

## Brief Statement of Accounts (Japanese Accounting Standards) for the First Half of the Year Ending March 31, 2015 (Consolidated)

October 31, 2014

**MegaChips Corporation**

Code number: 6875

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Scheduled date for submission of quarterly report: November 13, 2014

Scheduled date of start of payment of dividends: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and analysts)

Listed exchange: TSE

<http://www.megachips.co.jp/>

(Amounts less than one million yen are omitted)

**1. Consolidated operating results for the first half of the year ending March 31, 2015**

(From April 1, 2014 to September 30, 2014)

**(1) Consolidated operating results**

(Figures in % refer to change from the same period a year earlier)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half of the year ending March 31, 2015	30,492	-2.7	1,786	-28.1	1,406	-46.3	674	-82.3
First half of the year ended March 31, 2014	31,352	26.8	2,485	4.8	2,616	11.9	3,817	37.6

(Note) Comprehensive income: 1,030 million yen (-75.4%) for the first half of the year ending March 31, 2015  
4,193 million yen (+77.0%) for the first half of the year ended March 31, 2014

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
First half of the year ending March 31, 2015	29.80	–
First half of the year ended March 31, 2014	163.50	–

**(2) Consolidated financial condition**

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First half of the year ending March 31, 2015	52,017	31,053	59.2	1,377.69
Year ended March 31, 2014	44,867	31,816	70.9	1,362.64

(Reference) Shareholders' equity: As of the first half of the year ending March 31, 2015: ¥30,789 million  
Year ended March 31, 2014: ¥31,816 million

**2. Dividends**

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	–	–	–	34.00	34.00
Year ending March 31, 2015	–	–	–	–	–
Year ending March 31, 2015 (forecast)	–	–	–	–	–

(Note) Revisions made to the forecasts dividend published most recently: No

We pay dividends once per year based on the dividend policy, using the year-end date as the record date. Dividends are determined based on either a dividend payout ratio of around 30% or a dividend on equity (DOE) ratio of around 2%, whichever is higher, while taking into consideration the consolidated operating results, financial position, investment plans and so forth. (However, this excludes special factors related to the settlement of accounts.) Since the concrete dividend forecast is yet to be decided, “–” is shown for the annual dividend forecast. Regarding dividend policy, please refer to page 4 of the Accompanying Materials to the Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2014, released on May 9, 2014.

### 3. Forecast of consolidated operating results (from April 1, 2014 to March 31, 2015)

(Figures in % indicate change from the corresponding period of the year ended March 31, 2014)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	63,000	7.7	3,200	-23.3	3,100	-27.5	1,700	-64.0	72.81

(Note) Revisions to operating results forecasts published most recently: None

#### \* Notes

##### (1) Changes in key subsidiaries during the term

(changes in specific subsidiaries resulting in changes in the scope of consolidation): Yes

New: 1 companies (Modiotek Co., Ltd.)

Exception: —

(Note) For details, please refer to the Accompanying Materials, Page 4, 2. Matters Relating to Summary Information (Notes).

##### (2) Adoption of unique accounting method to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to the Accompanying Materials, Page 4, 2. Matters Relating to Summary Information (Notes).

##### (3) Changes in accounting policies and changes or restatement of accounting estimates:

- 1) Changes in accounting policies due to revised accounting standards: None
- 2) Changes in accounting policies other than that described above: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

##### (4) Number of shares outstanding (common stock)

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

First half of the year ending March 31, 2015 24,038,400 shares

Year ended March 31, 2014 24,038,400 shares

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

First half of the year ending March 31, 2015 1,689,450 shares

Year ended March 31, 2014 689,450 shares

###### 3) Average number of shares outstanding during the period (or the cumulative consolidated accounting period as of the end of the term)

First half of the year ending March 31, 2015 22,635,156 shares

First half of the year ended March 31, 2014 23,348,979 shares

#### \* Status of quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements under the Financial Instruments and Exchange Act have not been reviewed at the time of the announcement of this financial summary.

