

**Consolidated Financial Results**  
**for the Fiscal Year Ended March 31, 2020**  
**[Japanese GAAP]**

May 13, 2020

Company name: MegaChips Corporation  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 6875  
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 Scheduled date of Ordinary General Meeting of Shareholders: June 26, 2020  
 Scheduled date of commencing dividend payments: June 5, 2020  
 Scheduled date of filing annual securities report: June 26, 2020  
 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, 2020 (From April 1, 2019 to March 31, 2020)**

(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	%
Fiscal year ended March 31, 2020	65,764	(30.9)	972	69.5	639	27.1	(1,792)	—
March 31, 2019	95,145	6.9	573	(78.8)	502	(77.2)	(1,727)	—

(Note) Comprehensive income: Fiscal year ended March 31, 2020: ¥(1,067) million [-%]  
 Fiscal year ended March 31, 2019: ¥(4,269) million [-%]

	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, 2020	(82.35)	—	(6.6)	0.8	1.5
March 31, 2019	(79.40)	—	(6.0)	0.5	0.6

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2020: ¥- million  
 Fiscal year ended March 31, 2019: ¥- million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	72,347	31,031	38.8	1,289.72
As of March 31, 2019	91,977	26,223	28.5	1,204.98

(Reference) Equity: As of March 31, 2020: ¥28,068 million  
 As of March 31, 2019: ¥26,223 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, 2020	28,256	(2,541)	(18,599)	17,219
March 31, 2019	(13,700)	(2,499)	7,040	10,182

### 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, 2019	—	—	—	17.00	17.00	369	—	1.3
March 31, 2020	—	—	—	17.00	17.00	369	—	1.4
Fiscal year ending March 31, 2021 (Forecast)	—	—	—	—	—		—	

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, 2021 (From April 1, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	60,500	(8.0)	2,700	177.6	2,300	259.9	400	—	18.38

#### \* Notes

(1) Changes in significant subsidiaries during the Fiscal year ended March 31, 2020 (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: No

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Number of shares outstanding (common stock)

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

March 31, 2020: 23,038,400 shares

March 31, 2019: 23,038,400 shares

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

March 31, 2020: 1,275,420 shares

March 31, 2019: 1,275,372 shares

3) Average number of shares outstanding during the period

Fiscal year ended March 31, 2020: 21,763,009 shares

Fiscal year ended March 31, 2019: 21,755,322 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2020	54,493	(33.1)	4,071	22.7	3,963	3.0	1,109	(33.7)
March 31, 2019	81,494	9.1	3,318	(8.1)	3,846	13.4	1,672	10.7

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2020	50.96	—
March 31, 2019	76.89	76.87

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2020	68,527	35,008	51.1	1,608.64
March 31, 2019	90,741	34,275	37.8	1,574.94

(Reference) Equity: As of March 31, 2020: ¥35,008 million

As of March 31, 2019: ¥34,275 million

\* These financial results are outside the scope of audit by Certified Public Accountants or audit corporations.

\* 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.

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## 1. Overview of the Consolidated Operating Results, etc.

### (1) Overview of the consolidated operating results

During the consolidated fiscal year under review, the demand in the electronic machinery and equipment industry for industrial electronics, consumer electronics, and electronic components and devices declined, with a year-to-year decrease in the overall market for the electronic machinery and equipment industry.

In the ASIC business, the Group is providing optimal solutions for client devices, machines and service applications not only on the mainstay game console, digital camera and office machine sectors, but also to service major customers both inside and outside Japan in the industrial machinery and equipment industry. The competitive prowess of these solutions lies in our ability to leverage in-depth knowledge on customer applications and proprietary core technologies to provide everything from algorithm architecture building services to the development and supply of system LSIs that feature superior functionality and cost competitiveness based on the Group's integrated support framework from upstream logic design to downstream physical design, manufacturing operations and quality assurance.

