

**Consolidated Financial Results**  
**for the Fiscal Year Ended March 31, 2019**  
**[Japanese GAAP]**

May 10, 2019

Company name: MegaChips Corporation  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 6875  
 URL: <http://www.megachips.co.jp/>  
 Representative: Akira Takata, President and CEO  
 Contact: Masayuki Fujii, Senior Managing Director, Officer, and General Manager of the Financial Headquarters  
 Phone: +81-6-6399-2884  
 Scheduled date of Ordinary General Meeting of Shareholders: June 21, 2019  
 Scheduled date of commencing dividend payments: May 31, 2019  
 Scheduled date of filing annual securities report: June 21, 2019  
 Availability of supplementary briefing material on annual financial results: Available  
 Schedule of annual 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 Fiscal Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)**

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2019	95,145	6.9	573	(78.8)	502	(77.2)	(1,727)	—
March 31, 2018	89,029	32.0	2,709	40.6	2,207	121.9	1,948	—

(Note) Comprehensive income: Fiscal year ended March 31, 2019: ¥(4,269) million [-%]  
 Fiscal year ended March 31, 2018: ¥4,073 million [-%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended March 31, 2019	Yen (79.40)	Yen —	% (6.0)	% 0.5	% 0.6
March 31, 2018	90.05	89.57	6.6	2.5	3.0

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2019: ¥- million  
 Fiscal year ended March 31, 2018: ¥- million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	91,977	26,223	28.5	1,204.98
As of March 31, 2018	94,633	31,184	33.0	1,435.37

(Reference) Equity: As of March 31, 2019: ¥26,223 million  
 As of March 31, 2018: ¥31,184 million

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2019	(13,700)	(2,499)	7,040	10,182
March 31, 2018	4,715	(5,007)	7,954	19,449

### 2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2018	—	—	—	34.00	34.00	738	37.8	2.5
March 31, 2019	—	—	—	17.00	17.00	369	—	1.3
Fiscal year ending March 31, 2020 (Forecast)	—	—	—	—	—		—	

We pay dividends once per year based on the basic policy for profit distribution, using the year-end date as the record date. Amount of dividends paid is determined as equivalent to more than 30% of profit attributable to owners of parent for the year, taking into consideration the medium-term business outlook. Since the dividend forecast for the fiscal year ending March 31, 2020 is yet to be decided, “—” is shown for the dividends.

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	65,000	(31.7)	1,200	109.2	800	59.2	200	—	9.19

#### \* Notes

(1) Changes in significant subsidiaries during the Fiscal year ended March 31, 2019 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: —

Exception: —

(2) 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

(3) Number of shares outstanding (common stock)

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

March 31, 2019: 23,038,400 shares

March 31, 2018: 23,038,400 shares

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

March 31, 2019: 1,275,372 shares

March 31, 2018: 1,312,871 shares

3) Average number of shares outstanding during the period

Fiscal year ended March 31, 2019: 21,755,322 shares

Fiscal year ended March 31, 2018: 21,634,170 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2019	81,494	9.1	3,318	(8.1)	3,846	13.4	1,672	10.7
March 31, 2018	74,665	34.1	3,612	9.0	3,391	7.0	1,511	(20.1)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2019	76.89	76.87
March 31, 2018	69.86	69.49

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2019	90,741	34,275	37.8	1,574.94
March 31, 2018	87,070	33,290	38.2	1,532.33

(Reference) Equity: As of March 31, 2019: ¥34,275 million

As of March 31, 2018: ¥33,290 million

\* These financial results are outside the scope of audit 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 financial results)

