

FOR IMMEDIATE RELEASE



March 18, 2019

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Notice Concerning Posting of Extraordinary Loss associated with Structural Reform Action and Revisions in Business Forecast

MegaChips Corporation (the Company) announces that the Company approved a resolution in its extraordinary Board of Director meeting today to revise its business forecast for FY2018 (fiscal year ending March 31, 2019) that was published on November 2nd, 2018 due to posting of extraordinary loss in association with corporate restructuring.

1. Extraordinary loss due to restructuring

(1) Retirement of intangible fixed assets (software)

In the mid-term management plan that is currently being established, MegaChips is reviewing measures to improve its financial position, the investment plans of each business unit, earnings plan and allocation of human resources. Due to rapid change of market environment such increase in R&D expenses and drop in selling price in the timing controller LSI business for LCD panel, the Company has decided to dispose of software assets related to the products under development and mass production that are not expected to be used in the future. Therefore the Company will post an extraordinary loss for retirement of fixed assets for ¥1.3 billion.

The Company is going to enhance initiatives for the sustainable growth during the mid-to-long term period focusing managerial resources in the areas of automotive and industrial devices, 5G and telecom infrastructure that the Company targets to expand.

(2) Early retirement program

In response to environmental changes in the semiconductor industry, MegaChips will implement measures necessary to achieve mid-to-long term growth of its business. The Company will implement restructuring by reforming earnings structure, improving financial position, optimizing operations and streamlining operations, and investing in business areas where growth is expected in the future.

For those who leave the Company and pursue opportunity to demonstrate their ability, the Company will provide reemployment support services and will post extraordinary loss for ¥300 million as the special retirement benefits.

Please refer to 『Notice Concerning Early Retirement Program』 announced today.

(3) Retirement of investments and other assets (IP assets)

MegaChips will amortize a part of its investment IP assets with no potential use in the future and post loss on retirement of fixed asset for ¥100 million.

2. Revision of full-year financial forecast

Downward revision of consolidated financial forecast for fiscal year ending March 31, 2019 (April 1, 2018~ March 31, 2019)

	Sales	Operating income	Ordinary income	Net Profit (loss) attributable to owners of parent	Earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previously announced forecast (A)	100,000	900	300	△700	△32.16
Revised forecast (B)	95,000	400	200	△1,900	△87.30
Gap (B-A)	△5,000	△500	△100	△1,200	
Gap ratio (%)	△5.0	△55.6	△33.3	—	
(Reference) Results of FY2017	89,029	2,709	2,207	1,948	90.05

Reasons for the revisions

As for the consolidated full-year financial forecast, the Company revised downward the net profit (loss) attributable to owners of parent company due to extraordinary loss from the restructuring as stated in 1. Also, the sales and each profit are revised downward due to decrease in the demands of LSI for digital camera and amusement from its previous forecast. Recurring profit has been reduced and revised as described above, including the possibility of exchange rate gains from consolidation adjustments.

3. Year-end dividend

Please refer to 『Notice of year-End Dividend』 announced today.

4. Future management directions

The Company plans to announce its medium-term management plan with concrete target and strategy on May 10, 2019. The severe business environment is expected to continue, and the Company aims for medium-term growth by reforming the business structure, streamlining operations, and improving the financial position.

For the direction of business in the medium term, the Company will focus its managerial resources in the areas of automotive and industrial devices, 5G and telecom infrastructure with high potential of growth shifting from current business structure centering on consumer LSI.

By achieving this medium-term management plan, the Company aim to restore trust from shareholders, investors, and all other stakeholders, and aim to realize mid-to-long term growth and maximize corporate value.

5. Reduction of compensation for executives

To accept these results sincerely and clarify management responsibility, the Compensation Committee of the Company has resolved and decided today to put bonus of fiscal year ending in March 31, 2019 for all executives on hold and reduce monthly compensation by 30%~45% for 3 months until expiration of their current terms.

※ Note on the description of the future and other matters

Forward-looking statements, such as the operating results forecast included in this document, are based on information available to the Company and certain assumptions that are considered reasonable as of the date of the publication of this release. The Company does not guarantee the projected results. Actual results could differ materially depending on various factors that may arise in the future.