

Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

August 4, 2023

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 9, 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 Three Months Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

(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, 2023	17,290	15.9	1,586	42.2	1,297	(15.2)	952	(19.3)
June 30, 2022	14,925	(13.9)	1,115	(31.8)	1,530	20.5	1,180	58.4

(Note) Comprehensive income: Three months ended June 30, 2023: ¥2,425 million [(19.8)%]
 Three months ended June 30, 2022: ¥3,025 million [51.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	50.21	—
June 30, 2022	61.58	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2023	82,776	73,333	88.5	3,934.34
As of March 31, 2023	89,021	74,535	83.7	3,883.46

(Reference) Equity: As of June 30, 2023: ¥73,251 million
 As of March 31, 2023: ¥74,535 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, 2023	—	—	—	90.00	90.00
Fiscal year ending March 31, 2024	—	—	—	—	—
Fiscal year ending March 31, 2024 (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, 2024 (From April 1, 2023 to March 31, 2024)

(% 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	70,000	(1.0)	5,800	(3.8)	5,200	(28.9)	3,300	(53.4)	171.94

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

* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2023 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: –

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, 2023: 21,967,700 shares

March 31, 2023: 21,967,700 shares

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

June 30, 2023: 3,349,202 shares

March 31, 2023: 2,774,753 shares

3) Average number of shares outstanding during the period

Three months ended June 30, 2023: 18,973,376 shares

Three months ended June 30, 2022: 19,170,589 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 consolidated operating results

In the electronic machinery and equipment industry in the current consolidated first quarter, demand for the industrial electronic devices and consumer devices increased, while demand for the electronic components and devices decreased, the overall market for the electronics device industry declined slightly compared to the previous corresponding period.

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, energy control and robotics. 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 and digital circuits' development and design technology and engaging in strategic collaboration with businesses inside and outside Japan.

As to consolidated operating results for the current consolidated first quarter, the MegaChips Group saw net sales of ¥17,290 million (an increase of 15.9% from the same quarter of the previous consolidated fiscal year), and the operating profit amounted to ¥1,586 million (an increase of 42.2% from the same quarter of the previous consolidated fiscal year) mainly due to the strong demand for the game software storage LSI (customized memories).

While the foreign exchange gains occurred for ¥269 million, ordinary profit amounted to ¥1,297 million (a decrease of 15.2% from the same quarter of the previous consolidated fiscal year) and the profit attributable to owners of parent reached ¥952 million (a decrease of 19.3% from the same quarter of the previous consolidated fiscal year), due to share of loss of entities accounted for using equity method of ¥598 million.

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 current consolidated first quarter amounted to ¥82,776 million (a decrease of ¥6,244 million from the previous fiscal year-end). Comparing major assets with the end of the previous consolidated fiscal year, while cash and deposits, investment securities increased by ¥1,076 million, ¥1,231 million, respectively and notes and accounts receivable – trade, and contract assets, securities, and accounts receivable- other decreased by ¥2,118 million, ¥1,362 million and ¥4,614 million respectively.

Total liabilities amounted to ¥9,442 million (a decrease of ¥5,043 million from the previous fiscal year-end). Comparing major liabilities with the end of the previous consolidated fiscal year, the notes and accounts payable-trade decreased by ¥3,048 million, and income taxes payable by ¥1,256 million, respectively.

The MegaChips Group's net assets amounted to ¥73,333 million (a decrease of ¥1,201 million from the previous fiscal year-end). Comparing major assets with the end of the previous consolidated fiscal year, while the profit attributable to owners of the parent was ¥952 million, valuation difference on available-for-sale securities and foreign currency translation adjustment increased by ¥803 million and ¥671 million respectively dividends of surplus was ¥1,727 million, and treasury shares increased by ¥1,983 million. As a results, the ratio of net worth to total assets was 88.5% (increased by 4.8 percentage points from the previous fiscal year-end).

Cash and cash equivalents ("Capital") were recorded at ¥20,423 million at the end of the first quarter of the current consolidated fiscal year, a decrease of ¥293 million from the end of the previous consolidated fiscal year (compared to a decrease of ¥9,091 million in the same quarter of the previous consolidated fiscal year). The status of cash flows at the end of the first quarter of the current consolidated fiscal year was as follows.

