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Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 [Japanese GAAP]

May 13, 2016

Company name: MegaChips Corporation
Stock exchange listing: Tokyo Stock Exchange
Code number: 6875
URL: http://www.megachips.co.jp/
Representative: Akira Takata, President and CEO
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Scheduled date of Ordinary General Meeting of Shareholders: June 23, 2016
Scheduled date of commencing dividend payments: June 2, 2016
Scheduled date of filing annual securities report: June 23, 2016
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, 2016 (From April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income (loss)		Ordinary income		Profit (loss) attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2016	55,662	(13.3)	(335)	–	313	(90.8)	(782)	–
March 31, 2015	64,237	9.9	4,895	17.3	3,400	(20.5)	1,251	(73.5)

(Note) Comprehensive income: Fiscal year ended March 31, 2016: ¥(1,775) million [-%]
Fiscal year ended March 31, 2015: ¥2,335 million [(53.4)%]

	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, 2016	(35.24)	–	(2.6)	0.4	(0.6)
March 31, 2015	55.64	–	3.9	5.5	7.6

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2016: ¥- million
Fiscal year ended March 31, 2015: ¥- million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2016	69,921	28,846	41.1	1,341.86
As of March 31, 2015	77,830	32,355	41.3	1,438.09

(Reference) Equity: As of March 31, 2016: ¥28,754 million
As of March 31, 2015: ¥32,139 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, 2016	4,272	(5,955)	(379)	10,732
March 31, 2015	5,752	(24,700)	20,814	13,028

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, 2015	–	–	–	34.00	34.00	759	61.1	2.4
March 31, 2016	–	–	–	34.00	34.00	728	–	2.4
Fiscal year ending March 31, 2017 (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 and total dividend.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Profit (loss) attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	25,000	(13.1)	(600)	–	(700)	–	(900)	–	(42.00)
Full year	57,000	2.4	1,200	–	1,000	219.4	200	–	9.33

*** Notes**

(1) Changes in significant subsidiaries during the period under review (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: Yes
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(Note) For details, please refer to the Accompanying Materials, Page 13, “4. Consolidated Financial Statements, (5) Notes relating to the consolidated financial statements (Changes in accounting policies).”

(3) Number of shares outstanding (common stock)

1) Number of outstanding shares at the end of the period (including treasury stock)
   March 31, 2016: 23,038,400 shares
   March 31, 2015: 24,038,400 shares
2) Number of shares of treasury stock at the end of the period
   March 31, 2016: 1,609,450 shares
   March 31, 2015: 1,689,450 shares
3) Average number of shares outstanding during the period
   Fiscal year ended March 31, 2016: 22,211,319 shares
   Fiscal year ended March 31, 2015: 22,492,445 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2016	47,821	(20.5)	4,518	(4.4)	4,261	(23.1)	2,391	(28.4)
March 31, 2015	60,168	3.2	4,726	12.0	5,539	27.0	3,341	(42.5)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2016	107.69	–
March 31, 2015	148.58	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2016	64,892	31,013	47.8	1,447.28
As of March 31, 2015	67,213	30,416	45.3	1,360.97

(Reference) Equity: As of March 31, 2016: ¥31,013 million
As of March 31, 2015: ¥30,416 million

* Presentation regarding the implementation status of the audit process

These financial results are outside the scope of audit process procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these financial results, audit process procedures for the financial statements under the Financial Instruments and Exchange Act have not been completed.

* 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.

Accompanying Materials

Accompanying Materials – Contents

1. Operating Results

(1) Analysis of operating results

(i) General financial results condition

In the electronic machinery and equipment industry in which the MegaChips Group operates, although demand for consumer electronic equipment declined, that for electronic parts and devices increased. Consequently, the entire electronic machinery and equipment market grew on a year-on-year basis.

