

## Consolidated Financial Results for the Nine Months Ended December 31, 2020 [Japanese GAAP]

February 3, 2021

Company name: MegaChips Corporation  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 6875  
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 Scheduled date of filing quarterly securities report: February 10, 2021  
 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, 2020 (From April 1, 2020 to December 31, 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	%
Nine months ended December 31, 2020	69,305	35.4	4,389	394.5	2,962	404.1	3,174	—
December 31, 2019	51,200	(37.0)	887	(40.8)	587	(62.4)	(1,678)	—

(Note) Comprehensive income: Nine months ended December 31, 2020: ¥3,001 million [-%]  
 Nine months ended December 31, 2019: ¥(1,204) million [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended December 31, 2020	Yen 145.85	Yen —
December 31, 2019	(77.12)	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2020	72,355	31,012	42.9	1,425.01
As of March 31, 2020	72,347	31,031	38.8	1,289.72

(Reference) Equity: As of December 31, 2020: ¥31,012 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. 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, 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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	75,000	14.0	4,200	331.9	2,700	322.5	2,700	—	124.06

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

#### \* Notes

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

December 31, 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

December 31, 2020: 1,275,468 shares

March 31, 2020: 1,275,420 shares

3) Average number of shares outstanding during the period

Nine months ended December 31, 2020: 21,762,968 shares

Nine months ended December 31, 2019: 21,763,019 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, etc.

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

As consolidated operating results for the current consolidated cumulative third quarter in the electronic machinery and equipment industry, while demand for industrial electronics and consumer electronics declined, the demand for electronic components and devices increased, with the electronic machinery and equipment industry as a whole remaining at the same level as the same quarter of the previous consolidated fiscal year.

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. Our competitive advantage is our ability to develop and supply System LSIs with unique algorithm architecture to solve our customers' problems based on our deep understanding of our customers' applications and our core proprietary technology.

In the ASSP business, to achieve further growth in a world where innovation in telecommunication technologies is occurring at a breakneck pace, the MegaChips Group has 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 share of SiTime Corporation, its U.S.-based subsidiary, through a secondary offering of shares in order to focus its management resources on growth areas and to reinforce medium-to long-term initiatives, and SiTime Corporation has 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 third quarter, the MegaChips Group saw net sales of ¥69,305 million (an increase of 35.4% from the same quarter of the previous consolidated fiscal year), mainly due to the 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, improved business efficiency, the Group saw operating income before amortization of goodwill and other items of ¥4,972 million and operating income after amortization of goodwill and other items of ¥4,389 million (an increase of 394.5% from the same quarter of the previous consolidated fiscal year). As a result of a ¥770 million equity in net loss from SiTime Corporation, which became an equity-method affiliate, (including amortization of goodwill and other items in the second fiscal quarter) and foreign exchange losses of ¥549 million, the Group saw ordinary profits of ¥2,962 million (an increase of 404.1% from the same quarter of the previous consolidated fiscal year).

In addition, mainly in the first quarter, due to a gain from the partial sale of shares subsidiaries and the issuance of new shares, SiTime Corporation, a consolidated subsidiary, recognized a gain of ¥3,627 million ¥1,473 million loss on retirement of non-current assets, mainly of software assets developed in-house, and losses of ¥609 million associated with office lease agreement and real property of the business location, the quarterly profit attributable to owners of the parent amounted to ¥3,174 million (compared to a quarterly loss attributable to owners of the parent of ¥1,678 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 third quarter of the current consolidated fiscal year amounted to ¥72,355 million (an increase of ¥8 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 ¥10,915 million, cash and deposits decreased by ¥3,512 million, buildings decreased by ¥705 million, the “other” of property, plant and equipment decreased by ¥845 million, the “other” of intangible assets, mainly software, decreased by ¥1,953 million, and the “other” of investments and other assets decreased by ¥954 million. In addition, as a result of SiTime Corporation’s change from a consolidated subsidiary to an equity-method affiliated company, while shares of subsidiaries and associates increased by ¥8,299 million, goodwill and technical assets decreased by ¥7,985 million and by ¥2,504 million, respectively.

Total liabilities were ¥41,343 million (an increase of ¥26 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, short-term loans payable, and income taxes payable each increased by ¥4,395 million, by ¥5,008 million, and by ¥1,485 million, respectively, the current portion of long-term loans payable decreased by ¥6,000 million and long-term loans payable decreased by ¥2,500 million.