Cash flows provided by operating activities amounted to ¥3,998 million (compared to ¥7,030 million used as capital in the same quarter of the previous consolidated fiscal year). This was mainly due to a profit before income taxes of ¥1,555 million, a decrease in trade receivables of ¥2,118 million, a decrease in other assets of ¥5,571 million, while trade payables decreased by ¥3,048 million, and income taxes paid of ¥1,784 million.

Cash flows from investment activities amounted to ¥1,594 million (compared to ¥1,404 million used as capital in same quarter of the previous consolidated fiscal year). This was mainly attributable to ¥701 million for the acquisition of property, plant and equipment, ¥295 million for the purchase of investment securities and ¥388 million for other payments.

As a result, the free cash flows, consisting of the net cash provided by or used in operating activities or investment activities, resulted in ¥2,403 million net cash provided (compared to ¥8,434 million used as capital in the same quarter of the previous consolidated fiscal year).

Cash flows used in financing activities amounted to ¥3,609 million (compared to ¥1,704 million used as capital in the same quarter of the previous consolidated fiscal year). This was mainly due to purchase of treasury shares of ¥1,983 million and cash dividends paid of ¥1,709 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, 2024, which was announced in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Japanese GAAP)", which was publicly released on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly consolidated balance sheets

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (ended March 31, 2023)	Current first consolidated fiscal quarter (ended June 30, 2023)
Assets		
Current assets		
Cash and deposits	19,265,419	20,341,754
Notes, accounts receivable-trade, and contract assets	10,353,476	8,235,209
Securities	1,451,821	89,313
Merchandise and finished goods	2,182,487	2,422,186
Work in progress	1,740,111	2,095,588
Raw materials and supplies	374,976	357,700
Accounts receivable - other	11,960,299	7,346,141
Other	1,500,044	654,592
Allowance for doubtful accounts	(76,264)	(72,527)
Total current assets	48,752,371	41,469,959
Non-current assets		
Property, plant and equipment		
Buildings	348,386	352,210
Accumulated depreciation	(178,581)	(185,366)
Buildings (net)	169,804	166,844
Other	6,723,268	6,978,642
Accumulated depreciation	(5,056,028)	(5,064,913)
Other (net)	1,667,240	1,913,729
Total property, plant and equipment	1,837,045	2,080,573
Intangible assets		
Other	457,482	479,551
Total intangible assets	457,482	479,551
Investment and other assets		
Investment securities	14,214,221	15,445,837
Shares of subsidiaries and associates	21,149,636	20,940,160
Long-term prepaid expenses	931,619	794,445
Deferred tax assets	1,026,233	1,003,689
Other	652,434	562,229
Total investment and other assets	37,974,145	38,746,363
Total non-current assets	40,268,672	41,306,489
Total assets	89,021,044	82,776,448

(Unit: Thousand Yen)

	Previous consolidated fiscal year (ended March 31, 2023)	Current first consolidated fiscal quarter (ended June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,344,452	4,296,119
Income taxes payable	1,969,952	713,229
Provision for bonuses	733,733	291,070
Provision for loss on construction contracts	210,644	209,239
Other provisions	—	45,000
Other	3,643,654	3,737,371
Total current liabilities	13,902,436	9,292,029
Non-current liabilities		
Other	583,555	150,854
Total non-current liabilities	583,555	150,854
Total liabilities	14,485,992	9,442,883
Net equity		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	9,359,915	9,359,915
Earned surplus	61,364,420	60,589,780
Treasury stock	(8,298,764)	(10,282,492)
Total shareholders' equity	67,265,884	64,507,517
Other accumulated comprehensive equity		
Valuation difference on available-for-sale securities	2,045,472	2,848,768
Foreign currency translation adjustment	5,223,695	5,895,138
Total other accumulated comprehensive equity	7,269,167	8,743,906
Non-controlling interests	—	82,141
Total net assets	74,535,052	73,333,564
Total liabilities and net assets	89,021,044	82,776,448