In the ASSP business, to achieve further growth in the midst of rapid innovation in telecommunication technologies, the Group puts the focus of its management resources on the fields of in-vehicle devices, industrial equipment, and telecommunications infrastructure, where future growth is expected. We strive to foster new businesses that will become an important pillar for future profits by developing and providing a superior, value-added solution capable of differentiation through initiatives to enhance the competitiveness of the analog circuit's development and design technology and engaging in strategic collaboration with businesses inside and outside Japan.

In addition, the Smart Connectivity (DisplayPort business), which was developed for video interfaces in various electronics, was transferred to Kinetic Technologies as of December 12, 2019 as part of our business restructuring in the third fiscal quarter. By doing this, the Group puts the focus of its management resources on growth areas to strengthen medium- and long-term measures.

As for the consolidated operating results for the consolidated fiscal year under review, the Group recorded net sales of ¥65,764 million (a 30.9% decrease from the previous consolidated fiscal year) due to a decrease in sales resulting from the transfer of the System Product Division in the fourth quarter of the previous consolidated fiscal year and a decrease in demand for the customer-specific LSI field and Smart Connectivity LSIs, respectively.

As a result of ¥2,477 million in amortization of goodwill and intangible assets attributable to corporate acquisitions in the previous consolidated fiscal year and R&D expenses of ¥6,581 million (a 16.1% decrease from the previous consolidated fiscal year) from future-oriented R&D investments as well as steady progress in improving the operational efficiency as part of the business restructuring and other factors, the operating income before amortization of goodwill and other items was ¥3,449 million, the operating income after amortization of goodwill and other items was ¥972 million (a 69.5% increase from the previous consolidated fiscal year), and ordinary profits amounted to ¥639 million (a 27.1% increase from the previous consolidated fiscal year).

Further, due to a ¥599 million gain on liquidation of subsidiaries and associates arising from the liquidation of the consolidated subsidiary MegaChips Technology America Corporation, a ¥2,092 million loss on transfer of business attributable to the transfer of the Smart Connectivity (DisplayPort) Division, and a ¥546 million loss on valuation of investment securities, a ¥1,792 million loss attributable to the owners of parent was reported (compared to a loss attributable to the owners of parent of 1,727 million in the previous consolidated fiscal year).

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

(2) Overview of the financial position

Total assets at the end of the consolidated fiscal year under review were ¥72,347 million (a decrease of ¥19,630 million from the previous consolidated fiscal year). Compared major assets with the previous consolidated fiscal year, while cash and deposits increased by ¥7,037 million and the “other” of investments and other assets increased by ¥2,775 million, notes and accounts receivable-trade decreased by ¥16,063 million, merchandise and finished goods decreased by ¥2,332 million, works in process decreased by ¥1,073 million, the “other” of current assets decreased by ¥2,280 million, goodwill decreased by ¥2,680 million, and software decreased by ¥2,832 million, respectively.

Total liabilities amounted to ¥41,316 million (a decrease of ¥24,437 million from the previous consolidated fiscal year). Compared the major liabilities with the previous consolidated fiscal year, while notes and accounts payable-trade and the current portion of long-term loans payable increased by ¥908 million and ¥11,500 million, respectively, short-term loans payable and the long-term loans payable decreased by ¥15,835 million and ¥20,000 million, respectively.

The MegaChips Group’s net assets amounted to ¥31,031 million (an increase of ¥4,807 million from the previous consolidated fiscal year). Compared major assets with the end of the previous consolidated fiscal year, while the loss attributable to the owners of parent was ¥1,792 million, capital surplus and non-controlling interests increased by ¥3,134 million and ¥2,844 million, respectively, due to the capital increase by SiTime Corporation, a consolidated subsidiary of MegaChips, following its listing on the NASDAQ Global Market on November 21, 2019 (U.S. Pacific Time) and other factors, and valuation differences on available-for-sale securities increased by ¥1,545 million. As a result, the ratio of net worth to total assets was 38.8% (an increase of 10.3 points from the previous consolidated fiscal year).

