

**Consolidated Financial Results**  
**for the Nine Months Ended December 31, 2019**  
**[Japanese GAAP]**

February 5, 2020

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: February 12, 2020  
 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 Nine Months Ended December 31, 2019 (From April 1, 2019 to December 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	%
Nine months ended December 31, 2019	51,200	(37.0)	887	(40.8)	587	(62.4)	(1,678)	—
December 31, 2018	81,233	20.6	1,499	(45.6)	1,563	(35.8)	47	(97.4)

(Note) Comprehensive income: Nine months ended December 31, 2019: ¥(1,204) million [-%]  
 Nine months ended December 31, 2018: ¥(1,400) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	(77.12)	—
December 31, 2018	2.20	2.20

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2019	86,391	30,731	32.3	1,282.54
As of March 31, 2019	91,977	26,223	28.5	1,204.98

(Reference) Equity: As of December 31, 2019: ¥27,911 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 concrete dividend forecast is yet to be decided, “—” is shown for the year-end dividend.

### 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)	650	13.3	250	(50.3)	(1,550)	—	(71.25)

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

#### \* Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 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)

December 31, 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

December 31, 2019: 1,275,420 shares

March 31, 2019: 1,275,372 shares

3) Average number of shares outstanding during the period

Nine months ended December 31, 2019: 21,763,019 shares

Nine months ended December 31, 2018: 21,752,801 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 third quarter, the electronic machinery and equipment industry saw a decrease in demand for industrial electronics, consumer electronics as well as electronic components and devices, with a decrease from the same quarter in the previous consolidated fiscal year in the electronic machinery and equipment industry as a whole.

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 area. The competitive prowess of these solutions lies in our ability to leverage in-depth knowledge of customer applications and proprietary core technologies to provide everything from algorithm architecture building services to the development and supply of System LSIs that feature superior functionality and cost competitiveness based on the Group's integrated framework from upstream logic design to downstream physical design, manufacturing operations, and quality assurance.

In the ASSP business, to achieve further success in a world where innovation in telecommunication technologies is occurring at a breakneck pace, the Group concentrated its managerial resources in the fields of in-vehicle devices, industrial equipment, and telecommunications infrastructure, where future growth is expected. We strive to foster new businesses that will become an important pillar for future profits by developing and providing a superior, value-added solution capable of differentiation through initiatives to enhance the competitiveness of the analog circuit's development and design technology and engage in strategic collaboration with businesses inside and outside Japan.

As consolidated operating results for the current consolidated cumulative third quarter, the MegaChips Group saw net sales of ¥51,200 million (a 37.0% decrease from the same quarter in the previous consolidated fiscal year) attributable to decreased demand in both the customer-specific LSI field and Smart Connectivity LSI in addition to decreased sales associated with the transfer of the System Product Division completed in the fourth quarter of the previous consolidated fiscal year.

As for each profit category, as a result of, among other things, ¥1,862 million amortization of goodwill and intangible assets attributable to corporate acquisitions from the previous consolidated fiscal year and R&D expenses of ¥5,181 million (a 9.1% decrease from the same quarter in the previous consolidated fiscal year) from future-oriented R&D investments, operating income before amortization was ¥2,749 million and operating income after amortization was ¥887 million (a 40.8% decrease from the same quarter in the previous consolidated fiscal year), and ordinary profits of ¥587 million (a 62.4% decrease from the same quarter in the previous consolidated fiscal year).

In addition, due to a ¥1,959 million loss on sale of business attributable to the transfer of the Smart Connectivity (DisplayPort) business division and a ¥546 million loss on valuation of investment securities, a loss attributable to the owners of parent of ¥1,678 million (compared to a ¥47 million profit attributable to the owners of parent in the same quarter in the previous fiscal year) was reported.