(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, 2022 to June 30, 2022)	Current consolidated first quarter (From April 1, 2023 to June 30, 2023)
Net sales	14,925,253	17,290,939
Cost of sales	12,354,830	14,191,513
Gross profits	2,570,422	3,099,425
Selling, general and administrative expenses	1,454,651	1,513,220
Operating income	1,115,771	1,586,205
Non-operating income		
Interest income	348	53,624
Share of profit of entities accounted for using equity method	56,711	—
Gain on forfeiture of unclaimed dividends	700	835
Foreign exchange gains	348,303	269,780
Miscellaneous income	19,074	3,997
Total non-operating income	425,138	328,237
Non-operating expenses		
Interest expenses	78	150
Loss on sales of accounts receivable	6,969	10,163
Share of loss of entities accounted for using equity method	—	598,628
Miscellaneous losses	3,335	8,001
Total non-operating expenses	10,382	616,944
Ordinary income	1,530,526	1,297,498
Extraordinary income		
Gain on change in equity	101,876	258,333
Total extraordinary income	101,876	258,333
Extraordinary losses		
Loss on retirement of non-current assets	2,297	—
Total extraordinary losses	2,297	—
Profit (loss) before taxes	1,630,105	1,555,831
Income taxes	449,549	606,879
Profit (loss)	1,180,555	948,951
(Breakdown)		
Profit (loss) attributable to owners of parent	1,180,555	952,725
Profit (loss) attributable to non-controlling members	—	(3,773)
Other comprehensive income		
Valuation difference on available-for-sale securities	(80,297)	803,295
Foreign currency translation adjustment	730,983	576,473
Share of other comprehensive income of entities accounted for using equity method	1,194,305	96,439
Total other comprehensive income	1,844,991	1,476,208
Quarterly Comprehensive income	3,025,547	2,425,159
(Breakdown)		
Comprehensive income attributable to owners of parent	3,025,547	2,427,464
Comprehensive income attributable to non-controlling members	—	(2,304)

(3) Quarterly consolidated statements of cash flows

	Unit (Thousand Yen)	
	Previous consolidated first quarter (From April 1, 2022 to June 30, 2022)	Current consolidated first quarter (From April 1, 2023 to June 30, 2023)
Cash flows from operating activities		
Profit (loss) before taxes	1,630,105	1,555,831
Depreciation	80,790	111,265
Amortization of long-term prepaid expenses	169,752	171,520
Increase (decrease) in reserves for bonus payments	(544,257)	(442,693)
Increase (decrease) in reserves for loss on construction contracts	56,461	(1,404)
Interest and dividend income	(348)	(53,624)
Interest expenses	78	150
Share of (profit) loss of entities accounted for using equity method	(56,711)	598,628
Foreign exchange gain (loss)	(470,159)	(391,190)
Loss on retirement of non-current assets	2,297	—
Loss (gain) on change in equity	(101,876)	(258,333)
Decrease (increase) in notes and accounts receivable-trade	468,336	2,118,267
Decrease (increase) in inventories valuation	(510,034)	(577,900)
Increase (decrease) in trade payables	2,175,465	(3,048,332)
Decrease (increase) in other assets	(3,096,821)	5,571,773
Decrease (increase) in other liabilities	723,565	335,373
Other	60,422	44,980
Subtotal	587,064	5,734,311
Interest and dividend income received	348	48,762
Interest expenses paid	(78)	(150)
Corporate and other income taxes (paid)	(7,617,373)	(1,784,148)
Cash flows from operating activities	(7,030,037)	3,998,775
Cash flows from investing activities		
Purchase of property, plant and equipment	(137,296)	(701,259)
Purchase of intangible assets	(48,702)	(33,361)
Purchase of investment securities	(24,670)	(295,973)
Purchase of long-term prepaid expenses	(385,112)	(175,920)
Other	(809,159)	(388,478)
Cash flows from investing activities	(1,404,942)	(1,594,992)
Cash flows from financing activities		
Purchase of treasury shares	—	(1,983,727)
Contributions from non-controlling interests in consolidated investments funds	—	84,445
Cash dividends paid	(1,702,668)	(1,709,040)
Other	(1,688)	(1,652)
Cash flows from financing activities	(1,704,356)	(3,609,974)
Effect of exchange rate change on cash and cash equivalents	1,047,728	912,717
Net increase (decrease) in cash and cash equivalents	(9,091,608)	(293,473)
Cash and cash equivalents at beginning of period	25,769,446	20,717,240
Cash and cash equivalents at end of period	16,677,837	20,423,767

(4) Notes relating to consolidated financial statements

(Notes on going concern assumptions)

None

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

According to the written solution under the Article 370 of the Corporate Law (as an alternative to the resolution of meeting of Board Directors), the Company acquired 574,400 treasury shares. As a result, the treasury stock increased by ¥1,983,727 thousand including the purchase of shares less than one unit, and the Company's treasury shares amounted to ¥10,282,492 thousand at the end of 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 profit before income taxes for the consolidated fiscal year including the current consolidated first quarter, and multiplying quarterly profit before income taxes by such estimated tax rate.