In the ASIC business, the Group provides optimal solutions for customers' equipment and service applications for major customers both inside and outside Japan, mainly in the areas of game consoles, digital cameras, and office machines. The Group's competitiveness lies in its ability to harness its deep understanding of customers' applications and unique technologies to offer the development and supply of system LSIs incorporating original algorithms and architecture and offering 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 lineup of products that will constitute platforms, primarily products in the IoT fields. The Group is also promoting changes in its businesses and earnings structure, while building closer business relationships with major global companies in growing device markets and prioritizing the cultivation of human resources that can work globally.

During the fiscal year under review, the demand for ASSP products including both Smart Connectivity (DisplayPort) and MEMS timing device businesses, which the Group is focusing on as a new growth field in a medium- to long-term perspective progressed steadily. In contrast, demand for products for game consoles and liquid crystal panels in existing businesses declined. As a result, consolidated net sales stood at ¥ 55,662 million (down 13.3% year on year). Expenses of ¥3,848 million arose from the amortization of goodwill and intangible assets associated with aggressive acquisitions of overseas companies, resulting in operating income before depreciation and amortization of ¥3,513 million, an operating loss after depreciation and amortization of ¥335 million yen (compared with operating income of ¥4,895 million yen a year ago), ordinary income of ¥313 million yen (down 90.8% year-on-year), and a loss attributable to owners of parent of ¥782 million (compared with profit attributable to owners of parent of ¥1,251 million a year ago).

From the fiscal year under review, the Group is applying the Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013) etc. Under the accounting standard applied, net loss is presented as "loss attributable to owners of parent."

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

(ii) Prospect for operating results in general for the next fiscal year

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 design.

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 Symbiosis Society, Low Carbon Society and Recycling Society for the global environment maintenance are likely to continue.

In this environment, the Group will promote activities to put the businesses in which it has made aggressive upfront investment on the targeted growth path, in accordance with its new policy. In the ASSP business, the Group will aggressively pursue business for major global customers in growing device markets in the IoT sector, including mobile and wearable devices. Meanwhile in the ASIC business, the Group's basic policy is to achieve growth by expanding applications and the customer base, focusing on domestic customers, and to efficiently redistribute management resources and seek improvement in management efficiency.

In the fiscal year ending March 31, 2017, the Company forecasts consolidated net sales of ¥57,000 million (up 2.4% from the fiscal year under review), consolidated operating income before depreciation and amortization of ¥4,100 million (up 16.7%) and consolidated operating income after depreciation and amortization of ¥1,200 million (compared with a loss of ¥335 million in the fiscal year under review), reflecting ¥2,900 million for the amortization of goodwill and intangible non-current assets associated with aggressive acquisitions of overseas companies, consolidated ordinary income of ¥1,000 million (an increase of 219.4%), and consolidated profit attributable to owners of parent of ¥200 million (compared with a loss of ¥782 million in the fiscal year under review).

(2) Analysis of the financial position

(i) Changes in the financial position (consolidated)

Total assets for the consolidated fiscal year under review amounted to ¥69,921 million (down ¥7,909 million from the end of the previous consolidated fiscal year). Comparing major asset items with the previous consolidated fiscal year, cash and deposits decreased by ¥2,232 million, notes and accounts receivable-trade declined by ¥3,688 million, and goodwill fell by ¥2,020 million.

Total liabilities were ¥41,074 million (down ¥4,400 million from the end of the previous consolidated fiscal year).Comparing major items with the previous consolidated fiscal year, notes and accounts payable-trade declined ¥959 million and accounts payable-other fell by ¥4,029 million, while short-term loans payable grew by ¥1,693 million..

Total net assets stood at ¥28,846 million (down ¥3,508 million from the end of the previous consolidated fiscal year). As a result, the shareholders' equity ratio at the end of the consolidated fiscal year came to 41.1% (down 0.2 percentage point from the end of the previous fiscal year).

