

## Consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]

July 31, 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: August 7, 2020  
 Scheduled date of commencing dividend payments: —  
 Availability of supplementary briefing material on quarterly financial results: Not 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, 2020 (From April 1, 2020 to June 30, 2020)

(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, 2020 | 21,107      | 40.4   | 253              | — | 67              | — | 1,497                                   | — |
| June 30, 2019                    | 15,038      | (43.7) | (731)            | — | (894)           | — | (984)                                   | — |

(Note) Comprehensive income: Three months ended June 30, 2020: ¥985 million [-%]  
 Three months ended June 30, 2019: ¥(954) million [-%]

|                                  | Basic earnings per share |  | Diluted earnings per share |  |
|----------------------------------|--------------------------|--|----------------------------|--|
|                                  | Yen                      |  | Yen                        |  |
| Three months ended June 30, 2020 | 68.81                    |  | —                          |  |
| June 30, 2019                    | (45.25)                  |  | —                          |  |

(2) Consolidated Financial Position

|                      | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
|                      | Million yen  | Million yen | %            | Yen                  |
| As of June 30, 2020  | 69,256       | 29,763      | 43.0         | 1,367.60             |
| As of March 31, 2020 | 72,347       | 31,031      | 38.8         | 1,289.72             |

(Reference) Equity: As of June 30, 2020: ¥29,763 million  
 As of March 31, 2020: ¥28,068 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, 2020             | —                | —               | —               | 17.00    | 17.00 |
| Fiscal year ending March 31, 2021            | —                | —               | —               | —        | —     |
| Fiscal year ending March 31, 2021 (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, 2021 is yet to be decided, “—” is shown for the year-end dividend.

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

|           | Net sales   |        | Operating income |       | Ordinary income |       | Profit attributable to owners of parent |   | Basic earnings per share |
|-----------|-------------|--------|------------------|-------|-----------------|-------|---|---|--------------------------|
|           | Million yen | %      | Million yen      | %     | Million yen     | %     | Million yen                             | % | Yen                      |
| Full year | 55,000      | (16.4) | 3,200            | 229.1 | 2,100           | 228.6 | 1,800                                   | — | 82.71                    |

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

#### \* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2020 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: —

Exception: —

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Number of shares outstanding (common stock)

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

June 30, 2020: 23,038,400 shares

March 31, 2020: 23,038,400 shares

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

June 30, 2020: 1,275,420 shares

March 31, 2020: 1,275,420 shares

3) Average number of shares outstanding during the period

Three months ended June 30, 2020: 21,762,980 shares

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

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

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

(Note on the forward-looking statements)

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

(Method to acquire supplementary documents for quarterly financial results)

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

○Accompanying Materials - Contents

|   |      |
|---|------|
| 1. Overview of the Consolidated Operating Results, etc. ....  | P. 2 |
| (1) Overview of the consolidated operating results ....   | P. 2 |
| (2) Overview of the financial position ....   | P. 3 |
| (3) Overview of forward-looking statements (such as consolidated earnings forecast) ·                           | P. 3 |
| 2. Quarterly Consolidated Financial Statements and Main Notes ....  | P. 4 |
| (1) Quarterly consolidated balance sheets ....  | P. 4 |
| (2) Quarterly consolidated statements of income and statements of comprehensive<br>income.....                  | P. 6 |
| (3) Quarterly consolidated statements of cash flows ....  | P. 7 |
| (4) Notes relating to quarterly consolidated financial statements ....  | P. 8 |
| (Notes relating to going concern assumptions) ....  | P. 8 |
| (Notes relating to significant changes in the amount of shareholders' equity) ······                            | P. 8 |
| (Adoption of special accounting methods for preparation of quarterly consolidated<br>financial statements) .... | P. 8 |
| (Significant changes in subsidiaries during the current consolidated cumulative<br>first quarter) ....          | P. 8 |

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

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

As consolidated operating results for the current consolidated cumulative first quarter, the electronic machinery and equipment industry saw an increased demand for industrial electronics, particularly communication equipment, and a decrease in demand for consumer electronics as well as electronic components and devices, with a decrease from the same quarter of 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 applications in client devices, machines and services 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 equipment 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 and 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 growth in a world where innovation in telecommunication technologies is occurring at a breakneck pace, the Group concentrated its management 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.