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

## ○Accompanying Materials - Contents

1 . Overview of the Consolidated Operating Results, etc. ....	P. 2
( 1 ) Overview of the consolidated operating result .....	P. 2
( 2 ) Overview of the financial position .....	P. 2
( 3 ) Overview of the cash flow .....	P. 3
( 4 ) Outlook .....	P. 3
2 . Basic Approach to the Selection of Accounting Standards .....	P. 4
3 . Consolidated Financial Statements, and Main Notes .....	P. 5
( 1 ) Consolidated balance sheet .....	P. 5
( 2 ) Consolidated statements of income and statements of comprehensive income ...	P. 7
( 3 ) Consolidated statements of changes in equity .....	P. 8
( 4 ) Consolidated statements of cash flows .....	P.10
( 5 ) Notes relating to consolidated financial statements .....	P.12
(Notes on going concern assumptions) .....	P.12
(Changes in accounting policies) .....	P.12
(Not applicable accounting standards, etc.) .....	P.12
(Changes in presentation method) .....	P.12
(Segment information, etc.) .....	P.12
(Per share information) .....	P.13
(Material subsequent events) .....	P.13
4 . Other .....	P.14
Management reshuffle .....	P.14

## 1. Overview of the Consolidated Operating Results, etc.

### (1) Overview of the consolidated operating results

During the consolidated fiscal year under review, the electronic machinery and equipment industry maintained the same demand for industrial electronics as recorded in the previous consolidated fiscal year. However, demand for electronic components and devices fell resulting in a year-on-year decrease for the overall market.

In the ASIC business, the Group is providing optimal solutions for client devices, machines and service applications not only in the mainstay game console, digital camera and office machine sectors, but also to serve major customers both inside and outside Japan in the industrial machinery and equipment industry. The competitive prowess of these solutions lies in our ability to leverage in-depth knowledge on customer applications and proprietary core technologies to provide everything from algorithm architecture building services to the development and supply of system LSI that feature superior functionality and cost competitiveness based on the Group's integrated support framework from upstream logic design to downstream physical design, manufacturing operations and quality assurance.

In the ASSP business, while working to adapt to an ever-changing competitive and market landscape both inside and outside Japan, the Group developed a business geared towards major global players in growth device markets to achieve further success in a world where innovation in telecommunication technologies is occurring at a breakneck pace. We also trained global-minded personnel and fortified our systems to meet this challenge.

As consolidated operating results for the consolidated fiscal year under review, the Group recorded sales of ¥95,145 million (a 6.9% increase compared with the same period of the previous fiscal year) due to higher demand for game software storage (LSIs) (custom memory).

In addition, as a result of ¥2,579 million in amortization of goodwill and intangible fixed assets attributable to corporate acquisitions, R&D expenses of ¥7,843 million (up 25.4% from the previous fiscal year) from future-oriented R&D investments, and COGS of ¥869 million due to a revision of inventory valuations for specific MEMS timing devices in the first quarter, among other factors, the operating income before amortization of goodwill was ¥3,152 million, the operating profits after amortization of goodwill were ¥573 million (a 78.8% decrease from the previous fiscal year), with ordinary profits of ¥502 million (a 77.2% decrease compared with the previous fiscal year).

Furthermore, mainly due to a revision of our managerial resource allocation as part of efforts to reform the Group's business structure, a ¥1,527 million loss on retirement of software and other non-current assets along with ¥371 million in special retirement expenses incurred to reduce the number of workers with the aim of cutting fixed costs were recorded as extraordinary losses which, among other factors, resulted in a ¥1,727 million net loss attributable to the owners of the parent (compared with a ¥1,948 million net profit attributable to the owners of the parent accounted for the same period of the previous fiscal year).

Because the MegaChips Group operates as one business segment, no statement related to segment information has been presented.

### (2) Overview of the financial position

Total assets as of the end of the consolidated fiscal year under review amounted to ¥91,977 million (down ¥2,655 million from the previous consolidated fiscal year). Comparing major assets with the previous consolidated fiscal year, while notes and accounts receivable increased by ¥12,959 million, currency and deposits decreased by ¥9,434 million, goodwill by ¥1,950 million, investment securities by ¥1,684 million, and software by ¥1,202 million, respectively.

Total liabilities were ¥65,753 million (an increase of ¥2,304 million over the previous consolidated fiscal year). Comparing major liabilities with the previous consolidated fiscal year, notes and accounts payable-trade decreased by ¥5,148 million and long-term loans payable by ¥1,000 million, while short-term loans payable increased by ¥3,266 million and the current portion of long-term loans payable by ¥5,500 million.