(3) Overview of the cash flow

Cash and cash equivalents (“Capital”) were recorded at ¥17,219 million at the end of the consolidated fiscal year under review, an increase of ¥7,037 million from the previous consolidated fiscal year (compared to a decrease of ¥9,266 million in the previous consolidated fiscal year). The status of cash flows at the end of the consolidated fiscal year under review was as follows.

Cash flows from operating activities acquired as capital amounted to ¥28,256 million (compared to ¥13,700 million used as capital in the previous consolidated fiscal year). This was mainly due to a loss before income taxes of ¥1,965 million (compared to a loss before income taxes of ¥1,054 million in the previous consolidated fiscal year), depreciation of ¥3,511 million, amortization of goodwill of ¥1,715 million, amortization of long-term prepaid expenses of ¥805 million, a loss on transfer of business of ¥2,092 million, a decrease in trade receivables of ¥15,896 million, a decrease in inventories of ¥3,593 million, and a decrease in other assets of ¥2,774 million.

Cash flow from investing activities used as capital reached ¥2,541 million (compared to ¥2,499 million used as capital in the previous consolidated fiscal year). This was mainly attributable to ¥844 million for the purchase of property, plant and equipment, ¥789 million for the purchase of intangible assets, and ¥816 million for the purchase of long-term prepaid expenses.

As a result, free cash flow, the sum of cash flow from operating activities and cash flow from investing activities, amounted to ¥25,715 million acquired as capital (compared to ¥16,200 million in the previous consolidated fiscal year).

Cash flows from financing activities used as capital amounted to ¥18,599 million (compared to ¥7,040 million acquired as capital in the previous consolidated fiscal year). This was mainly due to a net decrease in short-term loans payable of ¥15,775 million and repayments of long-term loans payable of ¥9,500 million, despite proceeds from long-term loans payable of ¥1,000 million and proceeds from share issuance to non-controlling shareholders of ¥6,081 million.

#### (4) Outlook

The MegaChips Group intends to accelerate medium- to long-term growth by putting the ASIC business back on a path of renewed growth to strengthen its revenue base, and putting the focus of its management resources on the in-vehicle devices, industrial equipment, and infrastructure fields.

1. The Group will strive to develop new technologies and improve quality for its mainstay amusement business in order to strengthen its business base.
2. The Group will put the focus of its management resources on the in-vehicle devices, industrial equipment, and infrastructure (wired networks, server equipment, 5G base stations, etc.) fields where future growth is expected and will strive to foster new businesses by using its proprietary core technologies in the high-speed wired communications field. At the same time, the Group will strengthen our sales capabilities and cultivate leading customers in order to develop its business.
3. SiTime Corporation, a subsidiary of MegaChips, will endeavor to expand business by engaging in initiatives to expand business with global leading customers and cultivating customers in new areas through the expansion of the product lineup of MEMS timing devices.
4. The Group will strengthen its management base so that it can flexibly and quickly adapt to changes in the business environment by implementing measures such as improving the ratio of net worth to total assets to establish a sound financial structure; improving operational efficiency by proactively promoting fixed cost reduction, administrative cost reduction and cost reduction activities; reforming the personnel system to focus on results and talent; and proactively appointing personnel with rich knowledge and experience.

In the consolidated fiscal year ending March 31, 2021, the MegaChips Group forecasts consolidated net sales of ¥60,500 million (a 8% decrease from the previous [consolidated] fiscal year), a consolidated operating income before amortization of goodwill and other items of ¥52,000 million, excluding expenses of ¥2,500 million from the amortization of goodwill and intangible assets associated with corporate acquisitions, a consolidated operating income after amortization of goodwill and other items of ¥2,700 million (a 177.6% increase from the previous [consolidated] fiscal year), a consolidated ordinary profit of ¥2,300 million (a 259.9% increase from the previous [consolidated] fiscal year), and a consolidated profit attributable to the owners of parent of ¥400 million (compared to a consolidated loss attributable to the owners of parent of ¥1,792 million in the previous [consolidated] fiscal year).

At this time, the MegaChips Group believes that the impact of the spread of the new coronavirus infection on its business results in the next fiscal year will be limited. However, the impact on earnings may fluctuate depending on future trends, and if it becomes necessary to revise the earnings forecast due to a serious situation, the Group will promptly disclose it.