In addition, as of June 16, 2020, MegaChips sold a portion of its shares of SiTime Corporation, its U.S.-based subsidiary, through a secondary offering of shares in order to focus management resources on growth areas and reinforce medium- to long-term initiatives, and SiTime Corporation increased its capital through the issuances of new shares. As a result, SiTime Corporation was changed from a consolidated subsidiary to an equity-method affiliate at the end of the first quarter of the current consolidated fiscal year.

As consolidated operating results for the current consolidated cumulative first quarter, the MegaChips Group saw net sales of ¥21,107 million (an increase of 40.4% from the same quarter of the previous consolidated fiscal year), mainly due to steady demand for LSIs for storing game software (customized memories) in the ASIC business.

With regard to profits, as a result of, among other things, business efficiency improved, while ¥583 million of an amortization of intangible assets and goodwill was incurred due to corporate acquisitions in the previous fiscal year, the Group saw operating income before amortization of goodwill and other items of ¥836 million, operating income after amortization of goodwill and other items of ¥253 million (compared to operating losses of ¥731 million in the same quarter of the previous consolidated fiscal year), and ordinary profit of ¥67 million (compared to ordinary losses of ¥894 million in the same quarter of the previous consolidated fiscal year).

In addition, due to a gain on the sales of shares of subsidiaries of ¥3,627 million from the partial sale of shares of SiTime Corporation, a consolidated subsidiary of MegaChips, a loss on retirement of non-current assets of ¥1,368 million, mainly software assets developed in-house, and losses of ¥494 million associated with office lease agreement and real property of the business location, the quarterly profit attributable to owners of the parent amounted to ¥1,497 million (compared to a quarterly loss attributable to owners of the parent of ¥984 million in the same quarter of the previous consolidated 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 first quarter of the current consolidated fiscal year amounted to ¥69,256 million (a decrease of ¥3,091 million from the end of the previous consolidated fiscal year). Comparing major assets with the end of the previous consolidated fiscal year, while notes and accounts receivable-trade increased by ¥3,538 million, buildings decreased by ¥705 million, the “other” of property, plant and equipment decreased by ¥918 million, the “other” of intangible assets decreased by ¥1,775 million, and the “other” of investments and other assets decreased by ¥1,178 million. As a result of SiTime Corporation’s change from a consolidated subsidiary to an affiliated company, while shares of subsidiaries and associates increased by ¥10,003 million, goodwill and technical assets decreased by ¥7,985 million and ¥2,504 million, respectively.

Total liabilities were ¥39,493 million (a decrease of ¥1,823 million from the end of the previous consolidated fiscal year). Comparing major liabilities with the end of the previous consolidated fiscal year, while notes and accounts payable-trade increased by ¥4,295 million, short-term loans payable decreased by ¥1,491 million, the current portion of long-term loans payable and long-term loans payable each decreased by ¥1,500 million, respectively.

The MegaChips Group’s net assets were ¥29,763 million (a decrease of ¥1,268 million from the end of the previous consolidated fiscal year). Comparing major items with the end of the previous consolidated fiscal year, while profit attributable to owners of the parent was ¥1,497 million, non-controlling interests decreased by ¥2,844 million due to SiTime Corporation’s change from a consolidated subsidiary to an affiliated company. As a result, the ratio of net worth to total assets was 43.0% (an increase of 4.2 percentage points from the end of the previous consolidated fiscal year).

Cash and cash equivalents (“net cash”) were recorded at ¥17,184 million at the end of the first quarter of the current consolidated fiscal year, a decrease of ¥35 million from the end of the previous consolidated fiscal year (compared to an increase of ¥4,649 million in the same quarter of the previous consolidated fiscal year). The situation of the cash flows for the current consolidated cumulative first quarter is as follows.

Net cash provided by operating activities amounted to ¥71 million (compared to net cash of ¥2,724 million provided by such activities in the same quarter of the previous consolidated fiscal year). This was mainly due to profit before income taxes of ¥1,831 million, depreciation of ¥727 million, a loss on retirement of non-current assets of ¥1,368 million, and an increase of ¥4,748 million in trade payables, while there was a gain on sales of shares of subsidiaries of ¥3,627 million, an increase of ¥5,330 million in notes and accounts receivable, and an increase of ¥1,079 million in inventories.