The MegaChips Group's net assets were ¥26,223 million (a decrease of ¥4,960 million compared with the end of the previous consolidated fiscal year). As a result, the ratio of net worth to total assets was 28.5%, a drop of 4.5 points from the previous consolidated fiscal year.

### (3) Overview of the cash flow

Cash and cash equivalents (“Capital”) were recorded at ¥10,182 million at the end of the consolidated fiscal year under review, a decrease of ¥9,266 million from the previous consolidated fiscal year (compared with an increase of ¥7,494 million in the same period of the previous consolidated fiscal year). The status of cash flows at the end of the consolidated fiscal year under review was as follows.

Cash flows from operating activities used for capital amounted to ¥13,700 million (compared with ¥4,715 million acquired in the same period of the previous fiscal year). This was chiefly attributable to net loss before taxes of ¥1,054 million (compared with net income before taxes of ¥2,377 million in the same period of the previous fiscal year), depreciation expenses of ¥3,350 million, amortization of goodwill amounting to ¥1,794 million, and loss on retirement of non-current assets of ¥1,527 million, while notes and accounts payable-trade increased by ¥13,112 million, together with a decrease in notes and accounts payable of ¥4,972 million.

Capital used in investing activities was ¥2,499 million (compared with capital of ¥5,007 million used in such activities in the same period of the previous fiscal year). This is largely the result of expenses of ¥1,017 million for the acquisition of tangible fixed assets, expenses of ¥796 million for the acquisition of intangible assets, and expenses of ¥618 million for the acquisition of long-term prepaid expenses, while proceeds from business transfers amounted to ¥759 million. As a result, free cash flow consisting of the cash flow from operational activities and cash flow from investment activities amounted to ¥16,200 million for use as capital (with ¥292 million for use as capital in the same period of the previous fiscal year).

Cash flow from financing activities for capital reached ¥7,040 million (with ¥7,954 million acquired as capital in the same period of the previous consolidated fiscal year). This was attributable to a net increase in short-term loans payable of ¥3,278 million and proceeds from long-term loans payable of ¥11,000 million, despite repayments of long-term loans payable of ¥6,500 million.

### (4) Outlook

Looking at social trends in the upcoming fiscal year, ultra-high speed telecommunication networks that will support society in the 2020s are expanding at a rapid pace, indicating a move toward an even more abundant information society. In addition, efforts are likely to continue toward realizing a low carbon and recycling society that is in symbiosis with nature for the preservation of the global environment.

In the electronics industry to which the Group belongs, while growth is decelerating in the consumer appliances sector, which includes PCs, mobile phones and more, the need for high functionality, multi-functionality and other advancements in electronic components is increasing in the in-vehicle device and industrial equipment fields, which will continue to grow going forward, along with expansion anticipated in demand for products capable of contributing to efforts to increase the accuracy, functionality and miniaturization of semiconductors and reduce their power consumption.

Under such circumstances, the Group will not only strengthen its revenue base by placing the ASIC business back on a growth trajectory and work towards restoring profitability, but also focus our managerial resources on promising sectors where further growth is anticipated, namely in-vehicle devices, industrial equipment and telecommunication infrastructure, in hopes of accelerating medium to long term growth.

In the ASIC business, the Group will fortify its base in the amusement business and leverage its core technologies in the field of high-speed wired telecommunications to expand their applications in the in-vehicle device and industrial equipment fields and acquire new major customers both in Japan and overseas.

In the ASSP business, we will set MEMS timing devices as a core element in expanding business with major global customers, and actively develop business primarily in the fields of communication infrastructure and high-speed wired communications.

In the fiscal year ending March 31, 2020, the Group forecasts a decrease in demand in the customized LSI sector that may result in consolidated net sales of ¥65,000 million (a decrease of 31.7% compared with the previous fiscal year), a consolidated operating income before amortization goodwill of ¥3,800 million, excluding expenses of ¥2,600 million from the amortization of goodwill and intangible assets associated with corporate acquisitions, and a consolidated operating income after amortization of goodwill of ¥1,200 million (an increase of 109.2% compared with the same period of the previous fiscal year), a consolidated ordinary income of ¥800 million (an increase of 59.2% compared with the previous fiscal year), and a consolidated profit attributable to the owners of the parent of ¥200 million (compared with a consolidated loss attributable to the owners of the parent of ¥1,727 million posted in the same period of the previous fiscal year).