#### 2. Basic Approach to the Selection of Accounting Standards

The MegaChips Group prepares its consolidated financial statements and non-consolidated financial statements in accordance with Japanese accounting standards. With respect to the implementation of International Financial Reporting Standards (IFRS), the Group constantly gathers information on the enactment and implementation of accounting standards, both inside and outside Japan. However, for the time being, it will continue preparing consolidated financial statements and non-consolidated financial statements in accordance with Japanese accounting standards.

### 3. Consolidated Financial Statements and Main Notes

#### (1) Consolidated balance sheet

	Previous consolidated fiscal year (ended March 31, 2019)	Consolidated fiscal year under review (ended March 31, 2020)
(Unit: Thousand Yen)		
<b>Assets</b>		
Current assets		
Cash and deposits	10,218,297	17,255,431
Notes and accounts receivable-trade	39,735,519	23,671,755
Merchandise and finished goods	4,314,680	1,982,480
Work in progress	2,393,464	1,320,112
Raw materials and supplies	900,422	230,683
Other	3,463,809	1,183,567
Allowance for doubtful accounts	(21,170)	(15,231)
Total current assets	61,005,023	45,628,799
Non-current assets		
Property, plant and equipment		
Building	4,745,941	4,499,987
Accumulated depreciation	(3,256,468)	(3,338,320)
Buildings (net)	1,489,473	1,161,666
Land	289,638	198,156
Construction in progress	547,606	378,070
Other	9,846,579	9,275,165
Accumulated depreciation	(7,732,115)	(7,811,779)
Other (net)	2,114,464	1,463,386
Total property, plant and equipment	4,441,183	3,201,279
Intangible assets		
Goodwill	10,666,216	7,985,503
Technical assets	3,306,742	2,504,750
Software	5,369,148	2,536,810
Other	16,496	4,904
Total intangible assets	19,358,604	13,031,968
Investments and other assets		
Investment securities	2,062,231	3,059,822
Long-term prepaid expenses	2,509,929	1,931,652
Deferred tax assets	1,397,463	1,515,020
Other	1,203,320	3,978,890
Total investment and other assets	7,172,944	10,485,386
Total non-current assets	30,972,732	26,718,634
Total assets	91,977,755	72,347,434

(Unit: Thousand Yen)

	Previous consolidated fiscal year (ended March 31, 2019)	Consolidated fiscal year under review (ended March 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	6,408,966	7,317,139
Short-term loans payable	20,327,405	4,491,960
Current portion of long-term loans payable	9,500,000	21,000,000
Accounts payable-other	2,197,947	1,467,760
Income taxes payable	429,750	110,810
Provision for bonuses	405,442	429,124
Provision for loss on construction contracts	148,574	51,322
Other	1,265,021	1,205,071
Total current liabilities	40,683,108	36,073,187
Non-current liabilities		
Long-term loans payable	23,000,000	3,000,000
Deferred tax liabilities	890,822	676,282
Other	1,179,871	1,566,952
Total non-current liabilities	25,070,694	5,243,235
Total liabilities	65,753,802	41,316,423
Net equity		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,183,846	9,318,392
Earned surplus	16,058,261	13,896,168
Treasury stock	(1,608,924)	(1,609,032)
Total shareholders' equity	25,473,496	26,445,841
Other accumulated comprehensive equity		
Valuation difference on available-for-sale securities	1,041,475	2,586,607
Foreign translation currency adjustment	(291,018)	(964,284)
Total of other accumulated comprehensive income	750,456	1,622,323
Subscription rights to shares	—	118,195
Non-controlling interests	—	2,844,650
Total net assets	26,223,953	31,031,010
Total liabilities and net assets	91,977,755	72,347,434

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

(Unit: Thousand Yen)