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 third quarter of the current consolidated fiscal year amounted to ¥86,391 million (a decrease of ¥5,586 million from the end of the previous consolidated fiscal year). Comparing major assets with the end of the previous consolidated fiscal year, while cash and deposits increased by ¥5,415 million and the "other" of investments and other assets increased by ¥2,877 million, notes and accounts receivable-trade decreased by ¥1,780 million, merchandise and finished goods by ¥2,664 million, current assets and others by ¥2,667 million, goodwill by ¥2,406 million, and the "other" of intangible assets by ¥2,688 million, respectively.

Total liabilities were ¥55,660 million (a decrease of ¥10,093 million from the end of the previous consolidated fiscal year). Comparing major liabilities with the end of the previous consolidated fiscal year, while the current portion of long-term loans payable increased by ¥500 million, short-term loans payable decreased by ¥1,686 million and long-term loans payable by ¥7,500 million, respectively.

The MegaChips Group's net assets were ¥30,731 million (an increase of ¥4,507 million from the end of the previous consolidated fiscal year). In connection with the initial public offering of SiTime Corporation, our consolidated subsidiary, on the NASDAQ Global Market on November 21, 2019 (U.S. Pacific Standard Time Zone), SiTime Corporation increased its capital by issuing new shares. Comparing major items with the end of the previous consolidated fiscal year, capital surplus increased by ¥3,110 million and non-controlling interests by ¥2,819 million, respectively. As a result, the ratio of net worth to total assets was 32.3% (an increase of 3.8 points from the end of the previous consolidated fiscal year).

Cash and cash equivalents ("Capital") were recorded at ¥15,597 million at the end of the third quarter of the current consolidated fiscal year, an increase of ¥5,415 million from the end of the previous consolidated fiscal year (compared with a decrease of ¥5,112 million in the same quarter in the previous consolidated fiscal year). The situation of the cash flows for the current consolidated cumulative third quarter is as follows.

Cash flows from operating activities for use as capital amounted to ¥10,532 million (compared to ¥8,337 million used for capital in the same quarter in the previous fiscal year). This is primarily due to a ¥2,030 million loss before income taxes (compared to a ¥1,194 million profit before income taxes in the same quarter in the previous fiscal year), a ¥1,075 million decrease in trade payable, depreciation of ¥2,662 million, amortization of goodwill of ¥1,296 million, respectively, as well as a ¥1,586 million decrease in trade receivables, a ¥3,596 million decrease in inventories, and a ¥2,777 million decrease in other assets.

Cash flows from investing activities used for capital amounted to ¥2,077 million (compared to ¥3,541 million used for capital in the same quarter in the previous fiscal year). This is largely the result of ¥705 million in expenses for the purchase of property, plant and equipment, ¥601 million in expenses for the purchase of intangible assets, and ¥812 million in expenses for the purchase of long-term prepaid expenses.

As a result, the free cash flow, consisting of the combined cash flows from operational activities and the cash flows from investing activities, amounted to ¥8,454 million for use as capital (compared to ¥11,878 million used for capital in the same quarter in the previous fiscal year).

Cash flows from financing activities used for capital amounted to ¥2,856 million (compared to ¥6,826 million for use as capital in the same quarter in the previous fiscal year). This is largely attributable to ¥1,000 million of proceeds from long-term loans payable, ¥6,081 million of proceeds from share issuance to non-controlling shareholders, a net decrease of ¥1,540 million in short-term loans payable, and ¥8,000 million in repayments of long-term loans payable.

### (3) Overview of 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 "Notice Concerning Revisions in Business Forecast and Posting of Loss on Valuation of Investment Securities", which was publicly disclosed on December 12, 2019.

