
MegaChips Corporation

Briefing

FY2018 (Ended March 2019)

<http://www.megachips.co.jp/>

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Operation results for FY2018

FY2018 Consolidated results (P/L) (Summary)

(¥ Million)		FY2018 Full-year Results	2019.3 Full-year Forecast	GAP Results vs Forecast	FY2017 Full-year Results	YOY
Consolidated	Sales	95,145	95,000	+ 0.2%	89,029	+ 6.9%
	Operating income before amortization of goodwill	3,152	3,000	+ 5.1%	5,520	- 42.9%
	Amortization of goodwill etc.	2,579	2,600	—	2,811	—
	Operating income after amortization of goodwill	573	400	+ 43.4%	2,709	- 78.8%
	Ordinary income	502	200	+ 151.3%	2,207	- 77.2%
	Net income attributable to shareholders of parent	-1,727	-1,900	—	1,948	—
	EPS (¥)	- 79.40	- 87.30	—	90.05	—

For the consolidated results of FY2018 (ended in March 2019), the sales was higher than previous year due to increase in demand of game software storage LSI (custom memory).

The operating income after amortization of goodwill and ordinary income have decreased compared to previous year because R&D expense for future investment has increased by 25% year-on-year and due to temporary inventory re-evaluation of specific part of MEMS Timing Device in the 1st quarter.

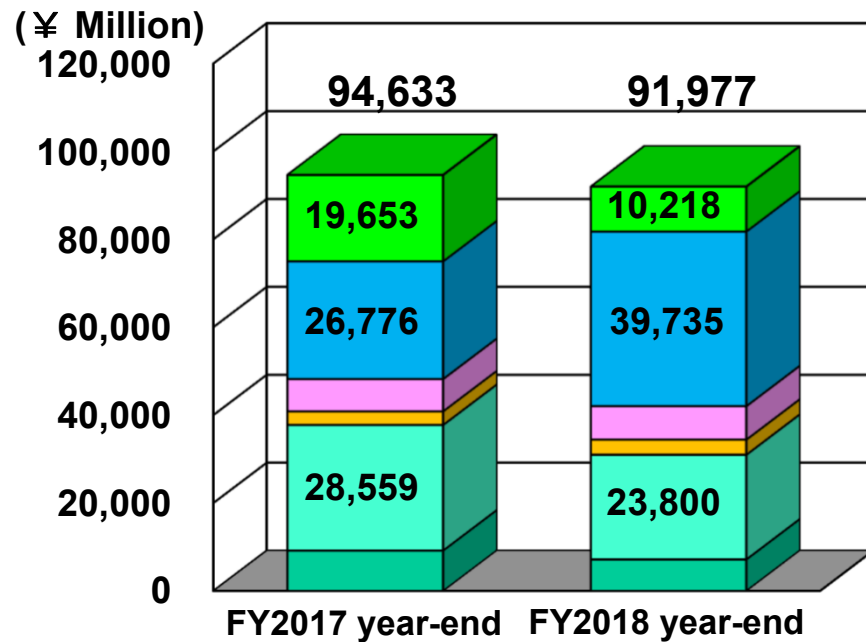
Also, net income attributable to owners of the parent has dropped compared with previous fiscal year due to the post of extraordinary loss caused by payment of special retirement allowance for purpose of fixed expense reduction and disposal of software as part of restructuring.