## 2. Basic Approach to the Selection of Accounting Standards

The Company prepares consolidated financial statements and non-consolidated financial statements according to Japanese accounting standards. With respect to the implementation of International Financial Reporting Standards (IFRS), the Company constantly gathers information on the enactment and implementation of accounting standards, both inside and outside Japan. However, for the time being, it will continue preparing consolidated financial statements and non-consolidated financial statements in accordance with Japanese accounting standards.

### 3. Consolidated Financial Statements, and Main Notes

#### (1) Consolidated balance sheet

(Unit: Thousand Yen)

	Previous consolidated fiscal year (ended March 31, 2018)	Consolidated fiscal year under review (ended March 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	19,653,114	10,218,297
Notes and accounts receivable-trade	26,776,181	39,735,519
Merchandise and finished goods	4,470,576	4,314,680
Work in process	2,135,266	2,393,464
Raw materials and supplies	739,059	900,422
Other	3,119,929	3,463,809
Allowance for doubtful accounts	(20,655)	(21,170)
Total current assets	56,873,472	61,005,023
Non-current assets		
Property, plant and equipment		
Buildings	4,749,430	4,745,941
Accumulated depreciation	(3,140,560)	(3,256,468)
Buildings (net)	1,608,869	1,489,473
Land	289,638	289,638
Construction in progress	1,083,264	547,606
Other	9,341,136	9,846,579
Accumulated depreciation	(7,131,048)	(7,732,115)
Other (net)	2,210,087	2,114,464
Total property, plant and equipment	5,191,860	4,441,183
Intangible assets		
Goodwill	12,616,640	10,666,216
Technical assets	4,158,266	3,306,742
Software	6,571,497	5,369,148
Other	20,655	16,496
Total intangible assets	23,367,060	19,358,604
Investments and other assets		
Investment securities	3,747,120	2,062,231
Long-term prepaid expenses	2,391,097	2,509,929
Deferred tax assets	1,629,299	1,397,463
Other	1,433,441	1,203,320
Total investment and other assets	9,200,959	7,172,944
Total non-current assets	37,759,880	30,972,732
Total assets	94,633,352	91,977,755



(Unit: Thousand Yen)

	Previous consolidated fiscal year (ended March 31, 2018)	Consolidated fiscal year under review (ended March 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	11,557,394	6,408,966
Short-term loans payable	17,060,480	20,327,405
Current portion of long-term loans payable	4,000,000	9,500,000
Accounts payable-other	1,976,829	2,197,947
Income taxes payable	545,353	429,750
Provision for bonuses	667,536	405,442
Provision for loss on construction contracts	—	148,574
Other	1,280,827	1,265,021
<b>Total current liabilities</b>	<b>37,088,422</b>	<b>40,683,108</b>
Non-current liabilities		
Long-term loans payable	24,000,000	23,000,000
Deferred tax liabilities	1,192,469	890,822
Other	1,168,269	1,179,871
<b>Total non-current liabilities</b>	<b>26,360,739</b>	<b>25,070,694</b>
<b>Total liabilities</b>	<b>63,449,161</b>	<b>65,753,802</b>
Net equity		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,183,562	6,183,846
Earned surplus	18,524,246	16,058,261
Treasury stock	(1,656,229)	(1,608,924)
<b>Total shareholders' equity</b>	<b>27,891,893</b>	<b>25,473,496</b>
Other accumulated comprehensive equity		
Valuation difference on available-for-sale securities	3,241,184	1,041,475
Foreign currency translation adjustment	51,112	(291,018)
<b>Total of other accumulated comprehensive income</b>	<b>3,292,297</b>	<b>750,456</b>
<b>Total net assets</b>	<b>31,184,191</b>	<b>26,223,953</b>
<b>Total liabilities and net assets</b>	<b>94,633,352</b>	<b>91,977,755</b>

## (2) Consolidated statements of income and statements of comprehensive income

(Unit: Thousand Yen)

