
MegaChips Corporation

Results for the Fiscal Year Ended
March 31, 2017 (FY3/17)

<http://www.megachips.co.jp/english/index.html>

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FY3/17 Results

Consolidated business results (P/L) of FY2017

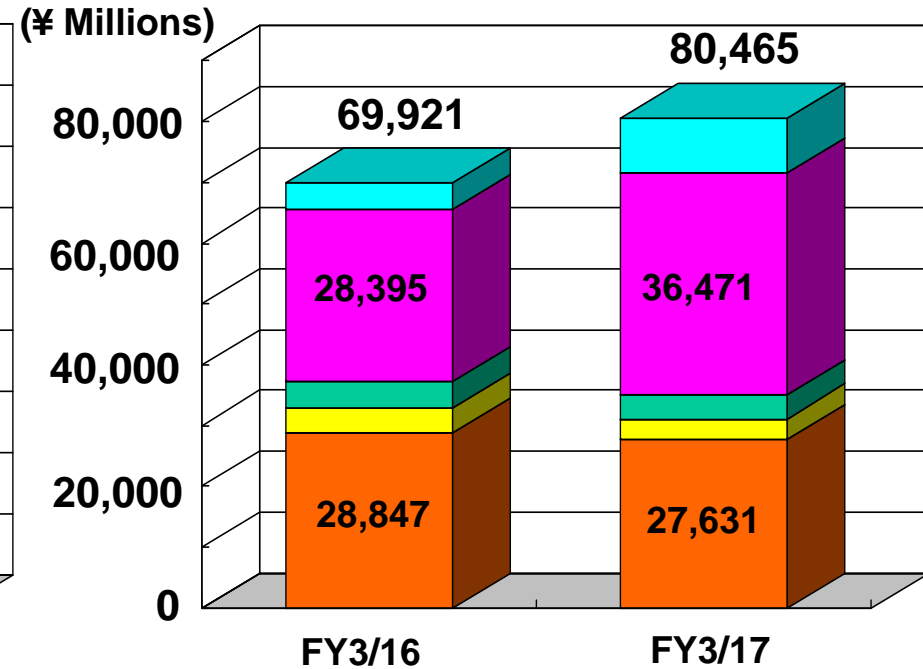
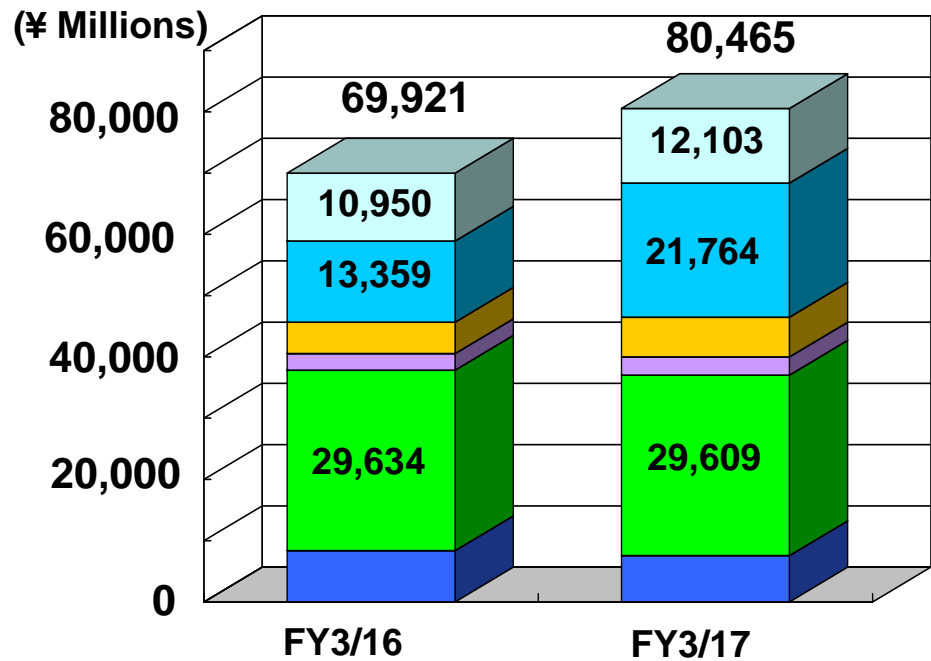
| (Unit: Million Yen) | | FY2017 (Mar) Full-year results | FY2017 (Mar) Full-year forecast | vs forecast | FY2016 (Mar) Full-year results | YOY |
|---------------------|--|--------------------------------------|---------------------------------------|-------------|--------------------------------------|----------|
| Consolidated | Sales | 67,438 | 64,000 | + 5.4% | 55,662 | + 21.2% |
| | Operation profit before amortization of goodwill | 4,922 | 4,200 | + 17.2% | 3,513 | + 40.1% |
| | Goodwill amortization | 2,996 | 3,000 | - 0.1% | 3,848 | - 22.1% |
| | Operation profit after amortization of goodwill | 1,926 | 1,200 | + 60.6% | - 335 | — |
| | Ordinary income | 994 | 1,000 | - 0.5% | 313 | + 217.8% |
| | Net income | ※1 - 947 | -1,000 | — | - 782 | — |
| | Profit per share (yen) | - 44.14 | - 46.47 | — | - 35.24 | — |