#### \* Note: Request for appropriate use of the business outlook and other remarks

(Note on the description of the future and other matters)

Forward-looking statements, such as the operating results forecast included in this document, are based on information available to the Company and certain assumptions that are considered reasonable as of the date of the publication of this release. The Company does not guarantee the projected results. Actual results could differ materially depending on various factors that may arise in the future.

(Method to acquire supplementary documents for quarterly results)

Supplementary documents for quarterly 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 on the Consolidated Operating Results for the First Half of the Year Ending March 31, 2015

### (1) Explanation of consolidated operating results

During the first half of the fiscal year under review, the economy continued its modest recovery trend, but the consumer spending was weaker and production activities were declined in some areas and the corporate earnings have shown downward trend due to a reaction to the last-minute demand ahead of the increase in consumption tax. Downside risks are still remain, including concerns regarding a slowdown in the overseas economy.

In the electronic machinery and equipment industry – in which the MegaChips Group operates – greater demand was seen in electronic parts and devices, resulting in a rise in demand for certain industrial electronic equipment such as computers and information terminals. As a result, the entire electronic machinery and equipment market grew on a year-on-year basis.

The MegaChips Group is pursuing the businesses by focusing on applications, systems planning, and the provision of solutions through its new source of strength, namely its stable support system, which covers everything from upstream logical design, downstream physical design, manufacturing operations and quality assurance for product planning to supply. In addition, the Group has traditionally offered diverse LSI products and original solutions based on unique technologies for compressing and decompressing images, audio and music and telecommunications that comprise its expertise.

The Group develops and sells LSIs, such as memory for specific applications, system LSIs, and electronic components that mount the Group's own LSIs, for major customers both inside and outside Japan, mainly in the areas of amusement, digital cameras, office machines, liquid crystal panels, and home networking equipment.

In the field of security monitoring, the Group promotes the development and sale of system devices and equipment on which its system LSIs are mounted, centering on the transmission and recording of digital video.

In overseas bases, the Group has established and improved systems and has been exploring new markets and acquiring customers, attaching importance to the development of technologies and solutions that are required by local customers.

During the first half of the fiscal year under review, demand for LSIs for office equipment and telecommunications remained at healthy levels, but some of the demand for LSIs for game software (custom memory) was pushed back to the second half of the fiscal year. As a result, consolidated net sales stood at ¥30,492 million (down 2.7% year-on-year). The Company made active investments to build up its overseas customer bases. Accordingly, research and development expenses and costs required to reinforce and establish overseas bases increased. As a result, consolidated operating income totaled ¥1,786 million (down 28.1%), consolidated ordinary income was ¥1,406 million (down 46.3%) and the quarterly net income totaled ¥674 million (down 82.3%). The quarterly net income for the first half of the previous fiscal year was inflated due to the adjustment of a tax amount (income of ¥2,374 million) resulted from the recording of deferred tax assets associated with a merger.

The Group has only one business segment, so a statement relating to segment information is not made.

### (2) Explanation of consolidated financial position

Total assets as of the end of the first half of the fiscal year under review amounted to ¥52,017 million (up ¥7,150 million from the previous fiscal year). Comparing major asset items with the previous fiscal year, notes and accounts receivable – trade increased by ¥3,385 million, cash and deposits by ¥1,988 million, goodwill associated with a business transfer by ¥1,897 million and long-term prepaid expenses by ¥1,128 million, while the other category under total investments and other assets declined by ¥1,504 million.

Total liabilities amounted to ¥20,964 million (up ¥7,912 million). Comparing major liability items with the previous fiscal year, notes and accounts payable – trade rose by ¥4,174 million, short-term loans payable by ¥4,000 million, while long-term loans payable declined by ¥1,416 million.

Total net assets stood at ¥31,053 million (down ¥762 million). As a result, the shareholders' equity ratio declined 11.7 percentage points from the previous year to 59.2%.