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (From April 1, 2019 to March 31, 2020)
Net sales	95,145,485	65,764,572
Cost of sales	75,509,000	49,068,642
Gross profits	19,636,484	16,695,930
Selling, general and administrative expenses	19,062,844	15,723,468
Operating income	573,640	972,461
Non-operating income		
Interest income	17,554	13,898
Dividends earned	79,908	98,357
Gain on investments in partnerships	5,542	1,918
Receipt of dispatching fees	59,956	100,965
Foreign exchange gains	316,492	—
Miscellaneous income	10,976	13,832
Total non-operating income	490,431	228,971
Non-operating expenses		
Interest expenses	508,193	482,811
Commission loan payable	500	500
Loss on sales of accounts receivable	38,068	39,893
Foreign exchange losses	—	28,665
Miscellaneous losses	14,686	10,516
Total non-operating expenses	561,447	562,387
Ordinary income	502,624	639,045
Extraordinary income		
Gain on sales of non-current assets	12,629	—
Gain on liquidation of subsidiaries and associates	—	599,232
Gain on transfer of business	329,005	—
Total extraordinary income	341,635	599,232
Extraordinary losses		
Loss on retirement of non-current assets	1,527,095	167,375
Impairment loss	—	271,134
Loss on valuation of investment securities	—	546,749
Loss on transfer of business	—	2,092,466
Special retirement expenses	371,568	125,743
Total extraordinary losses	1,898,664	3,203,469
Net income (loss) before taxes	(1,054,404)	(1,965,191)
Income taxes - current	718,692	176,742
Income taxes-deferred	(45,779)	(317,726)
Total income taxes	672,913	(140,983)
Profit (loss)	(1,727,317)	(1,824,208)
(Breakdown)		
Profit (loss) attributable to owners of parent	(1,727,317)	(1,792,121)
Profit (loss) attributable to non-controlling interests	—	(32,087)

(Unit: Thousand Yen)

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (From April 1, 2019 to March 31, 2020)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,199,709)	1,545,132
Foreign currency translation adjustment	(342,131)	(788,253)
Total other comprehensive income	(2,541,841)	756,878
Comprehensive income	(4,269,158)	(1,067,329)
(Breakdown)		
Comprehensive income attributable to owners of parent	(4,269,158)	(1,072,056)
Comprehensive income attributable to non-controlling interests	—	4,726

## (3) Consolidated statements of changes in equity

Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)

(Unit: 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	6,183,562	18,524,246	(1,656,229)	27,891,893
Changes of items during the period					
Dividends of surplus			(738,667)		(738,667)
Profit (Loss) attributable to owners of the parent			(1,727,317)		(1,727,317)
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		283		47,307	47,590
Capital increase of consolidated subsidiaries					—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	283	(2,465,985)	47,305	(2,418,396)
Balance at the end of the period	4,840,313	6,183,846	16,058,261	(1,608,924)	25,473,496

	Other accumulated comprehensive income			Gain on reversal of subscription rights to shares	Non-controlling interests	Total net assets
	Valuation differences on available-for-sale securities	Foreign currency translation adjustment	Total other comprehensive income			
Balance at the beginning of the period	3,241,184	51,112	3,292,297	—	—	31,184,191
Changes of items during the period						
Dividends of surplus						(738,667)
Profit (Loss) attributable to owners of the parent						(1,727,317)
Purchase of treasury shares						(2)
Disposal of treasury shares						47,590
Capital increase of consolidated subsidiaries						—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes of items other than shareholders' equity	(2,199,709)	(342,131)	(2,541,841)	—	—	(2,541,841)
Total changes of items during the period	(2,199,709)	(342,131)	(2,541,841)	—	—	(4,960,237)
Balance at the end of the period	1,041,475	(291,018)	750,456	—	—	26,223,953

Consolidated fiscal year under review (From April 1, 2019 to March 31, 2020)