2. Third Quarter Consolidated Financial Statement and Main Notes

(1) Third Quarter Consolidated Balance Sheet

(Unit: Thousand Yen)

	Previous consolidated fiscal year (ended March 31, 2019)	Current third consolidated fiscal quarter (December 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	10,218,297	15,634,189
Notes and accounts receivable-trade	39,735,519	37,955,039
Merchandise and finished goods	4,314,680	1,649,901
Work in progress	2,393,464	1,582,496
Raw materials and supplies	900,422	262,760
Other	3,463,809	795,853
Allowance for doubtful accounts	(21,170)	(15,265)
Total current assets	61,005,023	57,864,975
Non-current assets		
Property, plant and equipment		
Buildings	4,745,941	4,731,999
Accumulated depreciation	(3,256,468)	(3,353,907)
Buildings (net)	1,489,473	1,378,091
Other	10,683,825	9,995,878
Accumulated depreciation	(7,732,115)	(7,635,850)
Other (net)	2,951,709	2,360,027
Total property, plant and equipment	4,441,183	3,738,118
Intangible assets		
Goodwill	10,666,216	8,259,267
Technical assets	3,306,742	2,652,390
Other	5,385,645	2,697,043
Total intangible assets	19,358,604	13,608,701
Investments and other assets		
Investment securities	2,062,231	2,486,365
Long-term prepaid expenses	2,509,929	2,134,450
Deferred tax assets	1,397,463	2,478,184
Other	1,203,320	4,080,844
Total investment and other assets	7,172,944	11,179,846
Total non-current assets	30,972,732	28,526,666
Total assets	91,977,755	86,391,641

(Unit: Thousand Yen)

	Previous consolidated fiscal year (ended March 31, 2019)	Current third consolidated fiscal quarter (December 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	6,408,966	5,681,672
Short-term loans payable	20,327,405	18,640,560
Current portion of long-term loans payable	9,500,000	10,000,000
Income taxes payable	429,750	629,849
Provision for bonuses	405,442	211,631
Provision for loss on construction contracts	148,574	78,867
Other provision	—	11,250
Other	3,462,968	2,612,370
Total current liabilities	40,683,108	37,866,200
Non-current liabilities		
Long-term loans payable	23,000,000	15,500,000
Deferred tax liabilities	890,822	716,145
Other	1,179,871	1,578,196
Total non-current liabilities	25,070,694	17,794,341
Total liabilities	65,753,802	55,660,542
Net assets		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,183,846	9,294,835
Retained earnings	16,058,261	14,009,956
Treasury shares	(1,608,924)	(1,609,032)
Total shareholders' equity	25,473,496	26,536,072
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,041,475	2,031,854
Foreign currency translation adjustment	(291,018)	(655,987)
Total accumulated other comprehensive income	750,456	1,375,867
Non-controlling interests	—	2,819,158
Total net assets	26,223,953	30,731,099
Total liabilities and net assets	91,977,755	86,391,641

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

Consolidated cumulative third quarter

(Unit: Thousand Yen)

	Previous consolidated cumulative third quarter (From April 1, 2018 to December 31, 2018)	Current consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)
Net sales	81,233,770	51,200,799
Cost of sales	65,284,738	38,368,232
Gross profits	15,949,032	12,832,567
Selling, general and administrative expenses	14,450,004	11,944,927
Operating profits	1,499,028	887,640
Non-operating profits		
Interest income	7,872	9,941
Dividend income	82,436	94,288
Gain on investments in partnerships	1,318	1,040
Dispatching fees	61,853	96,788
Gain on forfeiture of unclaimed dividends	1,884	1,922
Foreign exchange gains	318,965	—
Miscellaneous income	7,600	1,568
Total non-operating income	481,930	205,549
Non-operating expenses		
Interest expenses	373,746	378,814
Foreign exchange losses	—	92,262
Miscellaneous losses	44,173	34,528
Total non-operating expenses	417,920	505,605
Ordinary profit	1,563,038	587,584
Extraordinary losses		
Loss on retirement of non-current assets	225,007	2,051
Loss on valuation of investment securities	—	546,749
Loss on transfer of business	—	1,959,383
Extra retirement payments	143,420	110,137
Total extraordinary losses	368,428	2,618,322
Profit (loss) before income taxes	1,194,610	(2,030,737)
Corporate taxes	1,146,713	(352,404)
Profit (loss)	47,896	(1,678,333)
(Breakdown)		
Profit (loss) attributable to owners of parent	47,896	(1,678,333)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,568,255)	990,379
Foreign currency translation adjustment	119,926	(516,449)
Total other comprehensive income	(1,448,329)	473,930
Comprehensive income	(1,400,432)	(1,204,402)
(Breakdown)		
Comprehensive income attributable to owners of parent	(1,400,432)	(1,204,402)