For the business results of FY2017, the sales was greater than our forecast due to the increased demand of LSI for the game software storage LSI (custom memory).

While the operating profit rose by the consolidation adjustment of foreign exchange with overseas subsidiaries caused by the depreciation of the yen against the dollar as well as the change in product mix, the net income remained as forecasted because the adjustment of foreign exchange was posed as the non-operation loss.

※1 The loss on valuation of investment securities (Macronix stock) was posed as the extraordinary loss in FY2017 for the amount of 1.158 billion yen.

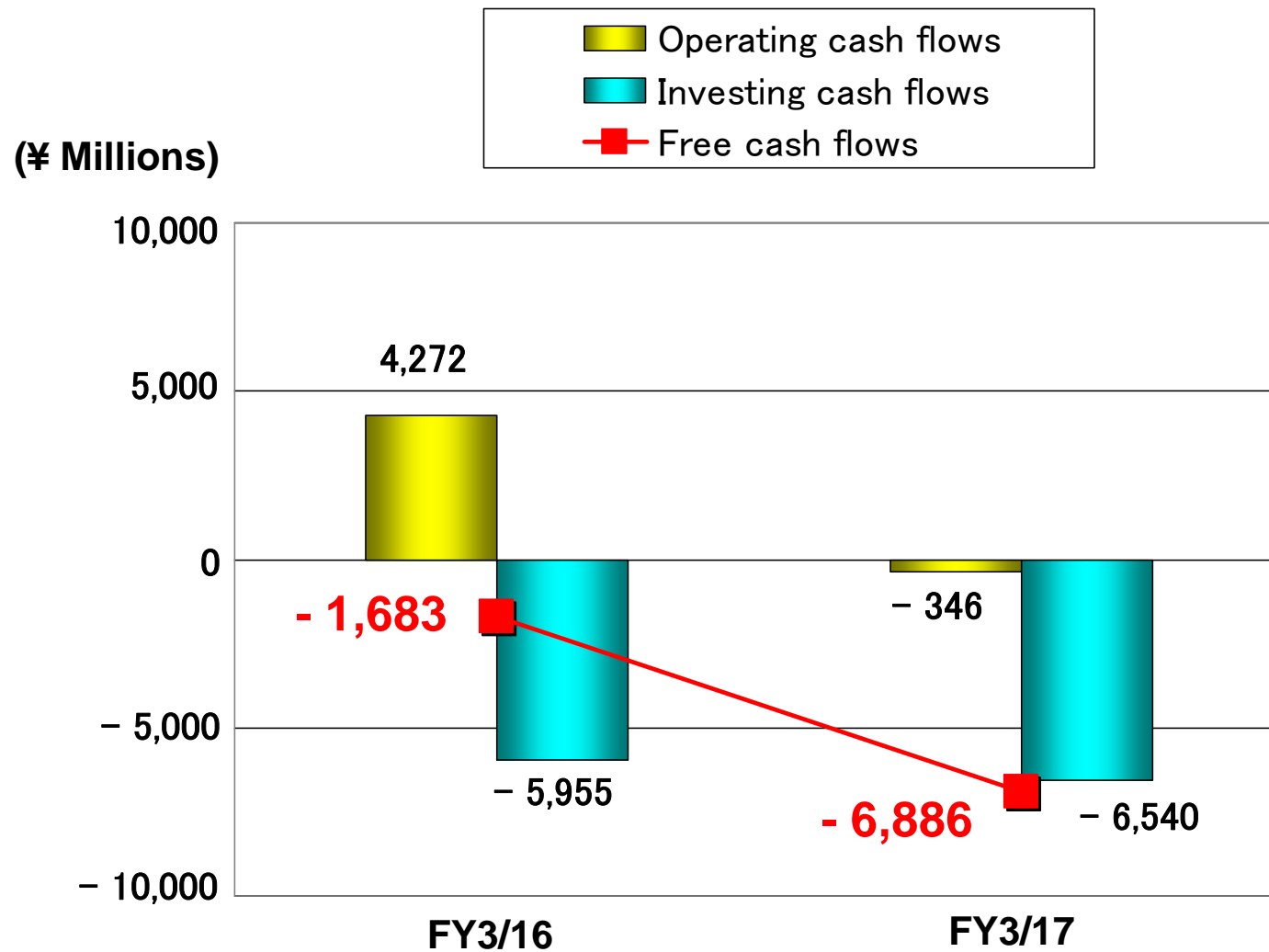
FY3/17 Consolidated Balance Sheets



| | FY3/16 | FY3/17 |
|----------------------------------|--------|--------|
| Cash and cash equivalents | 10,950 | 12,103 |
| Accounts receivable | 13,359 | 21,764 |