※ Exchange rate at the end of FY2017: USD ¥ 106.24, TWD ¥ 3.655

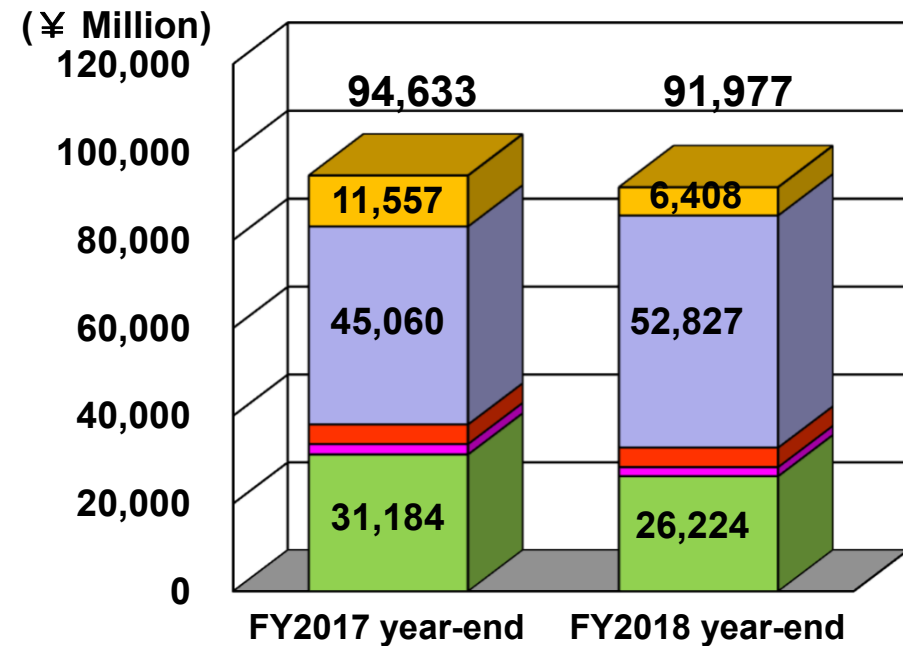
※ Exchange rate at the end of FY2018: USD ¥ 110.99, TWD ¥ 3.5984






