

**Consolidated Financial Results**  
**for the Three Months Ended June 30, 2017**  
**[Japanese GAAP]**

August 2, 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 filing quarterly securities report: August 9, 2017  
 Scheduled date of commencing dividend payments: —  
 Availability of supplementary briefing material on quarterly financial results: Available  
 Schedule of quarterly 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 Three Months Ended June 30, 2017 (From April 1, 2017 to June 30, 2017)**

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2017	19,220	87.4	227	—	205	—	36	—
June 30, 2016	10,256	(20.1)	(718)	—	(712)	—	(706)	—

(Note) Comprehensive income: Three months ended June 30, 2017: ¥1,296 million [-%]  
 Three months ended June 30, 2016: ¥(2,647) million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2017	Yen 1.68	Yen 1.68
June 30, 2016	(32.96)	—

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2017	78,696	28,251	35.9	1,307.17
As of March 31, 2017	80,465	27,631	34.3	1,280.71

(Reference) Equity: As of June 30, 2017: ¥28,246 million  
 As of March 31, 2017: ¥27,617 million

**2. Dividends**

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	—	—	—	34.00	34.00
Fiscal year ending March 31, 2018	—	—	—	—	—
Fiscal year ending March 31, 2018 (Forecast)	—	—	—	—	—

(Note) (Revision to the forecast for dividends announced most recently: No

We pay dividends once per year based on the basic policy for profit distribution, 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	73,000	8.2	1,300	(32.5)	1,000	0.5	600	—	27.77

(Note) Revision to the financial results forecast announced most recently: Yes

#### \* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2017 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: –

Exception: –

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to the revision of accounting standards: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Number of shares outstanding (common stock)

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

June 30, 2017: 23,038,400 shares

March 31, 2017: 23,038,400 shares

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

June 30, 2017: 1,429,210 shares

March 31, 2017: 1,474,051 shares

3) Average number of shares outstanding during the period

Three months ended June 30, 2017: 21,572,212 shares

Three months ended June 30, 2016: 21,428,950 shares

\* Quarterly financial results are outside the scope of quarterly review.

\* 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 quarterly financial results)

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

## Accompanying Materials – Contents

1. Qualitative Information on the Financial Results for the First Quarter of FY2017 (the fiscal year ending March 31, 2018)	2
(1) Explanation of operating results	2
(2) Explanation of financial position	2
(3) Explanation of information on future forecasts, such as consolidated financial results forecasts	3
2. Quarterly Consolidated Financial Statements and Main Notes	4
(1) Quarterly consolidated balance sheet	4
(2) Quarterly consolidated statements of income and statements of comprehensive income	6
First quarter of consolidated cumulative period	6
(3) Quarterly consolidated statements of cash flows	7
(4) Notes concerning quarterly consolidated financial statements	8
(Notes on going concern assumptions)	8
(Notes to significant changes in shareholders' equity)	8
(Adoption of unique accounting method for the preparation of quarterly consolidated financial statements)	8

## 1. Qualitative Information on the Financial Results for the First Quarter of FY2017 (the fiscal year ending March 31, 2018)

### (1) Explanation of operating results

In the electronic machinery and equipment industry in which the MegaChips Group operates, although demand for consumer electronic equipment declined, that for industrial electronic equipment as well as electronic parts and devices increased. Consequently, the entire electronic machinery and equipment market grew 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 of 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 architecture 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 and to achieve further growth, taking advantage of the advent of IoT, the Group has launched 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 relationships 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 first quarter under review, consolidated net sales stood at ¥19,220 million (up 87.4% year-on-year), primarily due to the increase in demand for LSIs for storing game software (custom memories), MEMS timing devices, and smart Connectivity LSIs (DisplayPort). Expenses of ¥706 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 ¥934 million, an operating income after depreciation and amortization of ¥227 million (an operating loss of ¥718 million a year ago), an ordinary income of ¥205 million (an ordinary loss of ¥712 million a year ago), and a net income attributable to the owners of the parent of ¥36 million (a net loss attributable to the owners of the parent of ¥706 million a year ago).

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

### (2) Explanation of financial position

Total assets as of the end of the first quarter of the fiscal year under review amounted to ¥78,696 million (down ¥1,769 million from the previous year). Comparing major items with the previous consolidated fiscal year, investment securities increased by ¥1,984 million, while notes and accounts receivable-trade, merchandise and finished goods, and cash and deposit declined by ¥1,833 million, ¥1,480 million, and ¥957 million, respectively.

Total liabilities were ¥50,444 million (down ¥2,389 million). Comparing major items with the previous consolidated fiscal year, short-term loans payable and long-term loans payable decreased by ¥1,699 million and ¥500 million, respectively.

Total net assets stood at ¥28,251 million (up ¥620 million). As a result, the shareholders' equity ratio rose 1.6 percentage points from the previous fiscal year to 35.9%.