The MegaChips Group’s net assets were ¥31,012 million (a decrease of ¥18 million from the end of the previous consolidated fiscal year). Comparing major items with the end of the previous consolidated fiscal year, while the quarterly profit attributable to owner of the parent was ¥3,174 million, non-controlling interests decreased by ¥2,844 million due to SiTime Corporation’s change from a consolidated subsidiary to an equity-method affiliated company. As a result, the ratio of net worth to total assets was 42.9% (an increase of 4.1 percentage points from the end of the previous consolidated fiscal year).

Cash and cash equivalents (“net cash”) were recorded at ¥13,706 million at the end of the third quarter of the current consolidated fiscal year, a decrease of ¥3,513 million from the end of the previous consolidated fiscal year (compared to an increase of ¥5,415 million in the same quarter of the previous consolidated fiscal year). The situation of cash flows for the current consolidated cumulative third quarter is as follows.

Net cash used in operating activities amounted to ¥2,558 million (compared to net cash of ¥10,532 million provided by such activities in the same quarter of the previous consolidated fiscal year). This was mainly due to, while there were profit before income taxes of ¥4,475 million, depreciation of ¥1,258 million, a share of loss of entities accounted for using equity method of ¥770 million, a loss on retirement of non-current assets of ¥1,473 million, and an increase of ¥4,844 million in trade payables, there were a gain on sales of shares of subsidiaries of ¥3,627 million and an increase of ¥12,702 million in notes and accounts receivable-trade.

Net cash used in investing activities amounted to ¥2,005 million (compared to net cash of ¥2,077 million used in such activities in the same quarter of the previous consolidated fiscal year). This is largely the result of there were expenditures of ¥585 million for the purchase of property, plant and equipment, ¥295 million for the purchase of intangible assets, and ¥727 million for the purchase of long-term prepaid expenses.

As a result, the free cash flow, consisting of the net cash provided by or used in operating activities and net cash provided by or used in investing activities, resulted in ¥4,563 million net cash used (compared to ¥8,454 million net cash provided in the same quarter of the previous consolidated fiscal year).

Net cash provided by financing activities was ¥1,405 million (compared to net cash of ¥2,856 million used in such activities in the same quarter of the previous consolidated fiscal year). This was mainly due to a net increase of ¥10,479 million in short-term loans payable and repayments of long-term loans payable of ¥8,500 million.

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

There is no change from the consolidated earnings forecast for the fiscal year ending March 31, 2021, which was announced in the “Notice Concerning Revisions in Forecast” which was publicly disclosed on October 30, 2020.

## 2. Quarterly Consolidated Financial Statement and Main Notes

### (1) Quarterly Consolidated Balance Sheet

(Unit: Thousand Yen)

	Previous consolidated fiscal year (Ended March 31, 2020)	Current third consolidated fiscal quarter (December 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	17,255,431	13,743,229
Notes and accounts receivable-trade	23,671,755	34,587,096
Merchandise and finished goods	1,982,480	1,219,630
Work in progress	1,320,112	572,739
Raw material and supplies	230,683	214,050
Other	1,183,567	1,918,353
Allowance for doubtful account	(15,231)	(2,003)
Total current assets	45,628,799	52,253,095
Non-current assets		
Property, plant and equipment		
Buildings	4,499,987	3,663,779
Accumulated depreciation	(3,338,320)	(3,207,566)
Buildings (net)	1,161,666	456,213
Other	9,851,392	7,529,624
Accumulated depreciation	(7,811,779)	(6,335,176)
Other (net)	2,039,612	1,194,447
Total property, plant and equipment	3,201,279	1,650,661
Intangible assets		
Goodwill	7,985,503	—
Technical assets	2,504,750	—
Other	2,541,714	588,672
Total intangible assets	13,031,968	588,672
Investments and other assets		
Investment securities	3,059,822	2,645,935
Shares of subsidiaries and associates	—	8,299,250
Long-term prepaid debt	1,931,652	2,357,717
Deferred tax assets	1,515,020	1,535,656
Other	3,978,890	3,024,709
Total investment and other assets	10,485,386	17,863,269
Total non-current assets	26,718,634	20,102,603
Total assets	72,347,434	72,355,698

(Unit: Thousand Yen)