Net cash used in investing activities amounted to ¥493 million (compared to net cash of ¥710 million used in such activities in the same quarter of the previous consolidated fiscal year). This is largely the result of expenditures of ¥144 million for the purchase of property, plant and equipment, ¥177 million for the purchase of intangible assets, and ¥233 million for the purchase of long-term prepaid expenses, while there was ¥218 million in proceeds from the sale of shares of subsidiaries due to a change of scope of consolidation.

As a result, the free cash flow, consisting of the net cash provided by or used in operating activities and the net cash provided by or used in investing activities, resulted in net cash used of ¥422 million (compared to net cash provided of ¥2,013 million in the same quarter of the previous consolidated fiscal year).

Net cash provided by financing activities amounted to ¥419 million (compared to net cash of ¥2,728 million provided by such activities in the same quarter of the previous consolidated fiscal year). This is largely attributable to, while there was a net increase of ¥3,979 million in short-term loans payable, there were repayments of long-term loans payable of ¥3,000 million.

## (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, 2021 in the “Notice Concerning Revisions in Forecast and Post of Extraordinary Profit and Loss,” which was publicly disclosed on July 7, 2020.

2. First Quarter Consolidated Financial Statement and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousand Yen)

|                                       | Previous consolidated fiscal<br>year<br>(ended March 31, 2020) | Current first consolidated<br>fiscal quarter<br>(June 30, 2020) |
|---------------------------------------|--|---|
| <b>Assets</b>                         |  |   |
| Current assets                        |  |   |
| Cash and deposits                     | 17,255,431   | 17,220,867  |
| Notes and accounts receivable-trade   | 23,671,755   | 27,210,442  |
| Merchandise and finished goods        | 1,982,480  | 2,109,753   |
| Work in process                       | 1,320,112  | 678,038   |
| Raw materials and supplies            | 230,683  | 275,617   |
| Other                                 | 1,183,567  | 1,269,278   |
| Allowance for doubtful accounts       | (15,231)   | (1,577)   |
| Total current assets                  | 45,628,799   | 48,762,420  |
| Non-current assets                    |  |   |
| Property, plant and equipment         |  |   |
| Buildings                             | 4,499,987  | 3,671,290   |
| Accumulated depreciation              | (3,338,320)  | (3,214,686)   |
| Buildings (net)                       | 1,161,666  | 456,604   |
| Other                                 | 9,851,392  | 7,615,158   |
| Accumulated depreciation              | (7,811,779)  | (6,493,999)   |
| Other (net)                           | 2,039,612  | 1,121,158   |
| Total property, plant and equipment   | 3,201,279  | 1,577,762   |
| Intangible assets                     |  |   |
| Goodwill                              | 7,985,503  | —   |
| Technical assets                      | 2,504,750  | —   |
| Other                                 | 2,541,714  | 765,776   |
| Total intangible assets               | 13,031,968   | 765,776   |
| Investments and other assets          |  |   |
| Investment securities                 | 3,059,822  | 2,085,155   |
| Shares of subsidiaries and associates | —  | 10,003,483  |
| Long-term prepaid debt                | 1,931,652  | 1,748,643   |
| Deferred tax assets                   | 1,515,020  | 1,512,828   |
| Other                                 | 3,978,890  | 2,800,059   |
| Total investment and other assets     | 10,485,386   | 18,150,170  |
| Total non-current assets              | 26,718,634   | 20,493,709  |
| Total assets                          | 72,347,434   | 69,256,130  |

(Unit: Thousand Yen)