Cash and cash equivalents (hereinafter called “net cash”) at the end of the first half of the fiscal year under review increased ¥1,877 million from the previous fiscal year to ¥12,318 million (compared with a decline of ¥1,223 million in the same period of the previous fiscal year). The status of cash flows for the first half of the fiscal year under review is as shown below.

Net cash provided by operating activities amounted to ¥3,878 million (compared with net cash of ¥1,628 million provided in the same period of the previous fiscal year). This was chiefly attributable to quarterly net income before taxes of ¥1,385 million (down 45.9% year-on-year), amortization of long-term prepaid expenses of ¥529 million and an increase of ¥4,027 million in notes and accounts payable – trade, while notes and accounts receivable – trade rose by ¥3,220 million.

Net cash used in investment activities was ¥2,696 million (compared with net cash of ¥971 million used in the same period of the previous fiscal year). This was mainly attributable to expenditure of ¥316 million for the purchase of property, plant and equipment, purchase of long-term prepaid expenses totaling ¥708 million and ¥1,039 million in expenditures for a business transfer. As a result, free cash flow – the sum of net cash provided by or used in operating activities and net cash provided by or used in investment activities – resulted in net cash provided of ¥1,181 million (compared with ¥657 million in net cash provided in the same period of the previous fiscal year).

Net cash used in financing activities was ¥530 million (compared with net cash of ¥2,205 million used in the same period of the previous fiscal year). This was mostly attributable to an increase of ¥4,000 million in short-term loans payable, while recording an expenditure of ¥1,416 million for repayments of long-term loans payable, an expenditure of ¥1,262 million for the purchase of treasury shares and cash dividends paid of ¥789 million.

(3) Explanation of information on future forecasts, such as consolidated operating results forecasts

Please refer to the “Notice of Difference Between Results Forecasts and Actual Results for the First Half,” which was disclosed today, for the difference between the actual results and forecast for consolidated operating results for the first half of the year ending March 31, 2015 that was announced on May 9, 2014.

2. Matters Relating to Summary Information (Notes)

(1) Changes in key subsidiaries during the term

Changes in the scope of consolidation and equity method application

MegaChips Taiwan Corporation, a consolidated subsidiary of the company, accepted an increase in the capital of Modiotek Co., Ltd. Modiotek Co., Ltd., and its three subsidiaries were therefore included in the scope of consolidation.

In addition, Modiotek Co., Ltd., a consolidated subsidiary of the company, acquired stocks of Magic Pixel Inc., and thus this company was included in the scope of consolidation.

(2) Adoption of unique accounting method to the preparation of quarterly consolidated financial statements

Calculation of tax expenses

Tax expenses are calculated based on a logical estimate of the effective tax rate after applying tax effect accounting to net income before tax for the consolidated fiscal year and then multiplying net income before tax for the quarter by the estimated effective tax rate.

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheet

(Thousand yen)

	FY 2013 (As of March 31, 2014)	H1 FY 2014 (As of September 30, 2014)
<b>Assets</b>		
Current assets:		
Cash and deposits	10,474,476	12,462,593
Notes and accounts receivable - trade	14,890,803	18,276,446
Merchandise and finished goods	1,907,826	2,155,401
Work in process	1,599,656	1,146,898
Raw materials and supplies	701,870	586,389
Deferred tax assets	1,711,641	1,719,287
Other	1,303,290	858,939
Allowance for doubtful accounts	(1,059)	(1,262)
Total current assets	32,588,504	37,204,694
Non-current assets:		
Property, plant and equipment		
Buildings	3,854,822	3,895,432
Accumulated depreciation	(2,807,798)	(2,850,756)
Buildings, net	1,047,023	1,044,675
Other	6,841,511	7,107,929
Accumulated depreciation	(6,014,380)	(6,159,481)
Other, net	827,131	948,448
Total property, plant and equipment	1,874,155	1,993,123
Intangible assets		
Goodwill	–	1,897,150
Other	649,081	1,465,018
Total intangible assets	649,081	3,362,168
Investments and other assets		
Investment securities	1,669,007	1,756,746
Long-term prepaid expenses	1,806,942	2,935,493
Deferred tax assets	3,539,214	3,529,264
Other	2,740,818	1,236,475
Total investment and other assets	9,755,983	9,457,979
Total non-current assets	12,279,220	14,813,271
Total assets	44,867,725	52,017,966