(ii) Cash flow status

Cash and cash equivalents ("net cash") reached ¥10,732 million at the end of the consolidated fiscal year under review, decreasing ¥2,295 million from the end of the previous consolidated fiscal year (compared with an increase of ¥2,587 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 provided by operating activities was ¥4,272 million (compared with net cash of ¥5,752 million provided by such activities in the same period of the previous consolidated fiscal year). This was chiefly attributable to net income before taxes of ¥284 million (down 91.2% year on year), depreciation and amortization of ¥2,047 million yen, the amortization of goodwill of ¥1,977 million, a ¥3,401 million decrease in notes and accounts receivable-trade, and a ¥3,131 million decrease in other liabilities.

Net cash used in investing activities was ¥5,955 million (compared with net cash of ¥24,700 million used in such activities in the same period of the previous fiscal year). This was chiefly attributable to the purchase of plant, property and equipment of ¥1,385 million, the purchase of intangible non-current assets of ¥1,911 million, and the purchase of long-term prepaid expenses of ¥1,544 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 ¥1,683 million (compared to net cash used of ¥18,947 million in the same period of the previous fiscal year).

Net cash used in financing activities was ¥379 million (compared with net cash of ¥20,814 million provided by 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 ¥1,767 million and proceeds from long-term loans payable of ¥3,000 million, which was more than offset by the repayment of long-term loans payable of ¥3,416 million and the purchase of treasury shares of ¥972 million.

The following table shows the trends of the indices of cash flows for the Group.

Terms	22nd term	23rd term	24th term	25th term	26th term
Settlement dates	March 2012	March 2013	March 2014	March 2015	March 2016
Shareholders' equity ratio (%)	85.4	62.6	70.9	41.3	41.1
Shareholders' equity ratio on a market value basis (%)	134.6	79.5	64.8	43.0	41.7
Ratio of interest-bearing debt to cash-flow (%)	–	105.0	77.5	471.4	664.7
Interest coverage ratio	759.6	134.5	94.4	73.6	28.0

(Notes) 1. Each of the indices is calculated as follows:
Shareholders' equity ratio: Shareholders' equity/Total assets
Shareholders' equity ratio on a market value basis: Aggregate market value of listed stock/Total assets
Ratio of interest-bearing debt to cash-flow: Interest-bearing debt/Cash provided by operating activities
Interest coverage ratio: Cash provided by operating activities/Interest payments
2. Each of the indices is calculated based on financial data on a consolidated basis.
3. The aggregate market value of listed stock is calculated based on the closing stock price at the end of each fiscal year multiplied by the total number of shares issued as of the end of each fiscal year.
4. Interest-bearing debt covers all debt with interest being paid which is stated in the balance sheet.

(3) Basic principles concerning the distribution of profits and the dividends for the fiscal year under review and the next fiscal year

The Company regards the appropriate distribution of profits to its shareholders as an important management issue, and has endeavored to aggressively promote shareholder returns, while taking into consideration the Company's business outlook, to better achieve both the sustainable return of profits and the growth of the Company. Its basic policy is as follows:

(i) The Company will determine the amount of dividends by taking an amount equivalent to at least 30% of the consolidated net income (with special factors relating to accounting, financial settlement or taxation added or subtracted upon due consideration) as the aggregate amount of dividends, while taking the medium-term business outlook into consideration, and dividing this amount by the number of shares that have been issued at the end of the period, minus the number of shares held by the Company at the end of the period.

(ii) Aiming at sustainable improvements in its corporate value, the Company will allocate funds to fundamental research to create innovative new technologies, the development of unique products, the achievement of a suitable business portfolio, and the securing of competent human resources to achieve medium-to long-term growth. It will also give consideration to maintaining a sound financial position that can withstand variations in the business environment.

(iii) The Company shall endeavor to return profits to shareholders by acquiring its own shares expeditiously, taking into consideration such factors as market conditions, movements of stock prices, and the Company's financial circumstances in order to improve the efficiency of capital.