| Inventories | 5,118 | 6,714 |
| Other current assets | 2,582 | 2,736 |
| Tangible/intangible fixed assets | 29,634 | 29,609 |
| Investments and other assets | 8,278 | 7,539 |

| | FY3/16 | FY3/17 |
|---------------------------|--------|--------|
| Accounts payable | 4,242 | 8,871 |
| Interest-bearing debt | 28,395 | 36,471 |
| Other current liabilities | 4,509 | 4,005 |
| Other fixed liabilities | 3,928 | 3,487 |
| Net assets | 28,847 | 27,631 |

FY3/17 Consolidated Cash Flows



FY3/18 Medium-Term Management Strategy

FY2018 Mid-term management policy

We will create new application and aim to achieve continuous growth as a global company to provide system solution .

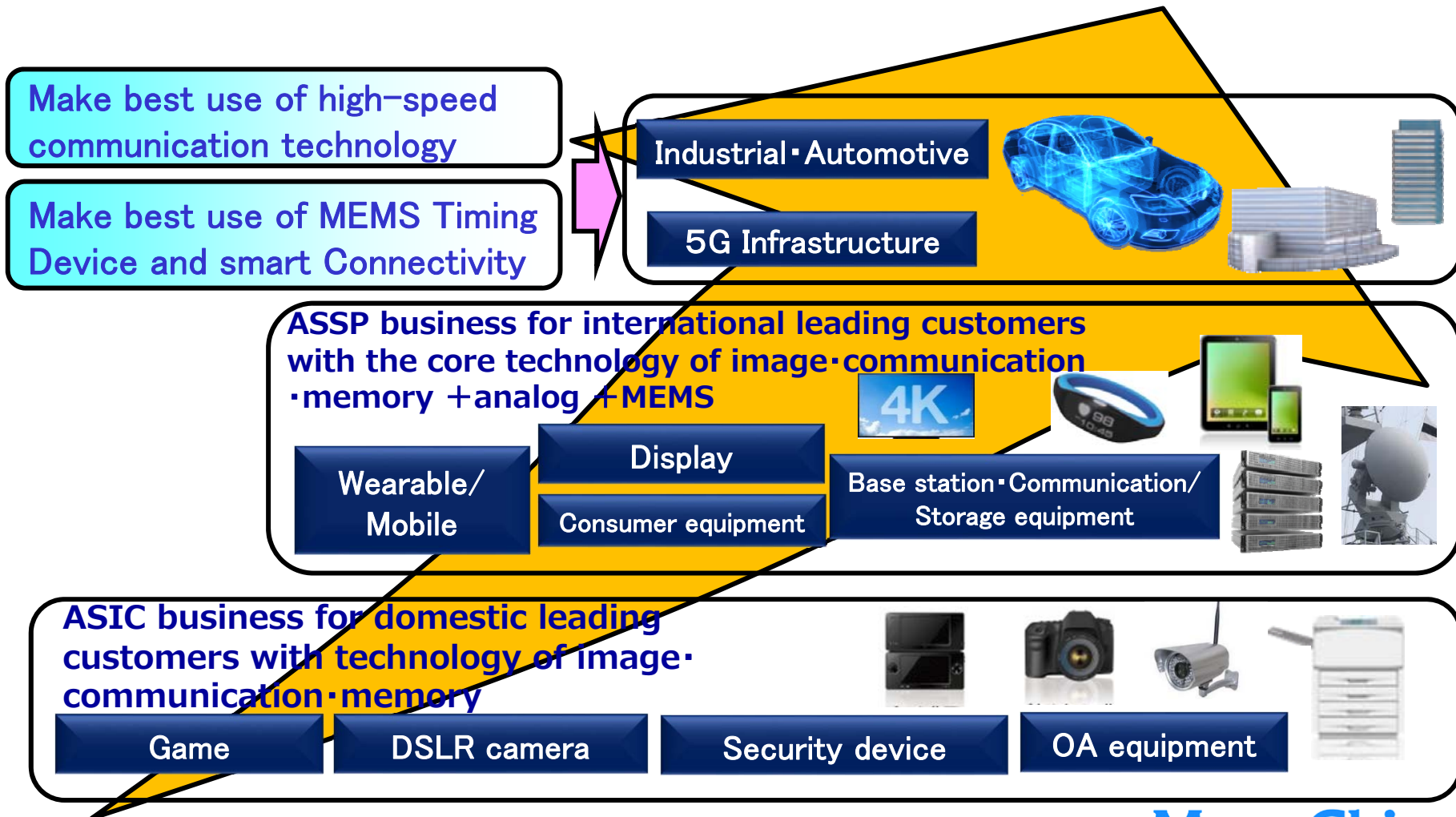
①Expand application areas and acquire domestic leading customers in the automotive and the industrial equipment fields, with our core high-speed communication technology.