(Unit: Thousand Yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the period of the period	4,840,313	6,183,846	16,058,261	(1,608,924)	25,473,496
Changes of items during the period					
Dividends of surplus			(369,971)		(369,971)
Profit (loss) attributable to owners of the parent			(1,792,121)		(1,792,121)
Purchase of treasury shares				(108)	(108)
Disposal of treasury shares					—
Capital increase of consolidated subsidiaries		3,110,988			3,110,988
Change in ownership interest of parent due to transactions with non-controlling interests		23,556			23,556
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	3,134,545	(2,162,092)	(108)	972,344
Balance at the end of the period	4,840,313	9,318,392	13,896,168	(1,609,032)	26,445,841

	Other accumulated comprehensive income			Subscription rights to shares	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	1,041,475	(291,018)	750,456	—	—	26,223,953
Changes of items during the period						
Dividends of surplus						(369,971)
Profit (Loss) attributable to owners of parent						(1,792,121)
Purchase of treasury shares						(108)
Disposal of treasury shares						—
Capital increase of consolidated subsidiaries						3,110,988
Change in ownership interest of parent due to transactions with non-controlling interests						23,556
Net changes of items other than shareholders' equity	1,545,132	(673,265)	871,866	118,195	2,844,650	3,834,712
Total changes of items during the period	1,545,132	(673,265)	871,866	118,195	2,844,650	4,807,057
Balance at the end of the period	2,586,607	(964,284)	1,622,323	118,195	2,844,650	31,031,010

## (4) Consolidated statements of cash flows

(Unit: Thousand Yen)

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (From April 1, 2019 to March 31, 2020)
<b>Cash flows from operating activities</b>		
Net income (loss) before tax adjustments	(1,054,404)	(1,965,191)
Depreciation of expenses	3,350,027	3,511,162
Amortization of goodwill	1,794,891	1,715,147
Amortization of long-term prepaid expenses	853,485	805,373
Increase (decrease) in allowance for doubtful accounts	765	(5,697)
Increase (decrease) in reserves for bonus payments	(243,616)	23,662
Increase (decrease) in reserves for loss on construction contracts	148,574	(97,252)
Interest and dividend income	(97,463)	(112,256)
Interest expenses	508,193	482,811
Loss (gains) on investments in partnership	(5,542)	(1,918)
Foreign exchange gain (loss)	(44,361)	65,674
Loss on retirement on non-current assets	1,527,095	167,375
Impairment loss	—	271,134
Loss (gain) on sales of investment securities	—	546,749
Loss (gain) on transfer of business	(329,005)	2,092,466
Loss (gain) on liquidation of subsidiaries and associates	—	(599,232)
Special retirement expenses	371,568	125,743
Decrease (increase) in notes and accounts receivable - trade	(13,112,455)	15,896,069
Decrease (increase) in inventories valuation	(515,944)	3,593,934
Increase (decrease) in notes and accounts payable	(4,972,401)	553,253
Decrease (increase) in other assets	(20,302)	2,774,322
Decrease (increase) in other liabilities	(591,721)	(339,339)
Other	11,595	168,346
<b>Subtotal</b>	<b>(12,421,021)</b>	<b>29,672,341</b>
Amount of interest and dividends	97,463	112,256
Amount of interest paid	(496,164)	(535,018)
Special retirement expenses paid	(157,979)	(327,571)
Amount of tax refunds, such as corporate taxes	93,067	8,184
Amount of corporate taxes paid	(816,193)	(673,912)
<b>Cash flows from operating activities</b>	<b>(13,700,827)</b>	<b>28,256,279</b>
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	505,563	—
Payments into time deposits	(339,125)	—
Expenses from purchase of tangible fixed assets	(1,017,304)	(844,919)
Purchase of intangible assets	(796,860)	(789,724)
Purchase of investment securities	(546,750)	—
Purchase of long-term prepaid expenses	(618,418)	(816,883)
Collection of loans receivable	9,444	7,808
Payments of loans receivable	(3,329)	(3,079)
Proceeds from collection of guarantee deposits	41,962	11,530
Payments for guarantee deposits	(20,354)	(2,020)
Proceeds from transfer of business	759,900	297,646
Other	(474,437)	(401,633)
<b>Cash flows from investing activities</b>	<b>(2,499,709)</b>	<b>(2,541,276)</b>

(Unit: Thousand Yen)