In accordance with the Articles of Incorporation approved at the 16th Ordinary General Meeting of Shareholders held on June 23, 2006 and Article 459(1) of the Companies Act, decisions regarding the distribution of dividends shall be made via a resolution by the Board of Directors, without requiring a resolution by a General Meeting of Shareholders, unless otherwise stipulated by law.
Dividends shall be distributed once every year to those Shareholders or Registered Pledgees of Shares listed or registered in the final shareholder registry as March 31 of every year. However, dividends may be distributed by prescribing a different record date, following a resolution by the Board of Directors in accordance with the Companies Act and the Articles of Incorporation.

With respect to the distribution of retained earnings for the fiscal year under review, the Company decided to pay an annual dividend of ¥34 per share as an ordinary dividend (¥34 for the previous period) to shareholders as of March 31, 2016, in accordance with its recently amended basic policy regarding the distribution of profits and as stated in the Notice of Year-end Dividend issued on January 29, 2016.

The distribution of retained earnings for the fiscal year under review is as follows:

Resolution date	Total dividend payments (Thousand yen)	Dividend per share (Yen)
May 13, 2016 Resolution made by the Board of Directors	728,584	34.00

During the course of the fiscal year under review, the Company, following a Board of Directors resolution, acquired a total of 920,000 shares of treasury stock equal to an aggregate value of ¥972 million from the capital markets. The Company retired 1,000,000 shares of treasury stock on February 29, 2016.
The annual dividend per share for the next fiscal year is still undecided, but the Company intends to distribute dividends in accordance with the above policy.

2. Business Policy

(1) Basic corporate management policy

The MegaChips Group has been advancing as a pioneer fabless manufacturer focused on R&D by engaging system LSI development as its core business since its foundation in 1990. It has followed a philosophy of expanding its business through “innovation,” coexisting with customers through “trust” and constantly contribute to society through “creation”.

Under its mission -- contribution to human safety and security, realization of affluent lifestyles, and conservation of the global environment based on its sophisticated technical capabilities, the MegaChips Group is committed to achieving further growth as a global company that will continually create new applications and provide system solutions.

The Group will realize this by aggressively promoting ASSP business for major global customers in growing device markets in the IoT sector, including mobile and wearable devices business. Meanwhile, in the ASIC business, which is focused on domestic customers, the Group will seek growth by expanding applications and the customer base.

In addition, the Group’s basic policy is to aggressively promoting the return of profits to investors, while seeking improvement in management efficiency, growing through sustained improvement in operating results, and maintaining a solid financial position.

(2) Targeted management indices

As targeted management indices, the MegaChips Group shall continue to place emphasis on consolidated return on equity (ROE), consolidated return on assets (ROA) and consolidated cash flows,, as well as continuing to work to increase the ratio of operating income to sales on a consolidated basis.

(3) Medium- to long-term management strategy and issues to be addressed

(i) In the future, a society in which all kinds of objects are connected to networks will develop further, and demand for semiconductors is likely to grow in countries all over the world. The MegaChips Group aims to provide customers with a broad range of unique solutions by perceiving such changes as opportunities for further growth and creating new value that has never existed before with its sophisticated technological capabilities. In this way, the Group strives to contribute to the creation of a prosperous society in which people are able to enjoy their lives in the future.

To achieve these aspirations, the MegaChips Group will drive its businesses forward by adopting the following strategies.

- i The Group will seek to expand its business relationships with major global companies by strengthening applications and marketing and seeking enhancement of customer services.
- ii The Group will seek to expand products that constitute platforms, focusing on (ASSP) products for specific applications in the IoT sector, including mobile and wearable devices.
- iii In customer-specific LSIs (ASICs), for which we provide integrated support that covers all aspects from development to manufacturing and quality assurance to address the diverse issues of customers, the Group will seek expansion in applications and the customer base.
- iv The Group will promote the globalization of human resources.
- v The Group will seek transformation into a high growth, high profit enterprise, and strengthen its financial position.