(Thousand yen)

	FY 2013 (As of March 31, 2014)	H1 FY 2014 (As of September 30, 2014)
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable - trade	4,154,275	8,328,760
Short-term loans payable	-	4,000,000
Current portion of long-term loans payable	2,833,332	2,833,336
Income taxes payable	141,461	693,727
Provision for bonuses	660,892	629,119
Provision for loss on construction contracts	462,728	309,651
Other provision	-	62,502
Other	2,379,251	2,822,702
Total current liabilities	10,631,940	19,679,799
Non-current liabilities:		
Long-term loans payable	1,416,670	-
Other	1,003,005	1,284,606
Total non-current liabilities	2,419,675	1,284,606
Total liabilities	13,051,615	20,964,405
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,181,300
Retained earnings	21,296,923	21,177,491
Treasury shares	(1,055,975)	(2,318,962)
Total shareholders' equity	31,262,561	29,880,142
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	(145,716)	7,896
Foreign currency translation adjustment	699,263	901,926
Total other accumulated comprehensive income	553,547	909,822
Minority interests	-	263,595
Total net assets	31,816,109	31,053,560
Total liabilities and net assets	44,867,725	52,017,966

(2) Consolidated statements of income and statements of comprehensive income  
(Consolidated first half)

(Thousand yen)

	H1 FY 2013 (From April 1, 2013 to September 30, 2013)	H1 FY 2014 (From April 1, 2014 to September 30, 2014)
Net sales	31,352,781	30,492,135
Cost of sales	23,610,662	22,290,548
Gross profit	7,742,119	8,201,587
Selling, general and administrative expenses	5,256,748	6,414,738
Operating income	2,485,371	1,786,848
Non-operating income		
Interest income	3,988	3,624
Dividends income	3,667	475
Gain on investments in partnership	4,875	7,424
Gain on forfeiture of unclaimed dividends	6,306	4,297
Foreign exchange gains	147,077	—
Proceeds from miscellaneous income	7,063	14,669
Total non-operating income	172,979	30,491
Non-operating expenses		
Interest expenses	28,894	17,243
Borrowing fee	—	327
Foreign exchange losses	—	382,889
Miscellaneous loss	12,668	10,827
Total non-operating expenses	41,563	411,288
Ordinary income	2,616,786	1,406,052
Extraordinary income		
Gain on sales of non-current assets	—	509
Gain on sales of investment securities	88,001	—
Total extraordinary income	88,001	509
Extraordinary loss		
Loss on retirement of non-current assets	21,805	3,231
Loss on valuation of investment securities	120,070	17,402
Total extraordinary loss	141,875	20,633
Net income before taxes	2,562,912	1,385,927
Income taxes	(1,254,544)	711,495
Income before minority interests	3,817,457	674,432
Net income	3,817,457	674,432
Income before minority interests	3,817,457	674,432
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,511)	153,612
Foreign currency translation adjustment	385,116	202,663
Total other comprehensive income	375,605	356,275
Comprehensive income	4,193,062	1,030,708
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,193,062	1,030,708
Comprehensive income attributable to minority interests	—	—

## (3) Consolidated statements of cash flows

(Thousand yen)