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (From April 1, 2019 to March 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,278,050	(15,775,140)
Proceeds from long-term borrowing	11,000,000	1,000,000
Repayments of long-term loans payable	(6,500,000)	(9,500,000)
Proceeds from share issuance to non-controlling shareholders	—	6,081,628
Cash dividends paid	(737,366)	(369,816)
Other	38	(36,634)
Cash flows from financing activities	7,040,721	(18,599,962)
Effect of exchange rate fluctuations on cash and cash equivalents	(107,006)	(77,931)
Net increase (decrease) in cash and cash equivalents	(9,266,821)	7,037,107
Balance of cash and cash equivalents at beginning of the period	19,449,135	10,182,313
Balance of cash and cash equivalents at end of the period	10,182,313	17,219,421

(5) Notes relating to consolidated financial statements

(Note on going concern assumptions)

None

(Changes in accounting policies)

At our overseas subsidiary, SiTime Corporation, which has adopted U.S. GAAP, the U.S. Accounting Standards Update (ASU) 2016-02, "Leases" has applied from the current consolidated fiscal year under review, and, as a general matter, all leases will be posted on the balance sheets.

As a result, the "other" of the investments and other assets at the end of the current consolidated fiscal year under review increased by ¥1,072,633 thousand and the "other" of noncurrent liabilities increased by ¥723,884 thousand. Further, the impact on the consolidated income for the current consolidated fiscal year under review has been insignificant.

(Not applicable accounting standards, etc.)

"Accounting Standards for Revenue Recognition" (Corporate Accounting Standards No. 29, March 31, 2020)

"Accounting Standards for Revenue Recognition Application Guidelines" (Corporate Accounting Standards Application Guidelines No. 30, March 31, 2020)

1. Summary

Comprehensive accounting standards for revenue recognition. Revenue is recognized by applying the five steps below.

Step 1: Identify the agreement executed with the client.

Step 2: identify the obligations to be performed under the agreement.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to each obligation to be performed under that agreement.

Step 5: Recognize revenue after having performed each obligation, or, as it is performed.

2. Application date

Scheduled for application from the beginning of fiscal 2022.

3. Effect of application on accounting standards, etc.

The effect is being evaluated as the consolidated financial statements for the fiscal year under review are being prepared.

(Segment information, etc.)

Segment information

The MegaChips Group is mainly engaged in the design, development and production of LSI and MEMS timing devices utilizing its proprietary analog/digital/MEMS technology, as a provider of total solutions under one business segment. As a result, the presentation of segment information has been omitted.

(Per share information)

(Unit: Thousand Yen)

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (From April 1, 2019 to March 31, 2020)
Net assets per share	1,204.98	1,289.72
Diluted basic earnings per share (loss)	(79.40)	(82.35)

(Notes) 1. Diluted basic earnings per share for the previous consolidated year and the consolidated fiscal year under review are not shown because the Company posted a basic net loss per share.

2. The basis for the calculation of net loss per share is as follows.

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (From April 1, 2019 to March 31, 2020)
Profit (Loss) attributable to owners of the parent (thousand yen)	(1,727,317)	(1,792,121)
Amount that does not belong to ordinary shareholders (thousand yen)	—	—
Net loss attributable to shareholders of the parent company related to common stock (loss) (thousand yen)	(1,727,317)	(1,792,121)
Average number of common shares during the period	(21,755,322)	(21,763,009)

(Material subsequent events)

None

4. Other

Change in Board of Directors

(1) Candidates for Directors to be New Appointed

Director: Ikuo Iwama

Outside Director: Hirofumi Nagai (Currently President, Nagai Certified Public Accountants, Inc.)

(2) Directors to Retire

Akira Takata (Current Senior Managing Director, Executive Officer and General Manager of Business Strategy Office)

Koichi Akeyama (Current Director, Executive Officer in charge of Display Peripheral LSI Division)

(3) Auditors to Retire

Katsuhiko Asada (Currently, Outside Auditor)

(4) Scheduled Change Date

June 26, 2020