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Net sales	89,029,101	95,145,485
Cost of sales	67,603,129	75,509,000
Gross profit	21,425,972	19,636,484
Selling, general and administrative expenses	18,716,917	19,062,844
Operating income	2,709,055	573,640
Non-operating income		
Interest income	7,226	17,554
Dividends earned	—	79,908
Gain on investments in partnership	9,287	5,542
Receiving Dispatching Fee	—	59,956
Refund of consumption taxes, etc.	26,565	—
Foreign exchange gains	—	316,492
Miscellaneous income	34,347	10,976
Total non-operating income	77,427	490,431
Non-operating expenses		
Interest expenses	244,450	508,193
Commission loan-payable	29,868	500
Loss on sales of accounts receivable	39,238	38,068
Foreign exchange losses	250,793	—
Miscellaneous loss	14,277	14,686
Total non-operating expenses	578,629	561,447
Ordinary income	2,207,852	502,624
Extraordinary income		
Gain on sales of non-current assets	—	12,629
Gain on sales of investment securities	955,059	—
Gain on transfer of business	—	329,005
Total extraordinary income	955,059	341,635
Extraordinary loss		
Loss on retirement of non-current assets	646,331	1,527,095
Special retirement expenses	139,463	371,568
Total extraordinary loss	785,795	1,898,664
Net income (loss) before taxes	2,377,116	(1,054,404)
Income taxes-current	773,926	718,692
Income taxes-deferred	(365,578)	(45,779)
Total income taxes	408,348	672,913
Profit (Loss)	1,968,768	(1,727,317)
(Breakdown)		
Profit (Loss) attributable to owners of the parent	1,948,156	(1,727,317)
Profit (Loss) attributable to non-controlling interests	20,612	—
Other comprehensive income		
Valuation difference on available-for-sale securities	2,806,232	(2,199,709)
Foreign currency translation adjustment	(701,281)	(342,131)
Total other comprehensive income	2,104,950	(2,541,841)
Comprehensive income	4,073,719	(4,269,158)
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,053,521	(4,269,158)
Comprehensive income attributable to non-controlling interests	20,197	—

## (3) Consolidated statements of changes in equity

Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)

(Unit: Thousand Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	4,840,313	6,182,338	17,274,367	(1,859,404)	26,437,615
Changes of items during the period					
Dividends of surplus			(733,187)		(733,187)
Profit (Loss) attributable to owners of the parent			1,948,156		1,948,156
Changes in scope of consolidation			34,910		34,910
Purchase of treasury shares				(253)	(253)
Disposal of treasury shares		1,224		203,428	204,652
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	1,224	1,249,879	203,174	1,454,278
Balance at the end of the period	4,840,313	6,183,562	18,524,246	(1,656,229)	27,891,893

	Other accumulated comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total other accumulated comprehensive income		
Balance at the beginning of the period	434,952	745,021	1,179,974	13,707	27,631,297
Changes of items during the period					
Dividends of surplus					(733,187)
Profit (Loss) attributable to owners of the parent					1,948,156
Changes in scope of consolidation					34,910
Purchase of treasury shares					(253)
Disposal of treasury shares					204,652
Net changes of items other than shareholders' equity	2,806,232	(693,908)	2,112,323	(13,707)	2,098,615
Total changes of items during the period	2,806,232	(693,908)	2,112,323	(13,707)	3,552,894
Balance at the end of the period	3,241,184	51,112	3,292,297	—	31,184,191

## Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)

(Unit: Thousand Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	4,840,313	6,183,562	18,524,246	(1,656,229)	27,891,893
Changes of items during the period					
Dividends of surplus			(738,667)		(738,667)
Profit (Loss) attributable to owners of the parent			(1,727,317)		(1,727,317)
Changes in scope of consolidation					—
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		283		47,307	47,590
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	283	(2,465,985)	47,305	(2,418,396)
Balance at the end of the period	4,840,313	6,183,846	16,058,261	(1,608,924)	25,473,496