※ Forecasted exchange rate at the end of FY2018: USD ¥ 110, TWD ¥3.6

FY2018 Financial Status

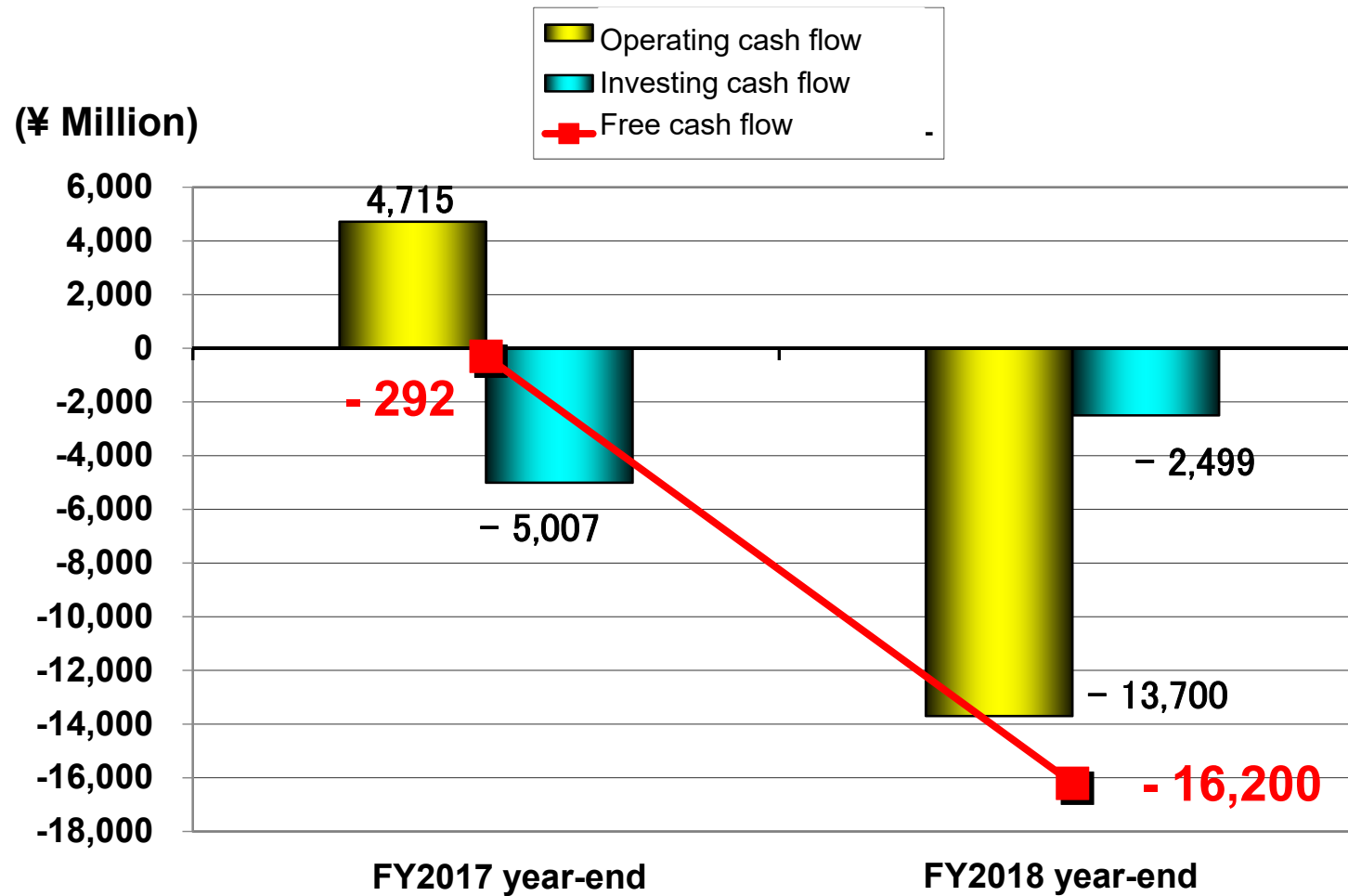


	2018.3/ year-end	2019.3/ year-end
 Cash/cash equivalents	19,653	10,218
 Notes/accounts receivables	26,776	39,735
 Inventories	7,345	7,608
 Other current assets	3,099	3,443
 Tangible/intangible assets	28,559	23,800
 Investment and other assets	9,201	7,173



	2018.3/ year-end	2019.3/ year-end
 Notes/account payables	11,557	6,408
 Interest-bearing debt	45,060	52,827
 Other current liabilities	4,471	4,447
 Other fixed liabilities	2,361	2,071
 Net assets	31,184	26,224

FY2018 Cash flow

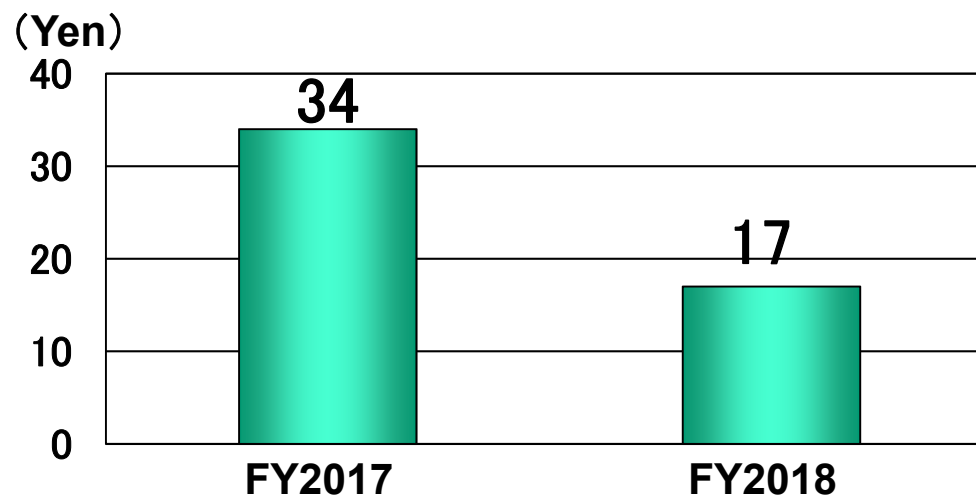


Dividend

【Basic policy in profit distribution】

- 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 fluctuate 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.

