

Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

February 3, 2023

Company name: MegaChips Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6875
 URL: <https://www.megachips.co.jp/>
 Representative: Tetsuo Hikawa, President and CEO
 Contact: Mitsunori Kumagai, General Manager of Finance Division
 Phone: +81-6-6399-2884
 Scheduled date of filing quarterly securities report: February 10, 2023
 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 Nine Months Ended December 31, 2022 (From April 1, 2022 to December 31, 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	%
Nine months ended December 31, 2022	56,070	(8.6)	5,542	(5.5)	7,003	18.2	4,678	(82.2)
December 31, 2021	61,376	(11.4)	5,862	33.6	5,924	100.0	26,248	726.9

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥8,486 million [(69.0)%]
 Nine months ended December 31, 2021: ¥27,348 million [811.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	243.92	—
December 31, 2021	1,262.82	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	90,220	74,254	82.3	3,868.33
As of March 31, 2022	89,842	67,428	75.1	3,517.30

(Reference) Equity: As of December 31, 2022: ¥74,254 million
 As of March 31, 2022: ¥67,428 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal 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 fiscal year-end date as the record date. Since the concrete dividend forecast is yet to be decided, “—” is shown for the fiscal 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 nine months ended December 31, 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 shares)

December 31, 2022: 21,967,700 shares

March 31, 2022: 21,967,700 shares

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

December 31, 2022: 2,772,253 shares

March 31, 2022: 2,797,111 shares

3) Average number of shares outstanding during the period

Nine months ended December 31, 2022: 19,179,165 shares

Nine months ended December 31, 2021: 20,785,833 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.

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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 third quarter, demand for the consumer electronics, electronic components and devices remained consistent as same period last year, while demand for the industrial electronic devices slightly decreased, however, the overall market for the electronics device industry was almost same level as in the same quarter of the previous year.

In the ASIC business, the Group is providing optimal solutions for applications in client devices 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 proprietary core 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, 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 third quarter, the MegaChips Group saw net sales of ¥56,070 million (a decrease of 8.6% from the same quarter of the previous consolidated fiscal year), and the operating profit amounted to ¥5,542 million (a 5.5% decrease from the same quarter of the previous consolidated fiscal year) mainly due to the rise in demand for the game software storage LSI (customized memories) in the second and third quarters compared to the first quarter of the current year, although net sales and operating profit decreased compared to the same quarter of the previous year.

With regard to profits, share of profit of entities accounted for using equity method (goodwill amortization included) and foreign exchange gains occurred for ¥417 million and ¥623 million respectively, ordinary profit amounted to ¥7,003 million (a 18.2% increase from the same quarter of the previous consolidated fiscal year).

The quarterly profit attributable to owners of parent reached ¥4,678 million (an 82.2% decrease from the same quarter of the previous consolidated fiscal year). In the same quarter of the previous consolidated fiscal year, the Company posted a gain on sales of shares of subsidiaries and associates of ¥29,251 million as an extraordinary income due to the sale of a portion of shares in SiTime Corporation, an affiliated company, and an increase in its capital through the issuance of new shares.

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 third quarter of the current consolidated fiscal year amounted to ¥90,220 million (an increase of ¥378 million from the end of the previous consolidated fiscal year). Comparing major assets with the end of the previous consolidated fiscal year, while notes and accounts receivable-trade, and contract assets increased by ¥3,701 million, merchandise and finished goods increased by ¥3,378 million, investment securities increased by ¥8,434 million as the Company has invested in Morse Micro PTY.LTD, and shares of subsidiaries and associates increased by ¥5,539 million. On the other hand, cash and deposits, and accounts receivable - other decreased by ¥14,363 million and ¥7,390 million respectively.

Total liabilities amounted to ¥15,966 million (a decrease of ¥6,447 million from the end of the previous consolidated fiscal year). Comparing major liabilities with the end of the previous consolidated fiscal year, while short-term borrowings increased by ¥4,000 million, notes and accounts payable-trade, income taxes payable and other current liabilities decreased by ¥2,177 million, ¥6,552 million, and ¥1,181 million respectively.

The MegaChips Group's net assets amounted to ¥74,254 million (an increase of ¥6,825 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 ¥4,678 million and foreign currency translation adjustment increased by ¥5,354 million, dividends of surplus were ¥1,725 million. As a result, capital-to-asset ratio was 82.3% (an increase of 7.2 percentage points from the end of the previous consolidated fiscal year).

Cash and cash equivalents ("net cash") were recorded at ¥13,417 million at the end of the third quarter of the current consolidated fiscal year, a decrease of ¥12,352 million from the end of the previous consolidated fiscal year (compared to an increase of ¥1,548 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 ¥5,613 million (compared to net cash of ¥13,096 million used by such activities in the same quarter of the previous consolidated fiscal year). This was mainly due to, while profit before income taxes reached ¥6,810 million and other assets decreased by ¥6,775, an increased in trade receivables of ¥3,701 million, an increase of inventories of ¥4,100 million, a decrease in trade payables of ¥2,177 million, and income taxes paid of ¥8,392 million.