	Other accumulated comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total other accumulated comprehensive income		
Balance at the beginning of the period	3,241,184	51,112	3,292,297	—	31,184,191
Changes of items during the period					
Dividends of surplus					(738,667)
Profit (Loss) attributable to owners of the parent					(1,727,317)
Changes in scope of consolidation					—
Purchase of treasury shares					(2)
Disposal of treasury shares					47,590
Net changes of items other than shareholders' equity	(2,199,709)	(342,131)	(2,541,841)	—	(2,541,841)
Total changes of items during the period	(2,199,709)	(342,131)	(2,541,841)	—	(4,960,237)
Balance at the end of the period	1,041,475	(291,018)	750,456	—	26,223,953

## (4) Consolidated statements of cash flows

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
<b>Cash flows from operating activities</b>		
Net income (loss) before tax adjustments	2,377,116	(1,054,404)
Depreciation expenses	2,838,987	3,350,027
Amortization of goodwill	1,816,479	1,794,891
Amortization of long-term prepaid expenses	705,151	853,485
Increase (decrease) in allowance for doubtful accounts	6,612	765
Increase (decrease) in reserves for bonus payments	26,865	(243,616)
Increase (decrease) in reserves for loss on construction contracts	(14,533)	148,574
Interest and dividend income	(7,226)	(97,463)
Interest expenses	244,450	508,193
Loss (gain) on investments in partnership	(9,287)	(5,542)
Foreign exchange loss (gain)	103,358	(44,361)
Loss on retirement of non-current assets	646,331	1,527,095
Loss (gain) on sales of investment securities	(955,059)	—
Loss (gain) on transfer of business	—	(329,005)
Special retirement expenses	139,463	371,568
Decrease (increase) in notes and accounts receivable-trade	(5,140,447)	(13,112,455)
Decrease (increase) in inventories valuation	(705,769)	(515,944)
Increase (decrease) in notes and accounts payable	2,866,978	(4,972,401)
Decrease (increase) in other assets	(239,550)	(20,302)
Increase (decrease) in other liabilities	840,064	(591,721)
Other	83,564	11,595
<b>Subtotal</b>	<b>5,623,550</b>	<b>(12,421,021)</b>
Amount of interests and dividends received	7,471	97,463
Amount of interest paid	(237,190)	(496,164)
Special retirement expenses paid	—	(157,979)
Amount of taxes refund, such as corporate taxes	12,192	93,067
Amount of corporate taxes paid	(691,004)	(816,193)
<b>Cash flows from operating activities</b>	<b>4,715,018</b>	<b>(13,700,827)</b>
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	405,613	505,563
Payments into time deposits	(469,113)	(339,125)
Expenses from purchase of tangible fixed assets	(2,113,044)	(1,017,304)
Expenses from purchase of intangible fixed assets	(2,838,999)	(796,860)
Proceeds from sales of investment securities	1,181,113	—
Expenses from purchase of investment securities	—	(546,750)
Expenses from long-term prepaid expenses	(370,263)	(618,418)
Collection of loans receivable	61,316	9,444
Payments of loans receivable	(389)	(3,329)
Proceeds from collection of guarantee deposits	18,259	41,962
Payments for guarantee deposits	(15,188)	(20,354)
Proceeds from transfer of business	—	759,900
Other	(867,171)	(474,437)
<b>Cash flows from investment activities</b>	<b>(5,007,867)</b>	<b>(2,499,709)</b>

(Unit: Thousand Yen)

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(6,312,220)	3,278,050
Proceeds from long-term borrowing	17,000,000	11,000,000
Expenses for repayment of long-term loans payable	(2,000,000)	(6,500,000)
Amount of dividends paid	(732,995)	(737,366)
Other	(76)	38
Cash flows from financing activities	7,954,708	7,040,721
Effect of exchange rate fluctuations on cash and cash equivalents	(96,156)	(107,006)
Net increase (decrease) in cash and cash equivalents	7,565,702	(9,266,821)
Balance of cash and cash equivalents at beginning of the period	11,954,167	19,449,135
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(70,734)	—
Balance of cash and cash equivalents at end of the period	19,449,135	10,182,313

## (5) Notes relating to consolidated financial statements

(Note relating to going concern assumptions)

None

(Changes in accounting policies)

None

(Not applicable accounting standards, etc.)

