

Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

August 5, 2022

Company name: MegaChips Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6875
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 Scheduled date of filing quarterly securities report: August 10, 2022
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	14,925	(13.9)	1,115	(31.8)	1,530	20.5	1,180	58.4
June 30, 2021	17,335	(17.9)	1,635	544.8	1,270	—	745	(50.2)

(Note) Comprehensive income: Three months ended June 30, 2022: ¥3,025 million [51.7%]
 Three months ended June 30, 2021: ¥1,994 million [102.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	61.58	—
June 30, 2021	34.45	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2022	85,907	68,728	80.0	3,585.12
As of March 31, 2022	89,842	67,428	75.1	3,517.30

(Reference) Equity: As of June 30, 2022: ¥68,728 million
 As of March 31, 2022: ¥67,428 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	—	—	90.00	90.00
Fiscal year ending March 31, 2023	—	—	—	—	—
Fiscal year ending March 31, 2023 (Forecast)	—	—	—	—	—

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

We pay dividends once per year based on the basic policy for profit distribution, using the year-end date as the record date. 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, 2023 (From April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full year	72,000	(4.3)	7,200	2.4	7,200	(8.4)	4,700 (82.9)	245.17

(Note) Revision to the financial results forecast announced most recently: No

* Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2022 (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes
New: 1 (MegaChips VC2 USA LLC)
Exception: –
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Number of shares outstanding (common stock)
 - 1) Number of outstanding shares at the end of the period (including treasury stock)
June 30, 2022: 21,967,700 shares
March 31, 2022: 21,967,700 shares
 - 2) Number of shares of treasury stock at the end of the period
June 30, 2022: 2,797,111 shares
March 31, 2022: 2,797,111 shares
 - 3) Average number of shares outstanding during the period
Three months ended June 30, 2022: 19,170,589 shares
Three months ended June 30, 2021: 21,631,815 shares

* Quarterly financial results are outside the scope of quarterly review 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 quarterly financial results)

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

○Accompanying Materials-Contents

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1. Qualitative Information Related to The Quarterly Operating Results

(1) Overview of operating results

In the electronic machinery and equipment industry during the current consolidated first quarter, demand for industrial and consumer electronics devices decreased, on the other hand, demand for the electronic components and device increased and the overall market for the electronics device industry remained consistent with the same period of the previous fiscal year.

In the ASIC business, the Group is providing optimal solutions for applications in client devices, machines and services, not only in the mainstay game console, digital camera and office machine sectors, but also to service major customers both inside and outside Japan in the industrial equipment area. Our competitive advantage is our ability to develop and supply System LSIs with unique algorithm architecture to solve our customers' problems based on our deep understanding of our customers' applications and our core proprietary technology.

In the ASSP business, to achieve further growth in a world where innovation in telecommunication technologies is occurring at a breakneck pace, the Company is concentrating its management resources on launching new LSI businesses, targeting fields where future growth is expected, such as the areas of industrial equipment, telecommunications, AI, energy control, and robotics and in-vehicle devices. MegaChips strives to foster new businesses that will become important pillars for future profits by developing and providing a superior, value-added solution capable of differentiation through initiatives to enhance the competitiveness of the analog circuits' development and design technology and engaging in strategic collaboration with businesses inside and outside Japan.

As consolidated operating results for the current first quarter, the MegaChips Group saw net sales of ¥14,925 million (a decrease of 13.9% from the same quarter of the previous consolidated fiscal year), mainly due to the decrease in demand for the game software storage LSI (customized memories) compared to the same quarter of the previous year, despite a high level of demand, and the operating income amounted to ¥1,115 million (a 31.8% decrease from the same quarter of the previous consolidated fiscal year).

With regard to profits, an equity in earnings under the equity method (goodwill amortization included) and foreign exchange gain occurred for ¥56 million and ¥348 million respectively, ordinary profits amounted to ¥1,530 million (a 20.5% increase from the same quarter of the previous consolidated fiscal year) and quarterly profits attributable to owners of the parent reached ¥1,180 million (a 58.4% increase from the same quarter of 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 financial position

Total assets as of the end of the first quarter of the current consolidated fiscal year amounted to ¥85,907 million (a decrease of ¥3,934 million from the end of the previous consolidated fiscal year). Comparing major assets with the end of the previous consolidated fiscal year, while accounts receivable-other and shares of subsidiaries and associates increased by ¥4,812 million and ¥1,395 million, respectively, while cash and deposits and investments and other assets decreased by ¥9,091 million and ¥1,042 million, respectively,

Total liabilities amounted to ¥17,178 million (a decrease of ¥5,235 million from the end of the previous consolidated fiscal year). Comparing major liabilities with the end of the previous consolidated fiscal year, while notes and accounts payable-trade increased by ¥2,175 million and income taxes payable decreased by ¥7,474 million.