Net cash used in investing activities amounted to ¥9,886 million (compared to net cash of ¥22,353 million acquired in such activities in the same quarter of the previous consolidated fiscal year). This is the result of proceeds from sale of Smart Connectivity (DisplayPort) business of ¥2,156 million implemented in December 2019, while an expenditure of ¥9,447 million for the acquisition of investment securities largely from investment in Morse Micro PTY.LTD., a purchase of long-term prepaid expenses of ¥1,003 million, and ¥1,097 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 ¥15,500 million net cash used (compared to ¥9,257 million net cash acquired in the same quarter of the previous consolidated fiscal year).

Net cash provided by financing activities amounted to ¥2,272 million (compared to net cash of ¥8,192 million used in such activities in the same quarter of the previous consolidated fiscal year). This was mainly due to a net increase in short-term borrowings of ¥4,000 million and cash dividends paid of ¥1,722 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 Ending 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 third consolidated fiscal quarter (December 31, 2022)
Assets		
Current assets		
Cash and deposits	25,769,446	11,406,011
Notes and accounts receivable-trade and contract assets	7,950,688	11,652,631
Securities	—	2,011,301
Merchandise and finished goods	2,345,180	5,723,936
Work in process	951,209	1,651,583
Raw materials and supplies	324,761	346,409
Accounts receivable - other	18,702,209	11,311,379
Other	1,439,335	1,569,183
Allowance for doubtful accounts	(1,457)	(1,365)
Total current assets	57,481,372	45,671,071
Non-current assets		
Property, plant and equipment		
Buildings	1,686,338	1,502,982
Accumulated depreciation	(1,363,074)	(1,379,468)
Buildings, net	323,263	123,513
Other	7,476,345	7,545,121
Accumulated depreciation	(6,041,238)	(5,894,499)
Other, net	1,435,107	1,650,622
Total property, plant and equipment	1,758,370	1,774,136
Intangible assets		
Other	423,142	512,619
Total intangible assets	423,142	512,619
Investments and other assets		
Investment securities	5,668,088	14,102,573
Shares of subsidiaries and associates	19,105,173	24,644,773
Long-term prepaid expenses	1,246,877	1,107,914
Deferred tax assets	1,621,507	1,589,248
Other	2,537,872	818,265
Total investment and other assets	30,179,520	42,262,775
Total non-current assets	32,361,033	44,549,531
Total assets	89,842,406	90,220,602

(Unit : Thousand Yen)

	Previous consolidated fiscal year (Ended March 31, 2022)	Current third consolidated fiscal quarter (December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,101,451	5,924,263
Short-term borrowings	—	4,000,000
Income taxes payable	7,991,659	1,438,702
Provision for bonuses	850,758	532,143
Provision for loss on construction contracts	33,921	154,336
Other provisions	—	135,000
Other	4,390,487	3,208,713
Total current liabilities	21,368,278	15,393,160
Non-current liabilities		
Other	1,045,509	573,029
Total non-current liabilities	1,045,509	573,029
Total liabilities	22,413,787	15,966,189
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	58,956,481
Treasury shares	(8,364,802)	(8,290,478)
Total shareholders' equity	61,849,135	64,866,231
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,455,486	1,909,927
Foreign currency translation adjustment	2,123,997	7,478,253
Total accumulated other comprehensive income	5,579,483	9,388,181
Total net assets	67,428,618	74,254,413
Total liabilities and net assets	89,842,406	90,220,602

(2) Quarterly consolidated statements of income and comprehensive income

The consolidated third quarter

(Unit: Thousand Yen)

	Previous consolidated third quarter (From April 1, 2021 to December 31, 2021)	Current consolidated third quarter (From April 1, 2022 to December 31, 2022)
Net sales	61,376,936	56,070,913
Cost of sales	50,710,573	46,204,057
Gross profit	10,666,362	9,866,856
Selling, general and administrative expenses	4,803,927	4,324,281
Operating profit	5,862,435	5,542,574
Non-operating income		
Interest income	6,111	67,767
Dividend income	—	185,336
Gain on investments in investment partnerships	6,455	—
Dispatch fee income	68,114	186,724
Share of profit of entities accounted for using equity method	—	417,447
Gain on forfeiture of unclaimed dividends	1,166	700
Foreign exchange gains	111,315	623,358
Miscellaneous income	23,624	25,431
Total non-operating income	216,789	1,506,764
Non-operating expenses		
Interest expenses	21,432	6,129
Loss on sale of receivables	33,781	29,853
Commission for purchase of treasury shares	50,208	—
Share of loss of entities accounted for using equity method	14,391	—
Miscellaneous losses	35,008	9,960
Total non-operating expenses	154,822	45,943
Ordinary profit	5,924,401	7,003,396
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	29,251,940	—
Gain on change in equity	116,950	240,418
Total extraordinary income	29,368,891	240,418
Extraordinary losses		
Loss on retirement of non-current assets	92,678	45,421
Impairment losses	—	387,616
Loss on valuation of investment securities	—	501
Loss on valuation of other investments	205,115	—
Total extraordinary losses	297,793	433,538
Profit before income taxes	34,995,500	6,810,276
Income taxes	8,746,634	2,132,053
Profit	26,248,865	4,678,222
(Breakdown)		
Profit attributable to owners of parent	26,248,865	4,678,222