"Accounting Standards for Revenue Recognition" (Corporate Accounting Standards No. 29, March 30, 2018)

"Accounting Standards for Revenue Recognition Application Guidelines" (Corporate Accounting Standards Application Guidelines No. 30, March 30, 2018)

### 1. Summary

Comprehensive accounting standards for revenue recognition. Revenue is recognized by applying the five steps below.

Step 1: Identify the agreement executed with the client.

Step 2: Identify the obligations to be performed under the agreement.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to each obligation for to be performed under that agreement.

Step 5: Recognize revenue after having performed each obligation, or as it is performed.

### 2. Application date

Scheduled for application from the beginning of fiscal 2022.

### 3. Effect of application of accounting standards, etc.

The effect is being evaluated as the consolidated financial statements for the fiscal year under review are being prepared.

(Changes in presentation method)

(Use of "Accounting Standards for Tax Effect Accounting," partially revised)

The "Accounting Standards for Tax Effect Accounting, partially revised" (Guidelines of Accounting Standards for Business Enterprises, Issue No. 28, February 16, 2018) have been applied since the beginning of the consolidated fiscal year under review; tax deferred assets are included in investment and other assets and tax deferred liabilities are included in non-current liabilities.

As a result, ¥869,305 thousand in deferred tax assets in current assets posted in the consolidated balance sheets for the previous fiscal year is now included in the ¥1,629,299 thousand in deferred tax assets in investments and other assets.

(Segment information, etc.)

Segment information

The MegaChips Group is mainly engaged in the design, development and production of LSI and MEMS timing devices utilizing its original analog/digital/MEMS technology, as a provider of total solutions under one business segment. As a result, the presentation of segment information has been omitted.

(Per share information)

(Unit: Yen)

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Net assets per share	1,435.37	1,204.98
Basic earnings per share	90.05	(79.40)
Diluted basic earnings per share	89.57	—

(Notes) 1. Diluted basic earnings per share for the consolidated fiscal year under review are not shown because the Company posted a basic net loss per share.

2. The following shows the basis for the calculation of basic earnings per share and diluted basic earnings per share.

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Basic earnings per share		
Profit (Loss) attributable to owners of the parent (thousand yen)	1,948,156	(1,727,317)
Amount that does not belong to ordinary shareholders (thousand yen)	—	—
Profit (Loss) attributable to owners of the parent related to common stock (thousand yen)	1,948,156	(1,727,317)
Average number of common shares during the period	21,634,170	21,755,322
Diluted basic earnings per share		
Adjusted profit attributable to owners of the parent (thousand yen)	—	—
Increase in the number of common shares (Included treasury shares)	116,047 (116,047)	— —
Description of potentially dilutive shares that were not included in the calculation of diluted basic earnings per share due to their anti-dilutive effect.	—	

(Material subsequent events)

None



#### 4.Others

##### Change in Board of Directors

###### (1) Candidate for Director to be Newly Appointed

Director Masahiro Shindo (Current Chairman)

Director Ikuo Yamaguchi (Current Operating Officer and General Manager of ASIC No. 1)

Outside Director Junko Nagata (Professor of Urban Policy and Regional Economy Course, Graduate School of Urban Management, Osaka City University)

###### (2) Directors to Retire

Masayuki Fujii (Current Senior Managing Director and Officer, Senior General Manager of Finance Division)

Kyoichi Kissei (Current Senior Managing Director and Officer, Executive General Manager of Display Peripheral LSI Business Headquarters, Senior General Manager of Procurement & Production Division)

Keiichiro Akahoshi (Current Outside Director)

Dang-Hsing Yiu (Current Outside Director)

###### (3) Candidate for Auditor to be Newly Appointed

Auditor Makiko Yamakawa (Current General Manager of Internal Auditing Department)

Outside Auditor Tomoyoshi Furukawa (Partner of Ohara & Furukawa)

###### (4) Auditors to Retire

Tadashi Sumi (Current Statutory Auditor)

Nozomu Ohara (Current Outside Auditor)

###### (5) Scheduled Change Date

June 21, 2019