②Accelerate business development in the automotive, IoT and 5G infrastructure fields as well as expanding the business with global leading customers centering on MEMS Timing Device and Smart Connectivity.

③Foster global personnel for the new mid-term business opportunity.

Mid-term management policy

Expand the business in the growth market

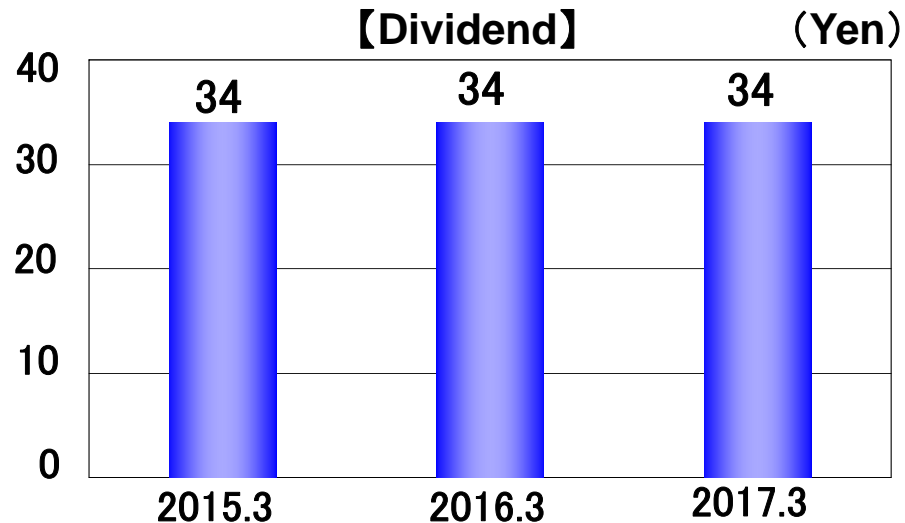


Mid-term management policy

Basic policy in profit distribution

【Policy】

- ①The Company shall determine the amount of retained earnings for distribution by adopting an amount equivalent to 30% or more of consolidated net income (The amount may be increased or decreased when there is special accounting, settlements or tax factors.) as the aggregate amount of dividends and dividing this aggregate amount by the number of outstanding shares at the end of the period, which is obtained by deducting the number of shares held by the Company at the end of the period, taking into consideration medium-term business forecasts.
- ②In order to continuously improve its value as a company, the Company shall give consideration to the securing of appropriate funds for activities towards achieving medium- to long-term growth, such as basic research for creating innovative new technologies, the development of original products, the actualization of a reasonable business portfolio and the recruitment of capable individuals, as well as the maintenance of a sound financial position which enables the company to withstand changes in business conditions.
- ③For improving capital efficiency, the Company shall work to acquire its own shares expeditiously and return profits to its shareholders, taking into consideration factors, such as market conditions, share price trends and its financial position.