(ii) Although the Company has not established a basic policy related to control of the Company, it regards takeover defense measures and protecting the interests of its shareholders from abusive purchasers as an important management issue, and it is continually collecting information about the latest trends in corporate takeovers.

3. Basic Approach to 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.

4. Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

	Previous consolidated fiscal year (ended March 31, 2015)	Consolidated fiscal year under review (ended March 31, 2016)
Assets		
Current assets:		
Cash and deposits	13,182,156	10,949,946
Notes and accounts receivable - trade	17,046,826	13,358,667
Merchandise and finished goods	2,087,683	2,019,432
Work in process	2,707,564	2,092,163
Raw materials and supplies	671,070	1,006,713
Deferred tax assets	2,054,508	1,146,507
Other	1,281,288	1,440,013
Allowance for doubtful accounts	(132,297)	(4,145)
Total current assets	38,898,799	32,009,297
Non-current assets		
Property, plant and equipment		
Buildings	3,942,161	3,932,407
Accumulated depreciation	(2,916,510)	(2,996,991)
Buildings, net	1,025,651	935,415
Land	289,638	289,638
Other	7,504,736	8,648,171
Accumulated depreciation	(6,611,714)	(6,781,369)
Other, net	893,021	1,866,801
Total property, plant and equipment	2,208,311	3,091,855
Intangible assets		
Goodwill	19,498,248	17,478,244
Technology assets	6,979,823	6,106,168
Other	1,784,269	2,957,620
Total intangible assets	28,262,342	26,542,032
Investments and other assets		
Investment securities	1,808,949	1,173,226
Long-term prepaid expenses	3,516,785	3,086,797
Deferred tax assets	1,608,390	1,461,001
Other	1,527,201	2,569,001
Allowance for doubtful accounts	–	(11,508)
Total investment and other assets	8,461,326	8,278,517
Total non-current assets	38,931,980	37,912,406
Total assets	77,830,780	69,921,704

(Thousand yen)

	Previous consolidated fiscal year (ended March 31, 2015)	Consolidated fiscal year under review (ended March 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,201,778	4,242,223
Short-term loans payable	11,701,700	13,394,730
Current portion of long-term loans payable	3,416,670	2,000,000
Accounts payable - other	6,234,046	2,204,063
Income taxes payable	253,972	337,595
Provision for bonuses	691,459	555,981
Provision for loss on construction contracts	291,442	4,689
Deferred tax liabilities	304,465	–
Other	1,087,378	1,407,447
Total current liabilities	29,182,912	24,146,731
Non-current liabilities		
Long-term loans payable	12,000,000	13,000,000
Deferred tax liabilities	2,873,912	2,507,079
Other	1,418,615	1,421,011
Total non-current liabilities	16,292,527	16,928,091
Total liabilities	45,475,440	41,074,823
Net assets		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,181,300
Retained earnings	21,754,605	18,950,506
Treasury shares	(2,318,962)	(2,030,200)
Total shareholders' equity	30,457,256	27,941,919
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	(75,807)	(599,967)
Foreign currency translation adjustment	1,758,447	1,412,620
Total other accumulated comprehensive income	1,682,640	812,653
Non-controlling interests	215,442	92,308
Total net assets	32,355,339	28,846,881
Total liabilities and net assets	77,830,780	69,921,704

