

## Consolidated Financial Results for the Three Months Ended June 30, 2019 [Japanese GAAP]

August 1, 2019

Company name: MegaChips Corporation  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 6875  
 URL: <https://www.megachips.co.jp/>  
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 Scheduled date of filing quarterly securities report: August 8, 2019  
 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, 2019 (From April 1, 2019 to June 30, 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	%
Three months ended								
June 30, 2019	15,038	(43.7)	(731)		(894)	—	(984)	—
June 30, 2018	26,728	39.1	(254)	—	(154)	—	(410)	—

(Note) Comprehensive income: Three months ended June 30, 2019: ¥(954) million [-%]  
 Three months ended June 30, 2018: ¥(817) million [-%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
June 30, 2019	(45.25)		—	
June 30, 2018	(18.88)		—	

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2019	94,527	24,899	26.3	1,144.13
As of March 31, 2019	91,977	26,223	28.5	1,204.98

(Reference) Equity: As of June 30, 2019: ¥24,899 million  
 As of March 31, 2019: ¥26,223 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, 2019	—	—	—	17.00	17.00
Fiscal year ending March 31, 2020	—	—	—	—	—
Fiscal year ending March 31, 2020 (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 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

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

#### \* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2019 (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: Yes

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, 2019: 23,038,400 shares

March 31, 2019: 23,038,400 shares

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

June 30, 2019: 1,275,372 shares

March 31, 2019: 1,275,372 shares

3) Average number of shares outstanding during the period

Three months ended June 30, 2019: 21,763,028 shares

Three months ended June 30, 2018: 21,732,122 shares

\* Quarterly financial results are outside the scope of quarterly review by Certified Public Accountants or audit corporations.

\* Explanation of the proper use of financial results forecast and other notes

(Note on the forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as of the date of publication of this document. The Company does not guarantee the forecast results. Actual results may differ significantly from these forecasts due to a wide range of factors.

(Method to acquire supplementary documents for quarterly financial results)

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

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## 1. Overview of the Consolidated Operating Results

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

As consolidated operating results for the current consolidated cumulative first quarter, the MegaChips Group saw net sales of ¥15,038 million (a 43.7% decrease from the same quarter in the previous fiscal year) mainly attributable to a decreased demand in both the customer-specific LSI field and MEMS timing devices, as well as to a decreased sales associated with the transfer of the System Product Division completed in the preceding fourth quarter. In addition, as a result of ¥643 million amortization of goodwill and intangible assets attributable to corporate acquisitions from the past fiscal year and R&D expenses of ¥1,861 million (up 3.2% from the same quarter in the previous fiscal year) from future-oriented R&D investments, operating losses before amortization of goodwill were ¥88 million, with operating losses after amortization of goodwill of ¥731 million (operating losses in the same quarter in the previous fiscal year were ¥254 million), ordinary losses of ¥894 million (ordinary losses in the same quarter in the previous fiscal year were ¥154 million), and a quarterly loss attributable to the owners of the parent of ¥984 million (a quarterly loss attributable to the owners of the parent in the same quarter in the previous fiscal year was ¥410 million).

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

### (2) Overview of the financial position

Total assets at the end of the current consolidated first quarter amounted to ¥94,527 million (up ¥2,549 million from the end of the previous consolidated fiscal year). Comparing major asset items with the previous consolidated fiscal year, cash and deposits increased to ¥4,648 million and notes and accounts receivable rose to ¥2,663 million, while merchandise and finished goods decreased to ¥1,212 million and goodwill dropped to ¥475 million.

Total liabilities were ¥69,627 million (an increase of ¥3,873 million from the end of the previous consolidated fiscal year). Comparing major asset items with the previous consolidated fiscal year, short-term loans payable increased by 2,569 million and the current portion of long-term loans payable by ¥2,500 million, while long-term loans payable decreased by ¥2,000 million.

Net assets were ¥24,899 million (a decrease of ¥1,324 million from the end of the previous consolidated fiscal year). As a result, the ratio of net worth to total assets was 26.3% (a 2.2% drop from the end of the previous consolidated fiscal year).

Cash and cash equivalents (“Capital”) were recorded at ¥14,831 million at the end of the first quarter of the current consolidated year, an increase of ¥4,649 million from the end of the previous consolidated fiscal year, which showed a ¥3,008 million decrease in the same quarter in the previous fiscal year. The current situation of the cash flows for the current consolidated cumulative first quarter is as follows.

Cash flows from operating activities for use as capital amounted to ¥2,724 million (compared to ¥7,343 million used for capital in the same quarter in the previous fiscal year). This is primarily due to ¥1,004 million quarterly net losses before tax adjustments, an increase of ¥2,726 million in accounts receivables, depreciation of ¥866 million, amortization of goodwill of ¥447 million, a ¥1,817 million decrease in inventories, and a ¥2,611 million decrease in other assets.