FY3/18 Medium-Term Business Plan

Business Plan for FY3/18

| (¥ Millions) | | FY3/18 Full-year forecast | FY3/17 Full-year results | YoY change (Full-year) |
|--------------|-----------------------------------|---------------------------------|--------------------------------|---------------------------|
| Consolidated | Net sales | 70,000 | 67,438 | + 3.8% |
| | Operating income prior to ① | 4,100 | 4,922 | - 16.7% |
| | ①Amortization of goodwill etc. | 2,800 | 2,996 | - 6.5% |
| | Operating income After ① | 1,300 | 1,926 | - 32.5% |
| | Ordinary income | 1,000 | 994 | + 0.5% |
| | Net income | 200 | - 947 | — |
| | Net income per share (¥) | 9.28 | - 44.14 | — |

※FY3/17 Exchange rate: USD ¥112.19, TWD ¥3.6955

※FY3/18 Assumed exchange rate: USD ¥110, TWD ¥3.5

Medium-term Target

| (¥ Millions) | | FY3/18 Full-year forecast | FY3/19 Full-year forecast | YoY change | FY3/20 Full-year forecast | YoY change |
|---------------------|--------------------------------|---------------------------------|---------------------------------|---------------|---------------------------------|---------------|
| Consolidated | Net sales | 70,000 | 73,000 | + 4.3% | 80,000 | + 9.6% |
| | Operating income prior to ① | 4,100 | 4,500 | + 9.8% | 6,300 | + 40.0% |
| | ①Amortization of goodwill etc. | 2,800 | 2,700 | - 3.6% | 2,700 | — |
| | Operating income After ① | 1,300 | 1,800 | + 38.5% | 3,600 | +100.0% |

※FY3/18—FY3/20 Assumed exchange rate: USD ¥110, TWD ¥3.5

IR Policy

>> Purposes of investor relations and basic policy

MegaChips bases investor relations activities on the principles of fairness, timeliness, accuracy and continuity. We provide information about strategies, finances and other items in order to increase the transparency of our operations. To earn the trust of shareholders, investors and securities analysts and receive a proper evaluation, senior management frequently participates in investor relations activities.

>> Disclosure rules

MegaChips discloses information in accordance with the Financial Instruments and Exchange Law, Company Law and other laws and regulations (“laws and regulations” hereafter) and the Rules for Timely Disclosure of Corporate Information by Issuers of Listed Securities of the Tokyo Stock Exchange, where MegaChips shares are listed. Furthermore, even when not required by laws and regulations or disclosure standards in timely disclosure rules, we aggressively provide information that we believe has an effect on investment decisions by shareholders, investors and securities analysts and other information that we believe is useful to gain a better understanding of MegaChips.

>> Disclosure method

MegaChips distributes information using the Timely Disclosure network (TDnet) operated by the Tokyo Stock Exchange in accordance with timely disclosure rules. This includes information covered by the disclosure standards of the timely disclosure rules as well as information that we believe has an effect on investment decisions by shareholders, investors and securities analysts. In addition, we quickly post this information on the company Website.

We also provide other information that we believe is useful to gain a better understanding of MegaChips by issuing IR publications or news releases and posting this information on the company Website.

IR Policy

>> Forward-looking statements

The information MegaChips discloses may contain forward-looking statements. These statements are based on the judgments of management based on information available when the information was disclosed and thus embody uncertainties and risks (“risks” hereafter). Readers are cautioned to remember that actual results and other developments may differ from these forecasts for a number of reasons. Please refer to the “Cautionary Statement on Risks” section for more information.

>> Investment decisions

MegaChips discloses information for the purpose of giving people a better understanding of the company and not for the purpose of soliciting investments in securities issued by the company. Investors are asked to reach investment decisions on their own.

>> Provision of third-party information about MegaChips

Parties other than MegaChips, including securities analysts, the media and a variety of Internet information sites, announce information and forecasts about MegaChips. MegaChips is not in a position to comment on this information or express its support. However, if there is an obvious mistake in this third-party information that could cause a loss of trust in the company or prevent the company from receiving an appropriate evaluation, a correction will be announced and the proper information released.

>> IR “Quiet Period”

To prevent leaks of information about earnings releases that could affect its stock price and to ensure fairness, MegaChips observes a quiet period during the five business days prior to the earnings announcement for each quarter. During this period, the Company will not make any comments involving financial performance. However, information covered by laws and regulations and timely disclosure rules will be disclosed even during this quiet period and management will respond to inquiries about this information.

Inquiries to:

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