

Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

November 8, 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, Manager of Finance Division
 Phone: +81-6-6399-2884
 Scheduled date of filing quarterly securities report: November 13, 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 Six Months Ended September 30, 2023 (From April 1, 2023 to September 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2023	36,501	1.4	3,722	4.4	2,564	(40.7)	1,689	(41.5)
September 30, 2022	35,999	(7.5)	3,567	(13.2)	4,325	18.0	2,886	26.3

(Note) Comprehensive income: Six months ended September 30, 2023: ¥5,123 million [(26.0)%]
 Six months ended September 30, 2022: ¥6,922 million [81.8%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	90.39	—
September 30, 2022	150.56	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2023	89,130	75,178	84.2	4,081.01
As of March 31, 2023	89,021	74,535	83.7	3,883.46

(Reference) Equity: As of September 30, 2023: ¥75,025 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 six months ended September 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)

September 30, 2023: 21,132,400 shares

March 31, 2023: 21,967,700 shares

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

September 30, 2023: 2,748,302 shares

March 31, 2023: 2,774,753 shares

3) Average number of shares outstanding during the period

Six months ended September 30, 2023: 18,688,026 shares

Six months ended September 30, 2022: 19,170,980 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

1 . Qualitative Information Related to The Quarterly Operating Results	P. 2
(1) Overview of consolidated operating results	P. 2
(2) Overview of financial position	P. 2
(3) Overview of forward-looking statements such as consolidated earnings forecast	P. 3
2 . Quarterly Consolidated Financial Statements and Main Notes	P. 4
(1) Quarterly Consolidated balance sheet	P. 4
(2) Quarterly Consolidated statements of income and statements of comprehensive income	P. 6
(3) Quarterly Consolidated statements of cash flows	P. 7
(4) Notes relating to consolidated financial statements	P. 8
(Notes on going concern assumptions)	P. 8
(Notes relating to significant changes in the amount of shareholders' equity)	P. 8
(Notes on Entry under Account Methods Specific to the Preparation of quarterly consolidated financial Statements)	P. 8

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 second 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 Information and Communication 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 telecommunications, industrial equipment, energy control. 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 second quarter, the MegaChips Group saw net sales of ¥36,501 million (an increase of 1.4% from the same quarter of the previous consolidated fiscal year), and the operating profit amounted to ¥3,722 million (an increase of 4.4% from the same quarter of the previous consolidated fiscal year) mainly due to the strong demand in the amusement business and the ASIC business.

While the foreign exchange gains occurred for ¥316 million, ordinary profit amounted to ¥2,564 million (a decrease of 40.7% from the same quarter of the previous consolidated fiscal year) and the profit attributable to owners of parent reached ¥1,689 million (a decrease of 41.5% from the same quarter of the previous consolidated fiscal year), due to share of loss of entities accounted for using equity method of ¥1,584 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 second quarter amounted to ¥89,130 million (an increase of ¥109 million from the previous fiscal year-end). Comparing major assets with the end of the previous consolidated fiscal year, while notes and accounts receivable – trade and contract assets, investment securities, other in investments and other assets increased by ¥4,719 million, ¥1,553 million and ¥1,909 million respectively and securities, and accounts receivable – other decreased by ¥1,359 million and ¥6,393 million respectively.

Total liabilities amounted to ¥13,952 million (a decrease of ¥533 million from the previous fiscal year-end). Comparing major liabilities with the end of the previous consolidated fiscal year, while other in non-current liabilities increased by ¥1,123 million, notes and accounts payable – trade, and income taxes payable decreased by ¥1,123 million, ¥890 million and ¥466 million respectively.

The MegaChips Group's net assets amounted to ¥75,178 million (an increase of ¥643 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 ¥1,689 million, capital surplus decreased by ¥2,652 million due to retirement of treasury stock of ¥2,614 million and dividends from surplus of ¥1,727 million. In addition, treasury stock increased by ¥302 million due to the purchase of treasury stock of ¥2,991 million and retirement of treasury stock of ¥2,614 million, while valuation difference on available-for-sale securities and foreign currency translation adjustment increased by ¥785 million and ¥2,640 million respectively. As a result, net worth amounted to ¥75,025 million and the net worth ratio was 84.2% (increased by 0.4 percentage points from the previous fiscal year-end).

Cash and cash equivalents ("Capital") were recorded at ¥18,801 million at the end of the second quarter of the current consolidated fiscal year, a decrease of ¥1,915 million from the end of the previous consolidated fiscal year (compared to a decrease of ¥10,430 million in the same quarter of the previous consolidated fiscal year). The status of cash flows at the end of the second quarter of the current consolidated fiscal year was as follows.