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

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (From April 1, 2015 to March 31, 2016)
Net sales	64,237,738	55,662,811
Cost of sales	45,263,445	39,233,920
Gross profit	18,974,293	16,428,890
Selling, general and administrative expenses	14,078,608	16,763,968
Operating income (loss)	4,895,684	(335,078)
Non-operating income		
Interest income	11,616	7,823
Dividend income	475	–
Gain on investments in partnership	20,595	20,552
Foreign exchange gains	–	801,191
Proceeds from miscellaneous income	31,477	18,818
Total non-operating income	64,165	848,385
Non-operating expenses		
Interest expenses	95,465	167,919
Borrowing fees	120,500	500
Provision of allowance for doubtful accounts	120,170	–
Foreign exchange losses	1,172,620	–
Miscellaneous loss	51,065	31,775
Total non-operating expenses	1,559,821	200,195
Ordinary income	3,400,028	313,111
Extraordinary income		
Gain on sales of non-current assets	509	–
Gain on sales of investment securities	–	59,647
Total extraordinary income	509	59,647
Extraordinary losses		
Loss on retirement of non-current assets	18,305	48,569
Loss on valuation of investment securities	20,372	161
Special retirement expenses	130,277	39,996
Total extraordinary losses	168,955	88,727
Net income before taxes	3,231,581	284,030
Income taxes - current	486,220	781,211
Income taxes - deferred	1,564,228	404,328
Total income taxes	2,050,448	1,185,540
Net income (loss)	1,181,132	(901,509)
(Breakdown)		
Loss attributable to non-controlling interests	(70,413)	(118,699)
Profit (loss) attributable to owners of parent	1,251,546	(782,810)
Other comprehensive income		
Valuation difference on available-for-sale securities	69,909	(524,160)
Foreign currency translation adjustment	1,084,897	(350,261)
Total other comprehensive income	1,154,806	(874,421)
Comprehensive income	2,335,939	(1,775,931)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,380,639	(1,652,797)
Comprehensive income attributable to non-controlling interests	(44,700)	(123,134)

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

(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	21,296,923	(1,055,975)	31,262,561
Changes of items during the period					
Dividends of surplus			(793,864)		(793,864)
Profit (loss) attributable to owners of parent			1,251,546		1,251,546
Purchase of treasury shares				(1,262,987)	(1,262,987)
Retirement of treasury shares					–
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	457,682	(1,262,987)	(805,305)
Balance at the end of the period	4,840,313	6,181,300	21,754,605	(2,318,962)	30,457,256

	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	(145,716)	699,263	553,547	–	31,816,109
Changes of items during the period					
Dividends of surplus					(793,864)
Profit (loss) attributable to owners of parent					1,251,546
Purchase of treasury shares					(1,262,987)
Retirement of treasury shares					–
Net changes of items other than shareholders' equity	69,909	1,059,183	1,129,093	215,442	1,344,535
Total changes of items during the period	69,909	1,059,183	1,129,093	215,442	539,230
Balance at the end of the period	(75,807)	1,758,447	1,682,640	215,442	32,355,339

Consolidated fiscal year under review (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)
Profit (loss) attributable to owners of parent			(782,810)		(782,810)
Purchase of treasury shares				(972,662)	(972,662)
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)
Profit (loss) attributable to owners of parent					(782,810)
Purchase of treasury shares					(972,662)
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

(4) Consolidated statements of cash flows

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Net income before taxes	3,231,581	284,030
Depreciation	848,526	2,047,819
Amortization of goodwill	128,954	1,977,901
Amortization of long-term prepaid expenses	1,165,901	927,588
Increase (decrease) in allowance for doubtful accounts	131,237	5,806
Increase (decrease) in provision for bonuses	30,567	(135,478)
Increase (decrease) in provision for loss on construction contracts	(171,285)	(286,752)
Interest and dividend income	(12,091)	(7,823)
Interest expenses	95,465	167,919
Loss (gain) on investments in partnership	(20,595)	(20,552)
Foreign exchange losses (gains)	(64,599)	107,532
Loss on retirement of non-current assets	18,305	48,569
Loss (gain) on sales of investment securities	–	(59,647)
Loss (gain) on valuation of investment securities	20,372	161
Decrease (increase) in notes and accounts receivable - trade	(1,412,280)	3,401,793
Decrease (increase) in inventories	843,206	288,425
Increase (decrease) in notes and accounts payable - trade	269,730	(658,946)
Decrease (increase) in other assets	499,427	164,597
Increase (decrease) in other liabilities	293,001	(3,131,638)
Other	(29,458)	14,960
Subtotal	5,865,966	5,136,267
Interest and dividend income received	12,646	7,933
Interest expenses paid	(78,180)	(152,634)
Income taxes refund	296,718	33,715
Income taxes paid	(344,303)	(753,271)
Net cash provided by (used in) operating activities	5,752,847	4,272,011
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	–	34,990
Payments into time deposits	(115,386)	(114,854)
Purchase of property, plant and equipment	(665,270)	(1,385,282)
Purchase of intangible assets	(514,072)	(1,911,967)
Proceeds from sales of investment securities	–	65,517
Purchase of long-term prepaid expenses	(1,067,091)	(1,544,695)
Collection of loans receivable	13,512	18,315
Payments of loans receivable	(1,218,766)	(19,641)
Proceeds from collection of guarantee deposits	7,026	7,493
Payments for guarantee deposits	(11,948)	(6,601)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	86,622	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(19,510,589)	–
Payments for transfer of business	(1,157,153)	–
Other	(547,446)	(1,098,851)
Net cash provided by (used in) investing activities	(24,700,562)	(5,955,579)