The MegaChips Group's net assets amounted to ¥68,728 million (an increase of ¥1,300 million from the end of the previous consolidated fiscal year). Comparing major assets with the end of the previous consolidated fiscal year, while the quarterly profits attributable to owners of parent was ¥1,180 million and foreign currency adjustment increased by ¥1,925 million, dividends of surplus were ¥1,725 million. As a result, the ratio of net worth to total assets was 80.0% (an increase of 5.0 percentage points from the end of the previous consolidated fiscal year).

Cash and cash equivalents ("net cash") were recorded at ¥16,677 million at the end of the first quarter of the current consolidated fiscal year, a decrease of ¥9,091 million from the end of the previous consolidated fiscal year (compared to a decrease of ¥5,030 million in the same quarter of the previous consolidated fiscal year). The situation of the cash flows for the current consolidated cumulative third quarter is as follows.

Net cash used in operating activities amounted to ¥7,030 million (compared to net cash of ¥3,400 million provided by such activities in the same quarter of the previous consolidated fiscal year). This was mainly due to, profits before income taxes of ¥1,630 million, an increase in trade payables of ¥2,175 million, an increase in other assets of ¥3,096 million, and income taxes paid of ¥7,617 million.

Net cash provided by investing activities amounted to ¥1,404 million (compared to net cash of ¥925 million used in such activities in the same quarter of the previous consolidated fiscal year). This is largely the result of ¥137 million for the purchase of property, plant and equipment, ¥385 million for the purchase of long-term prepaid expenses, and ¥809 million for other expenses.

As a result, the free cash flow, consisting of the net cash provided by or used in operating activities or investing activities, resulted in ¥8,434 million net cash provided (compared to ¥4,326 million net cash used in the same quarter of the previous consolidated fiscal year).

Net cash used in financing activities amounted to ¥1,704 million (compared to net cash of ¥699 million provided by such activities in the same quarter of the previous consolidated fiscal year). This was mainly due to cash dividends paid of ¥1,702 million.

(3) Overview of forward-looking statements such as consolidated earnings forecast

There is no change from the consolidated earnings forecast for the fiscal year ending March 31, 2023, which was announced in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Japanese GAAP)", which was publicly released on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly consolidated balance sheets

(Unit : Thousand Yen)

	Previous consolidated fiscal year (Ended March 31, 2022)	Current first consolidated fiscal quarter (June 30, 2022)
Assets		
Current assets		
Cash and deposits	25,769,446	16,677,837
Notes and accounts receivable-trade and contract assets	7,950,688	7,482,352
Merchandise and finished goods	2,345,180	2,354,146
Work in progress	951,209	1,430,377
Raw materials and supplies	324,761	346,661
Accounts receivable	18,702,209	23,514,535
Other	1,439,335	1,085,620
Allowance for doubtful accounts	(1,457)	(1,746)
Total current assets	57,481,372	52,889,786
Non-current assets		
Property, plant and equipment		
Buildings	1,686,338	1,686,338
Accumulated depreciation	(1,363,074)	(1,369,505)
Buildings (net)	323,263	316,832
Other	7,476,345	7,606,470
Accumulated depreciation	(6,041,238)	(6,096,869)
Other (net)	1,435,107	1,509,601
Total property, plant, and equipment	1,758,370	1,826,433
Intangible assets		
Other	423,142	458,196
Total intangible assets	423,142	458,196
Investments and other assets		
Investments	5,668,088	5,805,800
Shares of subsidiaries and associates	19,105,173	20,500,936
Long-term prepaid expenses	1,246,877	1,323,055
Deferred tax assets	1,621,507	1,608,085
Other	2,537,872	1,495,260
Total investment and other assets	30,179,520	30,733,139
Total non-current assets	32,361,033	33,017,769
Total assets	89,842,406	85,907,555

(Unit : Thousand Yen)

	Previous consolidated fiscal year (Ended March 31, 2022)	Current first consolidated fiscal quarter (June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,101,451	10,276,916
Income taxes payable	7,991,659	516,992
Provision for bonuses	850,758	306,596
Provision for loss on construction contracts	33,921	90,383
Other provisions	—	45,000
Other	4,390,487	5,315,920
Total current liabilities	21,368,278	16,551,809
Non-current liabilities		
Other	1,045,509	626,933
Total non-current liabilities	1,045,509	626,933
Total liabilities	22,413,787	17,178,742
Net assets		
Shareholders' equity		
Share capital	4,840,313	4,840,313
Capital surplus	9,359,915	9,359,915
Retained earnings	56,013,709	55,468,912
Treasury shares	(8,364,802)	(8,364,802)
Total shareholders' equity	61,849,135	61,304,337
Accumulated and other comprehensive income		
Valuation difference on available-for-sale securities	3,455,486	3,375,188
Foreign currency adjustment	2,123,997	4,049,286
Total accumulated and other comprehensive income	5,579,483	7,424,475
Total net assets	67,428,618	68,728,813
Total liabilities and net assets	89,842,406	85,907,555

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

The consolidated first quarter

(Unit: Thousand Yen)