Cash flows provided by operating activities amounted to ¥3,381 million (compared to ¥8,876 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 ¥3,109 million, shares of loss of entities accounted for using equity method of ¥1,584 million, a decrease in the other assets of ¥7,520 million, while an increase of trade receivables of ¥4,719 million, a decrease of trade payables of ¥890 million and income taxes paid of ¥1,895 million.

Cash flows from investment activities amounted to ¥1,977 million (compared to ¥8,299 million used as capital in same quarter of the previous consolidated fiscal year). This was mainly attributable to ¥772 million for the acquisition of property, plant and equipment, ¥535 million for the purchase of investment securities and ¥405 million for other payments.

As a result, the free cash flows, consisting of the net cash provided by or used in operating activities and investment activities, resulted in ¥1,403 million net cash provided (compared to ¥17,175 million used as capital in the same quarter of the previous consolidated fiscal year).

Cash flows used in financing activities amounted to ¥4,575 million (compared to ¥5,274 million obtained as capital in the same quarter of the previous consolidated fiscal year). This was mainly due to purchase of treasury shares of ¥2,991 million and cash dividends paid of ¥1,724 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 second consolidated fiscal quarter (ended September 30, 2023)
Assets		
Current assets		
Cash and deposits	19,265,419	18,717,337
Notes, accounts receivable-trade, and contract assets	10,353,476	15,073,076
Securities	1,451,821	92,141
Merchandise and finished goods	2,182,487	2,494,676
Work in progress	1,740,111	1,673,135
Raw materials and supplies	374,976	297,441
Accounts receivable - other	11,960,299	5,566,855
Other	1,500,044	664,073
Allowance for doubtful accounts	(76,264)	(74,861)
Total current assets	48,752,371	44,503,876
Non-current assets		
Property, plant and equipment		
Buildings	348,386	352,220
Accumulated depreciation	(178,581)	(192,150)
Buildings (net)	169,804	160,070
Other	6,723,268	6,814,006
Accumulated depreciation	(5,056,028)	(4,943,283)
Other (net)	1,667,240	1,870,723
Total property, plant and equipment	1,837,045	2,030,793
Intangible assets		
Other	457,482	510,679
Total intangible assets	457,482	510,679
Investment and other assets		
Investment securities	14,214,221	15,768,061
Shares of subsidiaries and associates	21,149,636	22,103,286
Long-term prepaid expenses	931,619	632,285
Deferred tax assets	1,026,233	1,020,113
Other	652,434	2,561,881
Total investment and other assets	37,974,145	42,085,627
Total non-current assets	40,268,672	44,627,100
Total assets	89,021,044	89,130,977

(Unit: Thousand Yen)

	Previous consolidated fiscal year (ended March 31, 2023)	Current second consolidated fiscal quarter (ended September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,344,452	6,453,840
Income taxes payable	1,969,952	1,503,094
Provision for bonuses	733,733	581,362
Provision for loss on construction contracts	210,644	87,087
Other provisions	—	90,000
Other	3,643,654	3,530,244
Total current liabilities	13,902,436	12,245,628
Non-current liabilities		
Other	583,555	1,706,890
Total non-current liabilities	583,555	1,706,890
Total liabilities	14,485,992	13,952,519
Net equity		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	9,359,915	9,379,365
Earned surplus	61,364,420	58,712,180
Treasury stock	(8,298,764)	(8,601,053)
Total shareholders' equity	67,265,884	64,330,806
Other accumulated comprehensive equity		
Valuation difference on available-for-sale securities	2,045,472	2,830,776
Foreign currency translation adjustment	5,223,695	7,864,125
Total other accumulated comprehensive equity	7,269,167	10,694,901
Non-controlling interests	—	152,750
Total net assets	74,535,052	75,178,458
Total liabilities and net assets	89,021,044	89,130,977

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

The consolidated second quarter

(Unit: Thousand Yen)