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (From April 1, 2015 to March 31, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	11,701,700	1,767,930
Proceeds from long-term loans payable	14,000,000	3,000,000
Repayments of long-term loans payable	(2,833,332)	(3,416,670)
Purchase of treasury shares	(1,262,987)	(972,662)
Cash dividends paid	(790,955)	(758,036)
Net cash provided by (used in) financing activities	20,814,424	(379,438)
Effect of exchange rate change on cash and cash equivalents	720,929	(232,940)
Net increase (decrease) in cash and cash equivalents	2,587,638	(2,295,947)
Cash and cash equivalents at beginning of period	10,440,669	13,028,308
Cash and cash equivalents at end of period	13,028,308	10,732,361

(5) Notes relating to consolidated financial statements

(Note on going concern assumptions)

None

(Changes in accounting policies)

(Application of the Accounting Standard for Business Combinations, etc.)

Starting the fiscal year under review, the Company is applying the Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013, hereinafter the “Business Combinations Accounting Standard”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22; September 13, 2013, hereinafter the “Consolidated Financial Statements Accounting Standard”), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7; September 13, 2013, hereinafter the “Business Divestitures Accounting Standard”). Under these accounting standards, the Company recorded the difference arising from the changes in the equity portion for the subsidiaries the Company continues to control as the capital surplus, and changed its accounting method to record the acquisition-related cost as expenses in the consolidated fiscal year in which they were incurred. For business combinations conducted after the beginning of the fiscal year under review, the revision of acquisition costs allocation due to determination of provisional accounting treatment is reflected in the consolidated financial statements for the consolidated fiscal year in which the business combination occurred. In addition, the Company changed the presentation of the net income as well as moving from “minority interests” to “non-controlling interests.” In order to reflect these changes in presentation, the Company implemented the reclassification of the consolidated financial statements for the previous consolidated fiscal year.

The Company applied these standards in accordance with the transitional treatment prescribed in Section 58-2 (4) of the Business Combinations Accounting Standard, Section 44-5 (4) of the Consolidated Financial Statements Accounting Standard, and Section 57-4 (4) of the Business Divestitures Accounting Standard, and continues to apply these standards from the beginning of the consolidated fiscal year under review into the future.

The changes have no impact on our profits and losses.

(Change in the method for valuating inventories)

The Company applied mainly the cost method using the weighted average method or the first-in first-out method to valuate inventories (excluding work in process). As the Company introduced a new mission-critical system, it reviewed the valuation method to better calculate appraised values and to improve operational efficiency and changed the valuation method. Starting the fiscal year under review, the Company is applying mainly the cost method using the moving average method or the first-in first-out method.

Because the effect of the change is minor, the Company does not apply the new method retroactively.

(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 the one business segment. As a result, the presentation of segment information has been omitted.

