,204,063	1,750,923
Income taxes payable	337,595	409,665
Provision for bonuses	555,981	640,856
Provision for loss on construction contracts	4,689	14,533
Other	1,407,447	1,188,655
Total current liabilities	24,146,731	41,347,033
Non-current liabilities		
Long-term loans payable	13,000,000	8,000,000
Deferred tax liabilities	2,507,079	2,078,745
Other	1,421,011	1,408,518
Total non-current liabilities	16,928,091	11,487,264
Total liabilities	41,074,823	52,834,298
Net assets		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,182,338
Retained earnings	18,950,506	17,274,367
Treasury shares	(2,030,200)	(1,859,404)
Total shareholders' equity	27,941,919	26,437,615
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	(599,967)	434,952
Foreign currency translation adjustment	1,412,620	745,021
Total other accumulated comprehensive income	812,653	1,179,974
Non-controlling interests	92,308	13,707
Total net assets	28,846,881	27,631,297
Total liabilities and net assets	69,921,704	80,465,595

## (2) Consolidated statements of income and statements of comprehensive income

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
Net sales	55,662,811	67,438,389
Cost of sales	39,233,920	48,667,485
Gross profit	16,428,890	18,770,904
Selling, general, and administrative expenses	16,763,968	16,844,157
Operating income (loss)	(335,078)	1,926,747
Non-operating income		
Interest income	7,823	6,573
Gain on investments in partnership	20,552	8,497
Foreign exchange gains	801,191	—
Proceeds from miscellaneous income	18,818	25,837
Total non-operating income	848,385	40,908
Non-operating expenses		
Interest expenses	167,919	170,065
Borrowing fees	500	500
Loss on sales of accounts receivable	—	2,516
Foreign exchange loss	—	776,719
Miscellaneous loss	31,775	22,855
Total non-operating expenses	200,195	972,656
Ordinary income	313,111	994,998
Extraordinary income		
Gain on sales of investment securities	59,647	139,553
Total extraordinary income	59,647	139,553
Extraordinary loss		
Impairment loss	—	102,094
Loss on retirement of non-current assets	48,569	114,143
Loss on valuation of investment securities	161	1,158,251
Special retirement expenses	39,996	54,798
Total extraordinary loss	88,727	1,429,288
Net income (loss) before taxes	284,030	(294,736)
Income taxes-current	781,211	550,601
Income taxes-deferred	404,328	179,513
Total income taxes	1,185,540	730,114
Net loss	(901,509)	(1,024,850)
(Breakdown)		
Loss attributable to owners of the parent	(782,810)	(947,554)
Loss attributable to non-controlling interests	(118,699)	(77,296)
Other comprehensive income		
Valuation difference on available-for-sale securities	(524,160)	1,034,920
Foreign currency translation adjustment	(350,261)	(668,903)
Total other comprehensive income	(874,421)	366,016
Comprehensive income	(1,775,931)	(658,834)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(1,652,797)	(580,233)
Comprehensive income attributable to non-controlling interests	(123,134)	(78,600)

## (3) Consolidated statements of changes in equity

Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	4,840,313	6,181,300	21,754,605	(2,318,962)	30,457,256
Changes of items during the period					
Dividends of surplus			(759,864)		(759,864)
Loss attributable to owners of the parent			(782,810)		(782,810)
Purchase of treasury shares				(972,662)	(972,662)
Disposal of treasury shares					—
Retirement of treasury shares			(1,261,424)	1,261,424	—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(2,804,099)	288,762	(2,515,336)
Balance at the end of the period	4,840,313	6,181,300	18,950,506	(2,030,200)	27,941,919

	Other accumulated comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total other accumulated comprehensive income		
Balance at the beginning of the period	(75,807)	1,758,447	1,682,640	215,442	32,355,339
Changes of items during the period					
Dividends of surplus					(759,864)
Loss attributable to owners of the parent					(782,810)
Purchase of treasury shares					(972,662)
Disposal of treasury shares					—
Retirement of treasury shares					—
Net changes of items other than shareholders' equity	(524,160)	(345,826)	(869,986)	(123,134)	(993,121)
Total changes of items during the period	(524,160)	(345,826)	(869,986)	(123,134)	(3,508,457)
Balance at the end of the period	(599,967)	1,412,620	812,653	92,308	28,846,881

## Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	4,840,313	6,181,300	18,950,506	(2,030,200)	27,941,919
Changes of items during the period					
Dividends of surplus			(728,584)		(728,584)
Loss attributable to owners of the parent			(947,554)		(947,554)
Purchase of treasury shares					—
Disposal of treasury shares		1,038		170,795	171,834
Retirement of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	1,038	(1,676,138)	170,795	(1,504,304)
Balance at the end of the period	4,840,313	6,182,338	17,274,367	(1,859,404)	26,437,615

	Other accumulated comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total other accumulated comprehensive income		
Balance at the beginning of the period	(599,967)	1,412,620	812,653	92,308	28,846,881
Changes of items during the period					
Dividends of surplus					(728,584)
Loss attributable to owners of the parent					(947,554)
Purchase of treasury shares					—
Disposal of treasury shares					171,834
Retirement of treasury shares					—
Net changes of items other than shareholders' equity	1,034,920	(667,599)	367,320	(78,600)	288,720
Total changes of items during the period	1,034,920	(667,599)	367,320	(78,600)	(1,215,584)
Balance at the end of the period	434,952	745,021	1,179,974	13,707	27,631,297