Cash flows from investing activities used for capital amounted to ¥710 million (compared to ¥1,550 million used for capital in the same quarter in the previous fiscal year). This is largely the result of ¥168 million in expenses for the purchase of property, plant and equipment and ¥257 million in expenses for the purchase of long-term prepaid expenses. As a result, the free cash flow, consisting of the cash flows from operational activities and the cash flows from investing activities, amounted to ¥2,013 million for use as capital (compared to ¥8,894 million used for capital in the same quarter in the previous fiscal year).

Cash flows from financing activities for use as capital amounted to ¥2,728 million (compared to ¥5,994 million for use as capital in the same quarter in the previous fiscal year). This is largely attributable to a net increase of ¥2,600 million in short-term loans payable, ¥1,000 million of income from long-term loans, and ¥500 million in the repayment of long-term loans payable.

(3) Overview of the forward-looking statements (such as consolidated earnings forecast)

There are no changes in the consolidated earnings forecast for the fiscal year ending March 31, 2020 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [Japanese GAAP]” which was publicly disclosed on May 10, 2019.

2. First Quarter Consolidated Financial Statement and Main Notes

(1) First Quarter Consolidated Balance Sheet

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (ended March 31, 2019)	Current first consolidated fiscal quarter (June 31, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	10,218,297	14,866,612
Notes and accounts receivable - trade	39,735,519	42,399,082
Merchandise and finished goods	4,314,680	3,102,071
Work in progress	2,393,464	2,023,090
Raw materials and supplies	900,422	633,689
Other	3,463,809	939,722
Allowance for doubtful accounts	(21,170)	(16,544)
<b>Total current assets</b>	<b>61,005,023</b>	<b>63,947,723</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	4,745,941	4,731,625
Accumulated depreciation	(3,256,468)	(3,287,553)
Buildings (net)	1,489,473	1,444,072
Other	10,683,825	10,766,712
Accumulated depreciation	(7,732,115)	(7,784,563)
Other (net)	2,951,709	2,982,148
<b>Total property, plant and equipment</b>	<b>4,441,183</b>	<b>4,426,220</b>
<b>Intangible assets</b>		
Goodwill	10,666,216	10,190,318
Technical assets	3,306,742	3,111,519
Other	5,385,645	4,995,132
<b>Total intangible assets</b>	<b>19,358,604</b>	<b>18,296,970</b>
<b>Investments and other assets</b>		
Investment securities	2,062,231	2,249,704
Long-term prepaid expenses	2,509,929	2,298,311
Deferred tax assets	1,397,463	1,392,822
Other	1,203,320	1,915,860
<b>Total investment and other assets</b>	<b>7,172,944</b>	<b>7,856,699</b>
<b>Total non-current assets</b>	<b>30,972,732</b>	<b>30,579,889</b>
<b>Total assets</b>	<b>91,977,755</b>	<b>94,527,612</b>

(Unit: Thousand Yen)

	Previous consolidated fiscal year (ended March 31, 2019)	Current first consolidated fiscal quarter (June 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	6,408,966	6,605,681
Short-term loans payable	20,327,405	22,896,735
Current portion of long-term loans payable	9,500,000	12,000,000
Income taxes payable	429,750	237,849
Provision for bonuses	405,442	233,400
Provision for loss on construction contracts	148,574	137,393
Other provision	—	3,750
Other	3,462,968	4,015,106
<b>Total current liabilities</b>	<b>40,683,108</b>	<b>46,129,916</b>
Non-current liabilities		
Long-term loans payable	23,000,000	21,000,000
Deferred tax liabilities	890,822	839,334
Other	1,179,871	1,658,527
<b>Total non-current liabilities</b>	<b>25,070,694</b>	<b>23,497,861</b>
<b>Total liabilities</b>	<b>65,753,802</b>	<b>69,627,778</b>
Net assets		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,183,846	6,183,846
Retained earnings	16,058,261	14,703,509
Treasury shares	(1,608,924)	(1,608,924)
<b>Total shareholders' equity</b>	<b>25,473,496</b>	<b>24,118,744</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,041,475	1,235,004
Foreign currency translation adjustment	(291,018)	(453,915)
<b>Total accumulated other comprehensive income</b>	<b>750,456</b>	<b>781,089</b>
<b>Total net assets</b>	<b>26,223,953</b>	<b>24,899,834</b>
<b>Total liabilities and net assets</b>	<b>91,977,755</b>	<b>94,527,612</b>

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

## Consolidated cumulative first quarter

(Unit: Thousand Yen)