	H1 FY 2013 (From April 1, 2013 to September 30, 2013)	H1 FY 2014 (From April 1, 2014 to September 30, 2014)
Cash flows from operating activities		
Net income before taxes	2,562,912	1,385,927
Depreciation	306,468	320,529
Amortization of goodwill	–	14,410
Amortization of long-term prepaid expenses	475,847	529,685
Increase (decrease) in provision for bonuses	66,226	(31,773)
Increase (decrease) in provision for loss on construction contracts	(156,049)	(153,076)
Interest and dividend income	(7,655)	(4,099)
Interest expenses	28,894	17,243
Loss (gain) on sales of investment securities	(88,001)	–
Loss (gain) on valuation of investment securities	120,070	17,402
Decrease (increase) in notes and accounts receivable - trade	(3,598,627)	(3,220,574)
Decrease (increase) in inventories	(279,917)	452,936
Increase (decrease) in notes and accounts payable - trade	4,012,542	4,027,180
Decrease (increase) in other assets	69,331	424,666
Increase (decrease) in other liabilities	(1,244,447)	(17,237)
Other	6,693	5,501
Subtotal	2,274,287	3,768,724
Interest and dividends income received	7,969	4,406
Interest expenses paid	(29,998)	(17,726)
Income taxes refund	318	285,732
Income taxes paid	(624,294)	(162,612)
Net cash provided by (used in) operating activities	1,628,281	3,878,524
Cash flows from investing activities		
Payments into time deposits	–	(108,030)
Purchase of property, plant and equipment	(221,215)	(316,247)
Purchase of intangible assets	(109,454)	(206,705)
Proceeds from sales of investment securities	91,501	–
Purchase of long-term prepaid expenses	(278,774)	(708,806)
Payments of loans receivable	(98,590)	(11,101)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(106,737)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	86,622
Payments for transfer of business	–	(1,039,775)
Other	(354,621)	(286,043)
Net cash provided by (used in) investment activities	(971,153)	(2,696,824)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	4,000,000
Repayments of long-term loans payable	(1,416,666)	(1,416,666)
Proceeds from disposal of treasury shares	95	–
Purchase of treasury shares	–	(1,262,987)
Cash dividends paid	(788,541)	(789,688)
Net cash provided by (used in) financing activities	(2,205,111)	530,657
Effect of exchange rate change on cash and cash equivalents	324,609	165,526
Net increase (decrease) in cash and cash equivalents	(1,223,374)	1,877,884
Cash and cash equivalents at beginning of period	10,431,546	10,440,669
Cash and cash equivalents at end of period	9,208,171	12,318,553

(4) Notes relating to quarterly consolidated financial statements

Note on going concern assumptions

None

Notes to significant changes in shareholders' equity

The Company acquired 1,000,000 treasury shares from May 14, 2014 to June 3, 2014 in accordance with a resolution on the acquisition of treasury shares (the Company's common stock) on May 13, 2014 pursuant to Article 370 of the Companies Act (resolutions based on documents in lieu of resolutions by the Board of Directors). As a result, the value of treasury shares increased by ¥1,262,987 thousand.

## Material subsequent events

The Company acquired all shares of SiTime Corporation (head office: California, United States; hereinafter “SiTime”) and concluded an acquisition agreement dated October 22, 2014 to make the company a wholly owned subsidiary (Agreement and Plan of Merger).

### 1. Purpose of the acquisition

MegaChips plans aggressive M&A and R&D to introduce more products in mobile and wearable device applications, which would grow rapidly. As a part of this strategy, MegaChips enters timing device market by acquiring all the stock and make SiTime a wholly owned subsidiary that develops and manufactures MEMS base oscillator and resonator. SiTime was founded in 2003 and its products are already adopted by major brand DSC, tablets, wearable devices, and infrastructure network systems by replacing quartz base timing devices. SiTime holds 80% share of MEMS base timing device market.