Cash and cash equivalents ("net cash") at the end of the first quarter of the fiscal year under review increased by ¥808 million from the previous fiscal year to ¥12,762 million (compared with an increase of ¥20 million in the same period of the previous fiscal year). The status of cash flows for the first quarter of the fiscal year under review is as shown below.

Net cash provided by operating activities amounted to ¥5,050 million (compared with net cash of ¥2,684 million provided in the same period of the previous fiscal year). This was mainly attributable to a quarterly net income before taxes of ¥205 million (loss of ¥712 million in the same period of the previous fiscal year), a decrease in notes and accounts receivable-trade of ¥1,767 million, and a fall in inventories of ¥1,255 million, together with depreciation and amortization of goodwill of ¥651 million and ¥453 million, respectively.

Net cash used in investment activities was ¥1,388 million (compared with net cash of ¥1,630 million used in the same period of the previous fiscal year). This was primarily attributable to the purchase of property, plant, and equipment of ¥372 million and the purchase of intangible assets of ¥591 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 provided of ¥3,662 million (compared with ¥1,053 million in net cash provided in the same period of the previous fiscal year).

Net cash used in financing activities was ¥2,829 million (compared with net cash of ¥884 million used in the same period of the previous fiscal year). This was attributable to a net decrease in short-term loans payable of ¥1,608 million, repayments of long-term loans payable of ¥500 million, and cash dividends paid of ¥721 million.

(3) Explanation of information on future forecasts, such as consolidated financial results forecasts

For revisions to the forecasts for the full fiscal year ending March 2018, which are stated in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [Japanese GAAP],” published on May 10, 2017, please see the “Notice on Revisions of Financial Forecasts,” released today.

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly consolidated balance sheet

(Thousand yen)

	Previous consolidated fiscal year (ended March 31, 2017)	First quarter of consolidated fiscal period under review (ended June 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	12,103,207	12,911,226
Notes and accounts receivable-trade	21,763,961	19,930,155
Merchandise and finished goods	3,704,345	2,224,271
Work in process	1,972,771	2,165,036
Raw materials and supplies	1,037,447	1,007,259
Deferred tax assets	884,818	883,703
Other	1,866,501	1,823,681
Allowance for doubtful accounts	(15,502)	(14,450)
<b>Total current assets</b>	<b>43,317,549</b>	<b>40,930,883</b>
Non-current assets		
Property, plant and equipment		
Buildings	4,379,050	4,363,743
Accumulated depreciation	(3,084,331)	(3,110,411)
Buildings (net)	1,294,719	1,253,331
Other	10,426,914	10,495,641
Accumulated depreciation	(7,106,622)	(7,222,412)
Other (net)	3,320,291	3,273,229
<b>Total property, plant and equipment</b>	<b>4,615,010</b>	<b>4,526,561</b>
Intangible assets		
Goodwill	14,910,416	13,953,246
Technical assets	5,089,205	4,706,811
Other	4,994,231	5,356,815
<b>Total intangible assets</b>	<b>24,993,852</b>	<b>24,016,873</b>
Investments and other assets		
Investment securities	1,140,253	3,124,635
Long-term prepaid expenses	2,903,799	2,819,985
Deferred tax assets	1,205,034	1,200,028
Other	2,301,604	2,077,504
Allowance for doubtful accounts	(11,508)	—
<b>Total investment and other assets</b>	<b>7,539,183</b>	<b>9,222,153</b>
<b>Total non-current assets</b>	<b>37,148,046</b>	<b>37,765,589</b>
<b>Total assets</b>	<b>80,465,595</b>	<b>78,696,472</b>

(Thousand yen)

	Previous consolidated fiscal year (ended March 31, 2017)	First quarter of consolidated fiscal period under review (ended June 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	8,871,279	9,054,378
Short-term loans payable	23,471,120	21,771,800
Current portion of long-term loans payable	5,000,000	5,000,000
Income taxes payable	409,665	386,607
Provision for bonuses	640,856	277,469
Provision for loss on construction contracts	14,533	8,278
Other provision	—	1,250
Other	2,939,579	3,470,757
<b>Total current liabilities</b>	<b>41,347,033</b>	<b>39,970,540</b>
Non-current liabilities		
Long-term loans payable	8,000,000	7,500,000
Deferred tax liabilities	2,078,745	1,920,435
Other	1,408,518	1,053,786
<b>Total non-current liabilities</b>	<b>11,487,264</b>	<b>10,474,221</b>
<b>Total liabilities</b>	<b>52,834,298</b>	<b>50,444,762</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,182,338	6,182,682
Retained earnings	17,274,367	16,577,520
Treasury shares	(1,859,404)	(1,802,886)
<b>Total shareholders' equity</b>	<b>26,437,615</b>	<b>25,797,629</b>
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	434,952	2,413,831
Foreign currency translation adjustment	745,021	35,508
<b>Total other accumulated comprehensive income</b>	<b>1,179,974</b>	<b>2,449,340</b>
<b>Non-controlling interests</b>	<b>13,707</b>	<b>4,740</b>
<b>Total net assets</b>	<b>27,631,297</b>	<b>28,251,710</b>
<b>Total liabilities and net assets</b>	<b>80,465,595</b>	<b>78,696,472</b>