|   | Previous consolidated fiscal<br>year<br>(ended March 31, 2020) | Current first consolidated<br>fiscal quarter<br>(June 30, 2020) |
|---|--|---|
| <b>Liabilities</b>                                    |  |   |
| Current liabilities                                   |  |   |
| Notes and accounts payable-trade                      | 7,317,139  | 11,613,038  |
| Short-term loans payable                              | 4,491,960  | 3,000,000   |
| Current portion of long-term loans payable            | 21,000,000   | 19,500,000  |
| Income taxes payable                                  | 110,810  | 747,754   |
| Provisions for bonuses                                | 429,124  | 352,578   |
| Provision for loss on construction contracts          | 51,322   | 49,663  |
| Other provision                                       | —  | 81,250  |
| Other   | 2,672,831  | 1,773,426   |
| Total current liabilities                             | 36,073,187   | 37,117,710  |
| Non-current liabilities                               |  |   |
| Long-term loans payable                               | 3,000,000  | 1,500,000   |
| Other provision                                       | —  | 81,181  |
| Deferred tax liability                                | 676,282  | —   |
| Other   | 1,566,952  | 794,232   |
| Total non-current liabilities                         | 5,243,235  | 2,375,414   |
| Total liabilities                                     | 41,316,423   | 39,493,125  |
| <b>Net assets</b>                                     |  |   |
| Shareholders' equity                                  |  |   |
| Capital stock   | 4,840,313  | 4,840,313   |
| Capital surplus                                       | 9,318,392  | 9,362,461   |
| Retained earnings                                     | 13,896,168   | 15,790,378  |
| Treasury shares                                       | (1,609,032)  | (1,609,032)   |
| Total shareholders' equity                            | 26,445,841   | 28,384,119  |
| Accumulated other comprehensive income                |  |   |
| Valuation difference on available-for-sale securities | 2,586,607  | 1,615,432   |
| Foreign currency translation adjustment               | (964,284)  | (236,546)   |
| Total accumulated other comprehensive income          | 1,622,323  | 1,378,885   |
| Subscription rights to shares                         | 118,195  | —   |
| Non-controlling interests                             | 2,844,650  | —   |
| Total net assets                                      | 31,031,010   | 29,763,005  |
| Total liabilities and net assets                      | 72,347,434   | 69,256,130  |

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

Consolidated cumulative first quarter

(Unit: Thousand Yen)

|  | Previous consolidated<br>cumulative first quarter<br>(From April 1, 2019 to<br>June 30 2019) | Current consolidated<br>cumulative first quarter<br>(From April 1, 2020 to June<br>30, 2020) |
|--|--|--|
| Net sales  | 15,038,281   | 21,107,900   |
| Cost of sales  | 11,514,692   | 17,051,327   |
| Gross profits  | 3,523,589  | 4,056,572  |
| Selling, general and administrative expenses                   | 4,255,507  | 3,802,933  |
| Operating profits or operating (losses)                        | (731,917)  | 253,638  |
| Non-operating profits  |  |  |
| Interest income  | 4,161  | 8,204  |
| Gain on forfeiture of unclaimed dividends                      | 1,922  | 1,155  |
| Miscellaneous income   | 282  | 1,001  |
| Total non-operating income                                     | 6,366  | 10,362   |
| Non-operating expenses   |  |  |
| Interest expenses  | 136,100  | 86,964   |
| Lease payments payable   | —  | 40,440   |
| Foreign exchange losses  | 24,728   | 52,471   |
| Miscellaneous losses   | 8,079  | 16,637   |
| Total non-operating expenses                                   | 168,909  | 196,514  |
| Ordinary profit (loss)   | (894,460)  | 67,486   |
| Extraordinary income   |  |  |
| Gain on sales of shares of subsidiaries                        | —  | 3,627,111  |
| Total extraordinary profit                                     | —  | 3,627,111  |
| Extraordinary losses   |  |  |
| Loss on retirement of non-current assets                       | —  | 1,368,257  |
| Impairment loss  | —  | 413,267  |
| Provision for subleasing carry-over amounts                    | —  | 81,181   |
| Special retirement expenses                                    | 110,137  | —  |
| Total extraordinary losses                                     | 110,137  | 1,862,706  |
| Profit (loss) before income taxes                              | (1,004,598)  | 1,831,890  |
| Corporate taxes  | (19,817)   | 586,620  |
| Quarterly net income or quarterly net (loss)                   | (984,780)  | 1,245,269  |
| (Breakdown)  |  |  |
| Profit (loss) attributable to owners of parent                 | (984,780)  | 1,497,445  |
| Profit (loss) attributable to non-controlling interests        | —  | (252,175)  |
| Other comprehensive income                                     |  |  |
| Valuation difference on available-for-sale securities          | 193,529  | (971,175)  |
| Foreign currency translation adjustment                        | (162,896)  | 710,993  |
| Total other comprehensive income                               | 30,632   | (260,182)  |
| Quarterly comprehensive income                                 | (954,147)  | 985,087  |
| (Breakdown)  |  |  |
| Comprehensive income attributable to owners of parent          | (954,147)  | 1,252,493  |
| Comprehensive income attributable to non-controlling interests | —  | (267,405)  |