(Unit: Thousand Yen)		
	Previous consolidated third quarter (From April 1, 2021 to December 31, 2021)	Current consolidated third quarter (From April 1, 2022 to December 31, 2022)
Other comprehensive income		
Valuation difference on available-for-sale securities	(208,205)	(1,545,558)
Foreign currency translation adjustment	351,155	503,452
Share of other comprehensive income of entities accounted for using equity method	956,901	4,850,804
Total other comprehensive income	1,099,852	3,808,697
Quarterly comprehensive income	27,348,717	8,486,920
(Breakdown)		
Comprehensive income attributable to owners of parent	27,348,717	8,486,920

(3) Quarterly consolidated statements of cash flows

	(Unit: Thousand Yen)	
	Previous consolidated third quarter (From April 1, 2021 to December 31, 2021)	Current consolidated third quarter (From April 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	34,995,500	6,810,276
Depreciation	222,298	282,465
Amortization of long-term prepaid expenses	497,103	508,138
Increase (decrease) in provision for bonuses	(192,240)	(318,626)
Increase (decrease) in provision for loss on construction contracts	33,063	120,414
Interest and dividend income	(6,111)	(253,103)
Interest expenses	21,432	6,129
Shares of loss (profit) of entities accounted for using equity method	14,391	(417,447)
Foreign exchange losses (gains)	(244,823)	(577,018)
Loss on retirement of non-current assets	92,678	45,421
Impairment losses	—	387,616
Loss (gain) on valuation of investment securities	—	501
Loss (gain) on sale of shares of subsidiaries and associates	(29,251,940)	—
Loss (gain) on change in equity	(116,950)	(240,418)
Loss on valuation of other investments	205,115	—
Increase (decrease) in trade receivables	(11,387,123)	(3,701,942)
Increase (decrease) in inventories	1,851,136	(4,100,778)
Increase (decrease) in trade payables	(340,576)	(2,177,187)
Increase (decrease) in other assets	(2,592,983)	6,775,654
Increase (decrease) in other liabilities	(116,071)	(772,904)
Other	126,992	176,791
Subtotal	(6,189,109)	2,553,981
Interest and dividend received	6,111	231,027
Interest paid	(26,712)	(6,098)
Income taxes refund	865	—
Income taxes paid	(6,887,221)	(8,392,572)
Net cash provided by (used in) operating activities	(13,096,067)	(5,613,661)
Cash flows from investing activities		
Purchase of property, plant and equipment	(405,923)	(634,946)
Purchase of intangible assets	(325,600)	(130,837)
Proceeds from liquidation of investment securities	—	270,590
Purchase of investment securities	(553,868)	(9,447,702)
Proceeds from sales of shares of subsidiaries and associates	24,491,500	—
Purchase of shares of subsidiaries and associates	(345,060)	—
Purchase of long-term prepaid expenses	(519,427)	(1,003,094)
Proceeds from sale of businesses	228,040	2,156,960
Other	(216,590)	(1,097,353)
Net cash provided by (used in) investing activities	22,353,069	(9,886,383)

	(Unit: Thousand Yen)	
	Previous consolidated third quarter (From April 1, 2021 to December 31, 2021)	Current consolidated third quarter (From April 1, 2022 to December 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,000,000	4,000,000
Repayments of long-term borrowings	(2,342,500)	—
Purchase of treasury shares	(7,107,173)	(139)
Dividends paid	(1,736,997)	(1,722,717)
Other	(5,429)	(4,791)
Net cash provided by (used in) financing activities	(8,192,100)	2,272,351
Effect of exchange rate change on cash and cash equivalents	483,626	875,560
Net increase (decrease) in cash and cash equivalents	1,548,528	(12,352,132)
Cash and cash equivalents at beginning of period	21,407,837	25,769,446
Cash and cash equivalents at end of period	22,956,365	13,417,313

(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.

(Adoption of special accounting methods for 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, including the third quarter and multiplying quarterly income before income taxes and minority interests by such estimated tax rate.