	Previous consolidated second quarter (From April 1, 2022 to September 30, 2022)	Current consolidated second quarter (From April 1, 2023 to September 30, 2023)
Net sales	35,999,135	36,501,436
Cost of sales	29,578,118	29,769,483
Gross profits	6,421,017	6,731,953
Selling, general and administrative expenses	2,853,766	3,009,080
Operating income	3,567,250	3,722,872
Non-operating income		
Interest income	42,376	122,717
Share of profit of entities accounted for using equity method	344,015	—
Gain on valuation of investment securities	—	15,183
Gain on forfeiture of unclaimed dividends	700	835
Foreign exchange gains	373,200	316,304
Miscellaneous income	25,224	2,073
Total non-operating income	785,518	457,113
Non-operating expenses		
Interest expenses	2,936	2,222
Loss on sales of accounts receivable	16,768	16,657
Share of loss of entities accounted for using equity method	—	1,584,932
Miscellaneous losses	7,696	11,495
Total non-operating expenses	27,400	1,615,307
Ordinary income	4,325,367	2,564,677
Extraordinary income		
Gain on change in equity	300,512	573,521
Total extraordinary income	300,512	573,521
Extraordinary losses		
Loss on retirement of non-current assets	45,421	28,488
Impairment losses	387,616	—
Total extraordinary losses	433,037	28,488
Profit (loss) before taxes	4,192,843	3,109,711
Income taxes	1,306,486	1,425,705
Profit (loss)	2,886,356	1,684,006
(Breakdown)		
Profit (loss) attributable to owners of parent	2,886,356	1,689,270
Profit (loss) attributable to non-controlling members	—	(5,264)
Other comprehensive income		
Valuation difference on available-for-sale securities	(584,580)	785,303
Foreign currency translation adjustment	1,094,892	737,339
Share of other comprehensive income of entities accounted for using equity method	3,525,745	1,916,910
Total other comprehensive income	4,036,057	3,439,554
Quarterly Comprehensive income	6,922,414	5,123,560
(Breakdown)		
Comprehensive income attributable to owners of parent	6,922,414	5,115,004
Comprehensive income attributable to non-controlling members	—	8,555

(3) Quarterly consolidated statements of cash flows

	Unit (Thousand Yen)	
	Previous consolidated second quarter (From April 1, 2022 to September 30, 2022)	Current consolidated second quarter (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit (loss) before taxes	4,192,843	3,109,711
Depreciation	175,118	231,650
Amortization of long-term prepaid expenses	343,865	345,578
Increase (decrease) in reserves for bonus payments	(257,090)	(152,398)
Increase (decrease) in reserves for loss on construction contracts	73,172	(123,556)
Interest and dividend income	(42,376)	(122,717)
Interest expenses	2,936	2,222
Share of (profit) loss of entities accounted for using equity method	(344,015)	1,584,932
Loss (gain) on valuation of investment securities	—	(15,183)
Foreign exchange gain (loss)	(692,942)	(625,765)
Loss on retirement of non-current assets	45,421	28,488
Impairment loss	387,616	—
Loss (gain) on change in equity	(300,512)	(573,521)
Decrease (increase) in notes and accounts receivable-trade	(4,487,278)	(4,719,600)
Decrease (increase) in inventories valuation	(3,158,747)	(167,678)
Increase (decrease) in trade payables	5,946,573	(890,611)
Decrease (increase) in other assets	(2,432,807)	7,520,210
Decrease (increase) in other liabilities	(813,179)	(359,512)
Other	117,053	94,883
Subtotal	(1,244,349)	5,167,131
Interest and dividend income received	42,376	110,882
Interest expenses paid	(2,921)	(2,222)
Income taxes refund	—	1,226
Corporate and other income taxes (paid)	(7,671,154)	(1,895,878)
Cash flows from operating activities	(8,876,048)	3,381,140
Cash flows from investing activities		
Purchase of property, plant and equipment	(286,376)	(772,027)
Purchase of intangible assets	(92,307)	(79,415)
Proceeds from liquidation of investment securities	295,284	—
Purchase of investment securities	(9,137,011)	(535,236)
Purchase of long-term prepaid expenses	(434,666)	(184,906)
Proceeds from sale of businesses	2,156,960	—
Other	(800,901)	(405,821)
Cash flows from investing activities	(8,299,018)	(1,977,407)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,000,000	—
Purchase of treasury stock	(139)	(2,991,843)
Contributions from non-controlling interests in consolidated investments funds	—	144,194
Cash dividends paid	(1,722,081)	(1,724,659)
Other	(3,354)	(3,299)
Cash flows from financing activities	5,274,425	(4,575,607)

	Unit (Thousand Yen)	
	Previous consolidated second quarter (From April 1, 2022 to September 30, 2022)	Current consolidated second quarter (From April 1, 2023 to September 30, 2023)
Effect of exchange rate change on cash and cash equivalents	1,470,165	1,256,500
Net increase (decrease) in cash and cash equivalents	(10,430,475)	(1,915,374)
Cash and cash equivalents at beginning of period	25,769,446	20,717,240
Cash and cash equivalents at end of period	15,338,970	18,801,866

(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 resolution under the Article 370 of the Corporate Law (a written resolution in lieu of a resolution of meeting of Board Directors), the Company acquired 832,800 shares of treasury stock. Accordingly, the treasury stock increased by ¥2,991,543 thousand, including the purchase of shares less than one unit. On the other hand, the Company's treasury stock decreased by ¥2,689,255 thousand due to the retirement of 835,300 shares of treasury stock. As a result, the balance of the Company's treasury stock amounted to ¥8,601,053 thousand at the end of the second 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 second quarter, and multiplying quarterly profit before income taxes by such estimated tax rate.