## (4) Consolidated statements of cash flows

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
<b>Cash flows from operating activities</b>		
Net income (loss) before taxes	284,030	(294,736)
Depreciation	2,047,819	2,319,218
Amortization of goodwill	1,977,901	1,916,451
Amortization of long-term prepaid expenses	927,588	714,485
Increase (decrease) in allowance for doubtful accounts	5,806	11,357
Increase (decrease) in provision for bonuses	(135,478)	84,875
Increase (decrease) in provision for loss on construction contracts	(286,752)	9,844
Interest and dividend income	(7,823)	(6,573)
Interest expenses	167,919	170,065
Loss (gain) on investments in partnership	(20,552)	(8,497)
Foreign exchange loss (gain)	107,532	(2,822)
Impairment loss	—	102,094
Loss on retirement of non-current assets	48,569	114,143
Loss (gain) on sales of investment securities	(59,647)	(139,553)
Loss (gain) on valuation of investment securities	161	1,158,251
Decrease (increase) in notes and accounts receivable-trade	3,401,793	(8,356,504)
Decrease (increase) in inventories	288,425	(1,625,639)
Increase (decrease) in notes and accounts payable-trade	(658,946)	4,484,898
Decrease (increase) in other assets	164,597	211,576
Increase (decrease) in other liabilities	(3,131,638)	4,217
Other	14,960	(513,067)
Subtotal	5,136,267	354,086
Interest and dividends income received	7,933	6,699
Interest expenses paid	(152,634)	(146,447)
Income taxes refund	33,715	2,484
Income taxes paid	(753,271)	(563,277)
Cash flows from operating activities	4,272,011	(346,454)
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	34,990	462,307
Payments into time deposits	(114,854)	(386,272)
Purchase of property, plant, and equipment	(1,385,282)	(2,308,165)
Purchase of intangible assets	(1,911,967)	(2,839,939)
Proceeds from sales of investment securities	65,517	246,469
Purchase of investment securities	—	(250,708)
Purchase of long-term prepaid expenses	(1,544,695)	(856,371)
Collection of loans receivable	18,315	10,051
Payments of loans receivable	(19,641)	(19,434)
Proceeds from collection of guarantee deposits	7,493	4,439
Payments for guarantee deposits	(6,601)	(33,722)
Other	(1,098,851)	(569,091)
Cash flows from investing activities	(5,955,579)	(6,540,439)

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	1,767,930	10,165,730
Proceeds from long-term loans payable	3,000,000	—
Repayments of long-term loans payable	(3,416,670)	(2,000,000)
Purchase of treasury shares	(972,662)	—
Cash dividends paid	(758,036)	(726,383)
Other	—	148
Cash flows from financing activities	(379,438)	7,439,494
Effect of exchange rate change on cash and cash equivalents	(232,940)	669,206
Net increase (decrease) in cash and cash equivalents	(2,295,947)	1,221,806
Cash and cash equivalents at beginning of the period	13,028,308	10,732,361
Cash and cash equivalents at end of the period	10,732,361	11,954,167

## (5) Notes relating to consolidated financial statements

(Notes on going concern assumptions)

None.

(Changes in accounting policies)

(Practical Solution Concerning Changes in Depreciation Methods Subsequent to FY2016 Tax Revisions)

In response to revisions to the Corporation Tax Act, the Company applied “Practical Solution Concerning Changes in Depreciation Methods Subsequent to FY2016 Tax Revisions” (Practical Issues Task Force No. 32, June 17, 2016) to the consolidated accounts for the fiscal year under review. As a result, the depreciation method for buildings and accompanying facilities and structures acquired after April 1, 2016, was switched from the declining balance method to the straight line method.

The changes have only a slight impact on our profits and losses.

(Segment information, etc.)

Segment information

The MegaChips Group is mainly engaged in the design, development, manufacture (on an outsourcing basis), and sale of system LSIs, based on its basic image, audio, and communications technologies, and electronic devices and system equipment that contain its system LSIs under one business segment. As a result, the presentation of segment information has been omitted.

(Per share information)

(In yen)

	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
Net assets per share	1,341.86	1,280.71
Basic loss per share	(35.24)	(44.14)

(Notes) 1. Diluted basic earnings per share for the previous fiscal year are not shown because the Company posted a basic net loss per share and because there were no latent shares. Diluted basic earnings per share for the fiscal year under review are not shown because the Company has posted a basic net loss per share.

2. The following shows the basis for the calculation of basic earnings per share.

	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
Loss attributable to owners of the parent (thousand yen)	(782,810)	(947,554)
Amount that does not belong to ordinary shareholders (thousand yen)	—	—
Loss attributable to owners of the parent related to common stock (thousand yen)	(782,810)	(947,554)
Average number of common shares during the period	22,211,319	21,468,765

(Material subsequent events)

None.

#### 4. Other

##### Management reshuffle

###### (1) Candidate for new director

Director Yasuto Shimomae (currently Officer & Manager of Intellectual Property & Legal Dept., Finance & Legal Headquarters)

Director Koichi Akeyama (currently Officer & President of MegaChips Technology America Corporation)

Director Jiun-Hao Lai (currently Adviser for Global Unichip Corporation)

###### (2) Scheduled date

June 23, 2017