	Previous consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)	Current consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019)
Net sales	26,728,599	15,038,281
Cost of sales	22,229,365	11,514,692
Gross profit	4,499,234	3,523,589
Sales and general administrative expenses	4,753,739	4,255,507
Operating losses	(254,505)	(731,917)
Non-operating income		
Interest income	2,536	4,161
Gain on forfeiture of unclaimed dividends	1,884	1,922
Foreign exchange gains	203,401	—
Miscellaneous income	4,958	282
Total non-operating income	212,781	6,366
Non-operating expenses		
Interest expenses	107,275	136,100
Foreign exchange losses	—	24,728
Miscellaneous losses	5,819	8,079
Total non-operating expenses	113,094	168,909
Ordinary losses	(154,818)	(894,460)
Extraordinary losses		
Special retirement expenses	—	110,137
Total extraordinary losses	—	110,137
Loss before income taxes	(154,818)	(1,004,598)
Corporate taxes	255,591	(19,817)
Quarterly net losses	(410,410)	(984,780)
(Breakdown)		
Quarterly net losses attributable to owners of parent (△)	(410,410)	(984,780)
Other comprehensive income		
Valuation difference on available-for-sale securities	605,977	193,529
Foreign currency translation adjustment	(1,013,510)	(162,896)
Total other comprehensive income	(407,532)	30,632
Quarterly comprehensive income	(817,943)	(954,147)
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	(817,943)	(954,147)



## (3) Quarterly consolidated statements of cash flows

(Unit: Thousand Yen)

	Previous consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)	Current consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019)
<b>Cash flows from operating activities</b>		
Quarterly net losses before tax adjustments	(154,818)	(1,004,598)
Depreciation	701,564	866,963
Amortization of goodwill	431,196	447,412
Increase (decrease) in allowance for doubtful accounts	168,020	207,170
Increase (decrease) in provision for bonuses	(349,360)	(171,084)
Increase (decrease) in provision for loss on construction contracts	8,638	(11,181)
Interest and dividend income	(2,536)	(4,161)
Interest expenses	107,275	136,100
Special retirement expenses	—	110,137
Decrease (increase) in notes and accounts receivable - trade	(13,266,639)	(2,726,983)
Decrease (increase) in inventories valuation	1,914,732	1,817,887
Increase (decrease) in notes and accounts payable - trade	2,267,836	249,423
Decrease (increase) in other assets	785,596	2,611,544
Increase (decrease) in other liabilities	423,872	413,068
Other	(4,652)	59,753
Subtotal	(6,969,274)	3,001,452
Amount of interests and dividends received	2,536	4,161
Amount of interest paid	(79,857)	(84,325)
Special retirement expenses paid	—	(29,286)
Amount of tax refunds, such as corporate taxes	32,932	7,618
Amount of corporate taxes paid	(330,219)	(175,342)
Cash flows from operating activities	(7,343,882)	2,724,277
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	29,430	—
Expenses from purchase of tangible fixed assets	(316,905)	(168,791)
Expenses from purchase of intangible fixed assets	(328,579)	(75,420)
Expenses from purchase of investment securities	(546,750)	—
Expenses from long-term prepaid expenses	(170,044)	(257,602)
Other	(217,418)	(208,735)
Cash flows from investment activities	(1,550,267)	(710,549)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	2,221,080	2,600,160
Proceeds from long-term borrowing	5,000,000	1,000,000
Expenses for repayment of long-term loans payable	(500,000)	(500,000)
Amount of dividends paid	(726,719)	(363,133)
Other	40	(8,813)
Cash flows from financing activities	5,994,401	2,728,213
Effect of exchange rate fluctuations on cash and cash equivalents	(108,473)	(92,376)
Net increase (decrease) in cash and cash equivalents	(3,008,222)	4,649,564
Balance of cash and cash equivalents at beginning of the period	19,449,135	10,182,313
Balance of cash and cash equivalents at end of the quarterly period	16,440,913	14,831,878

(4) Notes relating to quarterly consolidated financial statements

(Note relating to going concern assumptions)

None

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

None

(Changes in accounting policy)

At our overseas subsidiary, SiTime Corporation, which has adopted U.S. accounting standards (U.S. GAAP, the U.S. Accounting Standards Update (ASU) 2016-02 (Leases) will have early application from the current first quarter consolidated accounting period, and, as a general matter, all leases will be posted on the balance sheets. With respect to the application of this accounting standard, in accordance with its retroactive application, the financial cumulative impact due to changes in accounting policy is posted in the retained earnings for the beginning of this first quarter consolidated accounting period.

As a result, the "other" of the investments and other assets at the end of the current consolidated first quarter increased by ¥817,617 thousand and the "other" of non-current liabilities increased by ¥804,068 thousand. Further, the impact on the consolidated income and cash flows for the current first consolidated cumulative quarter and the cumulative effect on the balance of retained earnings at the beginning of the current period have been insignificant.

(Adoption of special accounting methods for preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by multiplying quarterly income before income taxes by an estimated effective tax rate reasonably estimated after applying tax effect accounting to income before income taxed for the consolidated fiscal year.