	Previous consolidated first quarter (From April 1, 2021 to June 30, 2021)	Current consolidated first quarter (From April 1, 2022 to June 30, 2022)
Net sales	17,335,072	14,925,253
Cost of sales	14,321,407	12,354,830
Gross profit	3,013,664	2,570,422
Selling, general and administrative expenses	1,378,131	1,454,651
Operating profit	1,635,533	1,115,771
Non-operating income		
Interest income	532	348
Gain on investment in investment partnerships	10,742	—
Share of profit of entities accounted for using equity method	—	56,711
Gain on forfeiture of unclaimed dividends	1,166	700
Foreign exchange gains	—	348,303
Miscellaneous income	1,767	19,074
Total non-operating income	14,209	425,138
Non-operating expenses		
Interest expenses	7,660	78
Loss on sales of accounts receivable	11,698	6,969
Share of loss of entities accounted for using equity method	276,909	—
Foreign exchange losses	68,697	—
Miscellaneous losses	14,409	3,335
Total non-operating expenses	379,375	10,382
Ordinary profit	1,270,367	1,530,526
Extraordinary income		
Gain on change in equity	26,064	101,876
Total extraordinary income	26,064	101,876
Extraordinary losses		
Loss on retirement of non-current assets	—	2,297
Total extraordinary losses	—	2,297
Profit before income taxes	1,296,431	1,630,105
Income taxes - current	551,311	449,549
Quarterly profit	745,120	1,180,555
(Breakdown)		
Profit (loss) attributable to owners of parent	745,120	1,180,555
Other comprehensive income		
Valuation difference on available-for-sale securities	346,045	(80,297)
Foreign currency translation adjustment	65,080	730,983
Share of other comprehensive income of entities accounted for using equity method	838,138	1,194,305
Total other comprehensive income	1,249,264	1,844,991
Quarterly comprehensive income	1,994,385	3,025,547
(Breakdown)		
Comprehensive income attributable to owners of parent	1,994,385	3,025,547

(3) Quarterly consolidated statements of cash flows

	(Unit: Thousand yen)	
	Previous consolidated first quarter (From April 1, 2021 to June 30, 2021)	Current consolidated first quarter (From April 1, 2022 to June 30, 2022)
Cash flow from operating activities		
Profit before income taxes	1,296,431	1,630,105
Depreciation	70,310	80,790
Amortization of long-term prepaid expenses	158,965	169,752
Increase (decrease) in provision for bonuses	(443,171)	(544,257)
Increase (decrease) in provision for loss on construction contracts	2,643	56,461
Interest and dividend income	(532)	(348)
Interest expenses	7,660	78
Shares of profit (loss) of entities accounted for using equity method	276,909	(56,711)
Foreign exchange gains (losses)	47,664	(470,159)
Loss on retirement of non-current assets	—	2,297
Loss (gain) on change in equity	(26,064)	(101,876)
Decrease (increase) in trade receivables	864,452	468,336
Increase (decrease) in inventories	1,797,762	(510,034)
Increase (decrease) in trade payables	740,890	2,175,465
Decrease (increase) in other assets	(2,774,169)	(3,096,821)
Increase (decrease) in other liabilities	949,603	723,565
Other	19,455	60,422
Subtotal	2,988,811	587,064
Interest and dividend received	532	348
Interest paid	(12,653)	(78)
Income taxes refund	824	—
Income taxes paid	(6,377,940)	(7,617,373)
Cash flows from operating activities	(3,400,426)	(7,030,037)
Cash flows from investing activities		
Purchase of property, plant and equipment	(193,257)	(137,296)
Purchase of intangible assets	(79,176)	(48,702)
Purchase of investment securities	(255,998)	(24,670)
Purchase of shares of subsidiaries and associates	(331,740)	—
Purchase of long-term prepaid expenses	(63,335)	(385,112)
Other	(2,088)	(809,159)
Cash flows from investing activities	(925,595)	(1,404,942)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,000,000	—
Repayments of long-term borrowings	(1,447,500)	—
Purchase of treasury shares	(1,532,766)	—
Dividends paid	(1,716,930)	(1,702,668)
Other	(1,957)	(1,688)
Cash flows from financing activities	(699,153)	(1,704,356)
Effect of exchange rate change on cash and cash equivalents	(5,440)	1,047,728
Net increase (decrease) on cash and cash equivalents	(5,030,616)	(9,091,608)
Cash and cash equivalents at beginning of period	21,407,837	25,769,446
Cash and cash equivalents at end of period	16,377,221	16,677,837

(4) Notes relating to quarterly consolidated financial statements

(Notes relating to going concern assumptions)

None

(Notes relating to significant changes in the amount of shareholders' equity)

None

(Changes in the scope of consolidation or application of the equity method)

(Changes in the scope of consolidation)

MegaChips VC2 USA LLC has been included in the scope of consolidation since it was newly established in the first quarter of the current consolidated fiscal year.

(Notes on Entry under Accounting Methods Specific to the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

The tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes for the consolidated fiscal year, and multiplying quarterly income before income taxes and minority interests by such estimated tax rate.