## (3) Quarterly consolidated statements of cash flows

	(Unit: Thousand Yen)	
	Previous consolidated cumulative third quarter (From April 1, 2018 to December 31, 2018)	Current consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	1,194,610	(2,030,737)
Depreciation	2,455,201	2,662,766
Amortization of goodwill	1,374,278	1,296,242
Amortization of long-term prepaid expenses	639,844	602,047
Increase (decrease) in provision for bonuses	(279,585)	(194,040)
Increase (decrease) in provision for construction contracts	9,733	(69,706)
Interest and dividend income	(90,308)	(104,229)
Interest expenses	373,746	378,814
Loss on valuation of investment securities	—	546,749
Loss on transfer of business	—	1,959,383
Extra retirement payments	143,420	110,137
Increase (decrease) in trade receivables	(13,292,334)	1,586,510
Increase (decrease) in inventories	(1,613,472)	3,596,005
Increase (decrease) in trade payables	1,531,204	(1,075,627)
Increase (decrease) in other assets	37,062	2,777,487
Increase (decrease) in other liabilities	(170,716)	(339,294)
Other	273,705	61,599
Subtotal	(7,413,609)	11,764,109
Interest and dividend income received	90,053	104,246
Interest expenses paid	(347,592)	(371,457)
Extra retirement payments	—	(323,726)
Corporate and other income tax refunds	37,384	8,069
Corporate and other income taxes paid	(703,513)	(649,240)
Cash flows from operating activities	(8,337,277)	10,532,000
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	203,785	—
Payments into time deposits	(303,508)	—
Purchase of property, plant and equipment	(1,011,011)	(705,921)
Purchase of intangible assets	(826,847)	(601,715)
Purchase of investment securities	(546,750)	—
Purchase of long-term prepaid expenses	(611,688)	(812,572)
Proceeds from transfer of business	—	406,439
Other	(445,256)	(363,242)
Cash flows from investing activities	(3,541,276)	(2,077,012)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans	(1,936,790)	(1,540,820)
Proceeds from long-term loans payable	11,000,000	1,000,000
Repayments of long-term loans payable	(1,500,000)	(8,000,000)
Proceeds from share issuance to non-controlling shareholders	—	6,081,628
Cash dividends paid	(737,084)	(369,544)
Other	38	(27,769)
Cash flows from investing activities	6,826,163	(2,856,505)
Effect of exchange rate changes on cash and cash equivalents	(59,912)	(182,890)
Net increase (decrease) in cash and cash equivalent	(5,112,303)	5,415,591
Balance of cash and cash equivalents at beginning of the period	19,449,135	10,182,313

	(Unit: Thousand Yen)	
	Previous consolidated cumulative third quarter (From April 1, 2018 to December 31, 2018)	Current consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)
Balance of cash and cash equivalents at end of the quarterly period	14,336,831	15,597,905

(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)

Following the initial public offering of SiTime Corporation, our consolidated subsidiary, on the NASDAQ Global Market on November 21, 2019 (U.S. Pacific Standard Time Zone), SiTime Corporation increased its capital by issuing new shares. As a result, capital surplus increased by ¥3,110,988 thousand, and the capital surplus as of the end of the third quarter of the current consolidated fiscal year was ¥9,294,835 thousand.

(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 final 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 third quarter increased by ¥1,089,137 thousand and the "other" of non-current liabilities increased by ¥736,404 thousand. Further, the impact on the consolidated income and cash flows for the current third 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 taxes for the consolidated year.

However, if the calculation using the estimated effective tax rate is extremely unreasonable, the statutory effective tax rate is used.