Now, mainly quartz base timing device is used in consumer products, telecom systems and industrial systems and so on. However, MEMS resonators are much smaller in both size and power than quartz resonators. SiTime’s unique technology improved its MEMS resonators’ frequency stability over the temperature better than quartz base resonators. The MEMS resonators become suitable for mobile devices such as wearable devices and smart phones. The MEMS oscillators with combination of the MEMS resonator and CMOS circuits based on SiTime unique technology achieve outstanding precision, stability, low power, anti-shock performance, and low cost. MegaChips will expand business in to IoT application using synergy with technology and products MegaChips already has. MegaChips continues to create new applications and system solutions to expand global networks as a global company, and to increase its value.

### 2. About Acquisition

#### (1) Parties on acquisition agreement (Agreement and Plan of Merger )

MegaChips SPC for the acquisition, SiTime and its investors

※There is no special interest between shareholders of MegaChips and SiTime.

#### (2) Acquisition agreement

The acquisition is done with \$200M all cash paid through MegaChips’ agent, MUFG Union Bank, N.A. (California, USA) to SiTime Investors. SiTime and MegaChips’ SPC founded for the acquisition deal are merged with each other, and SiTime is a surviving company. MegaChips acquires SiTime’s all the shares through this procedure, and SiTime become MegaChips 100% subsidiary. MegaChips secures necessary fund through cash reserves and bank loans that it will pay after closing. MegaChips used Ernst & Young Transaction Advisory Services Co., Ltd. for due diligence, structuring advice, valuation, and purchase price allocations.

#### (3) Closing

This deal’s closing is scheduled by end of November 2014.

### 3. About acquisition target company (SiTime)

(1) Name	SiTime Corporation
(2) Location	990 Almanor Avenue Sunnyvale, California 94085 U.S.A
(3) Title and name of representative	CEO Rajesh Vashist
(4) Business details	Development and sales of Timing Devices based on MEMS (Micro-Electro-Mechanical Systems)
(5) Capital	US\$144,000
(6) Established	December 2003

(7) Major Shareholder and its Shareholding Ratio (as of June 30, 2014)	Open Joint Stock Company RUSNANO		18%
	The Bosch Group		13%
	New Enterprise Associates (NEA)		13%
	Greylock partners		12%
	Knowles Electronics, LLC		10%
(8) Relationship between SiTime and MegaChips	Capital :	Nothing	
	Personnel :	Nothing	
	Business Transaction :	Nothing	
(9) Employees	93		
(10) Financial data (last three years)	(US\$1,000)		
	FY2011	FY2012	FY2013
Net assets	14,517	8,678	(2,458)
Total assets	24,235	15,943	13,298
Net Sales	16,801	18,236	15,524
Operating income (loss)	(11,472)	(12,560)	(13,529)
Net income (loss)	(11,220)	(13,555)	(23,105)

#### 4. About Acquisition SPC

(1) Name	Miyahara Acquisition Corporation
(2) Location	Delaware, United States
(3) Title and name of representative	Masayuki Fujii (Senior Managing Director, Officer, and General Manager of the Corporate Control Division)
(4) Business details	SPC for Acquisition
(5) Capital	US\$10
(6) Established	October 10, 2014
(7) Major Shareholder and its Shareholding Ratio	MegaChips Corporation 100.0%

#### 5. Changes in SiTime shares on the merge

(1) Number of Shares Owned before Stock Purchase	0 shares (Shareholding Ratio of Voting Rights : —%)
(2) Number and Price of Shares to be Purchased	Common shares : 13,444,713 Preference shares : 130,736,553 (Shareholding Ratio of Voting Rights : 100%) (Proportion to Outstanding Shares : 100%) (Purchase Price : US\$200 million)
(3) Number of Shares Owned after Stock Purchase	Common shares : 13,444,713 Preference shares : 130,736,553 (Shareholding Ratio of Voting Rights : 100%)

#### 6. Schedule

October 22, 2014 PDT:	Signature on definitive agreement and application to United States Department of Justice for Anti-Trust Law approval
October 29, 2014 PDT:	Approval from SiTime investors
November 28, 2014 PST:	Acquisition of SiTime shares by payment after approval from United States Department of Justice