Dividend of FY2018: ¥17 per share



FY2019 Operating forecast (ending March 2020)

FY2019 Operating forecast

(¥ Million)		FY2019 Full-year forecast	FY2018 Full-year results	YoY change (Full-year)
Consolidated	Net sales	65,000	95,145	- 31.7%
	Operating income prior to ①	3,800	3,152	+ 20.5%
	①Amortization of goodwill etc.	2,600	2,579	—
	Operating income After ①	1,200	573	+ 109.2%
	Ordinary income	800	502	+ 59.2%
	Net profit attributable to shareholders of parent	200	-1,727	—
	EPS (Yen)	9.19	- 79.40	—

※ Exchange rate at the end of FY2018 : USD ¥ 110.99, TWD ¥ 3.5984

※ Forecasted exchange rate at the end of FY2019 : USD ¥ 110円, TWD ¥ 3.6

FY2019 Mid-term Management Policy

Mid-term Management Policy

Explicitly define areas to focus our managerial resources and provide customers solutions of originality leveraging creation of unprecedented new value and high technological capability to make both MegaChips and customers evolve into something better and grow together

Optimize business portfolio focusing managerial resources in growth fields

Strengthen and expand foundation of existing major business, develop leading domestic and international customers in the new business market

Develop business using analog/digital and MEMS technology as a core

Advocate an approach for reinforcing managerial foundation

Preparation for future growth

Business expansion

Reinforcement of competitiveness and profitability

Enhancement of financial situation

Mid-term Management Policy_1

1) Optimize business portfolio focusing managerial resources in growth fields



- Focus managerial resources into growth areas including automotive/industrial equipment and communication infrastructure
- Differentiate our products to solve customers' problems and strengthen our solutions through enhancement of competitiveness of analog LSI technology and collaboration with overseas alliances.



Mid-term Management Policy_2

2) In ASIC business,

We strengthen and expand foundation of existing major business, develop leading domestic and international customers in the new business market

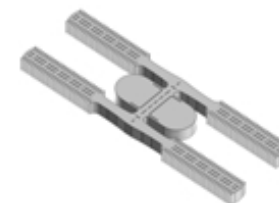


- **Strengthen and expand foundation of business for amusement that is our current major field**
- **Develop and expand business in the automotive and industrial equipment market leveraging our unique core technology of high-speed wired communication.**

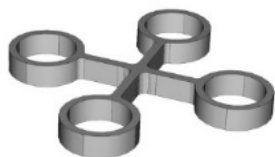
Mid-term Management Policy_3

3) In ASSP business,

We develop business using analog/digital and MEMS technology as a core



- **Develop business in 5G communication infrastructure, automotive and IOT areas using analog/digital and MEMS technology as a core**
- **Expand business with global leading customers centering on MEMS timing device**



Mid-term Management Policy_4

4) Advocate an approach for reinforcing managerial foundation

- **Strengthen advanced and creative human resources to support future growth through promotion of human resource development and diversity**
- **Work on environmental consideration in our business activities and contribution to society**
- **Enhance corporate governance and risk management system**
- **Reinforce financial situation to flexibly and rapidly adopt in changes of management environment**

FY2019 Mid-term Forecast

Mid-term Forecast

(¥ Million)		FY2019 Full-year forecast	FY2020 Full-year forecast	YoY change	FY2021 Full-year forecast	YoY change
Consolidated	Net sales	65,000	70,000	+ 7.7%	75,000	+ 7.1%
	operating profit prior to ①	3,800	4,200	+ 10.5%	5,000	+ 19.0%
	①Amortization of goodwill etc.	2,600	2,600	—	2,000	—
	operating profit After ①	1,200	1,600	+ 33.3%	3,000	+ 87.5%

※FY2019~FY2021 Assumed exchange rate : USD ¥ 110 , TWD ¥ 3.6

Aim mid-to-long term sustainable growth

■ Sales

•In ASIC business,

In addition to amusement business, our current major area, we aim to develop leading domestic and international customers in the new business market.

•In ASSP business,

We aim to expand sales/profit centering on MEMS timing device.

>> 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.

>> 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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