(Per share information)

(Unit: yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (From April 1, 2015 to March 31, 2016)
Net assets per share	1,438.09	1,341.86
Basic earnings per share	55.64	(35.24)

(Notes) 1. Diluted earnings per share has not been shown because there were no latent shares.
2. The following shows the basis of calculation of net income per share.

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (From April 1, 2015 to March 31, 2016)
Profit (loss) attributable to owners of parent (thousand yen)	1,251,546	(782,810)
Amount that does not belong to ordinary shareholders (thousand yen)	–	–
Profit (loss) attributable to ordinary shareholders (thousand yen)	1,251,546	(782,810)
Average number of common shares during the period	22,492,445	22,211,319

(Material subsequent events)

(Disposal of Treasury Stock as an Incentive to U.S. Subsidiary Members (Proposal to General Shareholders' Meeting)

At the Meeting of the Board of Directors held on May 13, 2016, the Company decided to submit a proposal to the 26th general shareholders' meeting to be held on June 23, 2016 regarding the disposal of treasury stock through a third-party allocation in accordance with Article 199 of the Companies Act. In the proposal, stock will be allocated as an incentive to the management and employees of SiTime Corporation ("SiTime"), the Company's subsidiary, with the aim of retaining members.

1. Outline of the treasury stock disposal

(1) Type and total number of shares	339,911 common shares of MegaChips Corporation	
(2) Payment amount per share	1 cent per share	
(3) Total payment amount	3,399 dollars 11 cents (Approx. 374,000 yen, calculation based on 1 dollar = 110 yen)	
(4) Payment dates and number of shares disposed on each date (All dates are Japanese time)	1. September 15, 2016	45,380 shares
	2. December 15, 2016	45,380 shares
	3. March 15, 2017	45,380 shares
	4. June 15, 2017	45,384 shares
	5. September 15, 2017	39,588 shares
	6. December 15, 2017	39,588 shares
	7. March 15, 2018	39,588 shares
	8. June 15, 2018	39,623 shares
(5) Method of subscription or disposal	By way of third-party allocation	
(6) Individuals to which treasury stock is allocated	Directors and employees of SiTime (Total: 35)	
(7) Other	The allocation of treasury stock is planned to be dependent on being the manager or employee belonging to SiTime on the date of allocation. The disposal of treasury stock will be dependent on a special resolution concerning issuance terms that are favorable to a specific party at the Company's general shareholders' meeting to be held on June 23, 2016.	

2. Reason for having to dispose of treasury stock by offering them at terms significantly favorable to a specific party

The Company acquired SiTime, a U.S. company, on November 18, 2014.

SiTime is located in the area of California known as Silicon Valley, where it has become common to provide incentives in various forms, such as employee stock options. The Company decided that providing the SiTime management and employees incentives by way of stock allocation, which is similar to stock options, would help raise their motivation to improve MegaChips Group’s performance and increase its corporate value.

Between September 15, 2016 and June 15, 2018, the Company will allocate a certain number of shares to the SiTime management and employees by way of treasury stock disposal, receiving one cent per share.

The Company has chosen this method instead of issuing share options as stock options based on the conclusion that the latter would not be an effective retention measure due to constraints by the Internal Revenue Code and other laws.

5. Other

Management reshuffles

(1) Candidate for director to be elected

Director Yoshimasa Hayashi (currently General Manager of Human Resources Development Division and General Manager of System Product Division)

(2) Retiring director

Director Gen Sasaki (currently Depty Director of LSI Business Headquarters, General Manager of Division NO.2, General Manager of Business Control Dept., in chage of Design Dept.1, in charge of Design Dept.2, in chage of India Branch in LSI Business Headquarters)

(3) Candidate for audit & supervisory board member to be elected

Outside Auditor Katsuhiko Asada (currently Professor (Non-regular), Computer Science Course, Graduate School of Information Science and Technology, Osaka Gakuin University)

(4) Retiring audit & supervisory board member

Outside Auditor Hisakazu Nakanishi

(5) Scheduled date for changes

June 23, 2016