## (2) Quarterly consolidated statements of income and statements of comprehensive income

First quarter of consolidated cumulative period

(Thousand yen)

	First quarter of previous consolidated cumulative period (from April 1, 2016 to June 30, 2016)	First quarter of consolidated cumulative period under review (from April 1, 2017 to June 30, 2017)
Net sales	10,256,430	19,220,136
Cost of sales	7,209,440	14,558,817
Gross profit	3,046,990	4,661,319
Selling, general and administrative expenses	3,765,598	4,433,610
Operating income (loss)	(718,608)	227,709
Non-operating income		
Interest income	1,349	1,387
Gain on investments in partnership	—	1,448
Gain on forfeiture of unclaimed dividends	3,296	3,016
Foreign exchange gains	41,108	28,518
Miscellaneous income	4,661	4,570
Total non-operating income	50,415	38,941
Non-operating expenses		
Interest expenses	40,483	51,900
Miscellaneous loss	3,549	8,827
Total non-operating expenses	44,033	60,728
Ordinary income (loss)	(712,226)	205,922
Profit (loss) before income taxes	(712,226)	205,922
Income taxes	11,799	178,073
Profit (loss)	(724,026)	27,848
(Profit attributable to)		
Profit (loss) attributable to owners of parent	(706,337)	36,341
Loss attributable to non-controlling interests	(17,688)	(8,492)
Other comprehensive income		
Valuation difference on available-for-sale securities	(88,713)	1,978,878
Foreign currency translation adjustment	(1,834,278)	(709,987)
Total other comprehensive income	(1,922,991)	1,268,891
Comprehensive income	(2,647,018)	1,296,739
(Profit attributable to)		
Comprehensive income attributable to owners of parent	(2,626,325)	1,305,707
Comprehensive income attributable to noncontrolling interests	(20,692)	(8,967)

## (3) Quarterly consolidated statements of cash flows

(Thousand yen)

	First quarter of previous consolidated cumulative period (from April 1, 2016 to June 30, 2016)	First quarter of consolidated cumulative period under review (from April 1, 2017 to June 30, 2017)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(712,226)	205,922
Depreciation	469,499	651,013
Amortization of goodwill	461,227	453,461
Amortization of long-term prepaid expenses	178,008	182,817
Increase (decrease) in provision for bonuses	(397,880)	(363,337)
Increase (decrease) in provision for loss on construction contracts	214	(6,255)
Interest and dividend income	(1,349)	(1,387)
Interest expenses	40,483	51,900
Decrease (increase) in notes and accounts receivable - trade	2,840,779	1,767,802
Decrease (increase) in inventories	(525,908)	1,255,435
Increase (decrease) in notes and accounts payable - trade	(87,635)	299,121
Decrease (increase) in other assets	319,268	280,137
Increase (decrease) in other liabilities	351,424	498,736
Other	(49,163)	39,928
Subtotal	2,886,741	5,315,299
Interest and dividends income received	1,500	1,393
Interest expenses paid	(41,781)	(50,689)
Income taxes refund	—	5,272
Income taxes paid	(162,150)	(220,610)
Cash flows from operating activities	2,684,310	5,050,665
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	63,756	—
Payments into time deposits	(63,756)	—
Purchase of property, plant and equipment	(384,044)	(372,208)
Purchase of intangible assets	(668,142)	(591,975)
Purchase of investment securities	(242,993)	—
Purchase of long-term prepaid expenses	(228,237)	(181,277)
Other	(107,331)	(242,724)
Cash flows from investing activities	(1,630,749)	(1,388,185)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short term loans payable	300,000	(1,608,000)
Repayments of long-term loans payable	(500,000)	(500,000)
Cash dividends paid	(684,702)	(721,246)
Other	—	(37)
Cash flows from financing activities	(884,702)	(2,829,284)
Effect of exchange rate change on cash and cash equivalents	(147,978)	(25,068)
Net increase (decrease) in cash and cash equivalents	20,880	808,126
Cash and cash equivalents at the beginning of the period	10,732,361	11,954,167
Cash and cash equivalents at the end of the period	10,753,241	12,762,294

(4) Notes concerning quarterly consolidated financial statements

(Notes on going concern assumptions)

None

(Notes to significant changes in shareholders' equity)

None

(Adoption of unique accounting method for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated based on a logical estimate of the effective tax rate after applying tax effect accounting to net income before tax for the consolidated fiscal year and then multiplying net income before tax for the quarter by the estimated effective tax rate.