## (3) Quarterly consolidated statements of cash flows

|   | (Unit: Thousand Yen)   |  |
|---|--|--|
|   | Previous consolidated<br>cumulative first quarter<br>(From April 1, 2019 to<br>June 30 2019) | Current consolidated<br>cumulative first quarter<br>(From April 1, 2020 to June<br>30, 2020) |
| <b>Cash flows from operating activities</b>   |  |  |
| Profit (loss) before income taxes   | (1,004,598)  | 1,831,890  |
| Depreciation  | 866,963  | 727,155  |
| Amortization of goodwill  | 447,412  | 396,614  |
| Amortization of long-term prepaid expenses  | 207,170  | 203,337  |
| Increase (decrease) in provision for bonuses  | (171,084)  | (76,716)   |
| Increase (decrease) in provision for construction contracts                                 | (11,181)   | (1,659)  |
| Interest and dividend income  | (4,161)  | (8,204)  |
| Interest expenses   | 136,100  | 86,964   |
| Loss on retirement of non-current assets  | —  | 1,368,257  |
| Accumulated impairment loss   | —  | 413,267  |
| Loss (gain) on sales of shares of subsidiaries  | —  | (3,627,111)  |
| Special retirement expenses   | 110,137  | —  |
| Decrease (increase) in notes and accounts receivable - trade                                | (2,726,983)  | (5,330,045)  |
| (Increase) decrease in inventories  | 1,817,887  | (1,079,255)  |
| Increase (decrease) in trade payables   | 249,423  | 4,748,933  |
| (Increase) decrease in other assets   | 2,611,544  | (336,355)  |
| Increase (decrease) in other liabilities  | 413,068  | 334,197  |
| Other   | 59,753   | 481,200  |
| Subtotal  | 3,001,452  | 132,471  |
| Interest and dividend income received   | 4,161  | 8,204  |
| Interest expenses paid  | (84,325)   | (61,723)   |
| Extra retirement payments   | (29,286)   | —  |
| Corporate and other income tax refunds  | 7,618  | —  |
| Corporate and other income taxes paid   | (175,342)  | (7,537)  |
| Ash flows from operating activities   | 2,724,277  | 71,415   |
| <b>Cash flows from investing activities</b>   |  |  |
| Purchase of property, plant and equipment   | (168,791)  | (144,364)  |
| Purchase of intangible assets   | (75,420)   | (177,969)  |
| Purchase of long-term prepaid expenses  | (257,602)  | (233,196)  |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | —  | 218,979  |
| Other   | (208,735)  | (156,926)  |
| Cash flows from investing activities  | (710,549)  | (493,476)  |
| <b>Cash flows from financing activities</b>   |  |  |
| Net increase (decrease) in short-term loans   | 2,600,160  | 3,979,470  |
| Proceeds from long-term loans payable   | 1,000,000  | —  |
| Repayments of long-term loans payable   | (500,000)  | (3,000,000)  |
| Cash dividends paid   | (363,133)  | (362,181)  |
| Other   | (8,813)  | (198,160)  |
| Cash flows from financing activities  | 2,728,213  | 419,128  |
| Effect of exchange rate change on cash and cash equivalents                                 | (92,376)   | (32,237)   |
| Net increase (decrease) in cash and cash equivalents  | 4,649,564  | (35,170)   |
| Cash and cash equivalents beginning of quarter balance                                      | 10,182,313   | 17,219,421   |
| Cash and cash equivalents end of quarter balance  | 14,831,878   | 17,184,250   |

(4) Notes relating to quarterly consolidated financial statements

(Notes relating to going concern assumptions)

None

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

None

(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.

(Significant change in subsidiary in the first consolidated cumulative fiscal quarter)

At the end of the first quarter of the current consolidated fiscal year, SiTime Corporation was changed from a consolidated subsidiary to an equity-method affiliate due to a decrease in the Company's equity interest in the company resulting from MegaChips' sale of a portion of the shares it held in SiTime Corporation and the increased capital in SiTime Corporation by the issuance of new shares.