	Previous consolidated fiscal year (Ended March 31, 2020)	Current third consolidated fiscal quarter (December 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	7,317,139	11,712,925
Short-term loans payable	4,491,960	9,500,000
Current portion of long-term loans payable	21,000,000	15,000,000
Income taxes payable	110,810	1,596,605
Provisions for bonuses	429,124	361,118
Provision for loss on construction contracts	51,322	40,437
Other provisions	—	93,750
Other	2,672,831	1,866,649
Total current liabilities	36,073,187	40,171,486
Non-current liabilities		
Long-term loans payable	3,000,000	500,000
Deferred tax liability	676,282	—
Other	1,566,952	671,868
Total non-current liabilities	5,243,235	1,171,868
Total liabilities	41,316,423	41,343,354
Net assets		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	9,318,392	9,362,461
Retained earnings	13,896,168	16,700,417
Treasury shares	(1,609,032)	(1,609,176)
Total shareholders' equity	26,445,841	29,294,016
Accumulated and other comprehensive income		
Valuation difference on available-for-sale securities	2,586,607	2,169,999
Foreign currency translation adjustment	(964,284)	(451,672)
Total accumulated other comprehensive income	1,622,323	1,718,327
Subscription rights to shares	118,195	—
Non-controlling interests	2,844,650	—
Total net assets	31,031,010	31,012,343
Total liabilities and net assets	72,347,434	72,355,698

## (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, 2019 to December 31, 2019)	Current consolidated cumulative third quarter From April 1, 2020 to December 12, 2020)
Net sales	51,200,799	69,305,175
Cost of sales	38,368,232	58,530,736
Gross profits	12,832,567	10,774,439
Selling, general and administrative expenses	11,944,927	6,385,264
Operating profits (or profit losses)	887,640	4,389,174
Non-operating profits		
Interest income	9,941	9,171
Dividend income	94,288	98,085
Gain on investments in partnerships	1,040	6,362
Receipt of dispatching fees	96,788	33,122
Gain on forfeiture of unclaimed dividends	1,922	1,155
Miscellaneous income	1,568	5,808
Total non-operating income	205,549	153,706
Non-operating expenses		
Interest expenses	378,814	169,693
Share of loss of entities accounted for using equity method	—	770,247
Foreign exchange losses	92,262	549,108
Miscellaneous losses	34,528	91,817
Total non-operating expenses	505,605	1,580,865
Ordinary profit (loss)	587,584	2,962,014
Extraordinary income		
Gain on sales of shares of subsidiaries	—	3,627,111
Gain on change in equity	—	68,922
Gain on transfer of business	—	41,653
Total extraordinary profit	—	3,737,687
Extraordinary losses		
Loss on retirement of non-current assets	2,051	1,473,205
Impairment losses	—	398,466
Loss (gain) on valuation of investment securities	546,749	—
Loss on liquidation of subsidiaries and associates	—	26,231
Loss on liquidation of business	—	115,219
Loss (gain) on transfer of business	1,959,383	—
Special retirement expenses	110,137	—
Loss on transfer of leasehold contracts	—	211,107
Total extraordinary losses	2,618,322	2,224,230
Profit (loss) before income taxes	(2,030,737)	4,475,471
Corporate taxes	(352,404)	1,553,427
Quarterly net income or quarterly net (loss)	(1,678,333)	2,922,043
(Breakdown)		
Profit (Loss) attributable to owners of parent	(1,678,333)	3,174,219
Profit (Loss) attributable to non-controlling interests	—	(252,175)



	Unit: Thousand Yen)	
	Previous consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)	Current consolidated cumulative third quarter From April 1, 2020 to December 31, 2020)
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	990,379	(416,607)
Foreign currency translation adjustment	(516,449)	734,080
Share of other comprehensive income of entities accounted for using equity method	—	(238,212)
<b>Total other comprehensive income</b>	<b>473,930</b>	<b>79,259</b>
<b>Quarterly comprehensive income</b>	<b>(1,204,402)</b>	<b>3,001,303</b>
<b>(Breakdown)</b>		
Comprehensive income attributable to owners of parent	(1,204,402)	3,268,709
Comprehensive income attributable to non-controlling interests	—	(267,405)

## (3) Quarterly consolidated statements of cash flows

	Unit: Thousand Yen)	
	Previous consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)	Current consolidated cumulative third quarter From April 1, 2020 to December 31, 2020)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(2,030,737)	4,475,471
Depreciation	2,662,766	1,258,779
Amortization of goodwill	1,296,242	396,614
Amortization of long-term prepaid debt	602,047	568,959
Increase (decrease) in provision for bonuses	(194,040)	(68,248)
Increase (decrease) in provision for construction contracts	(69,706)	(10,885)
Interest and dividend income	(104,229)	(107,257)
Interest expenses	378,814	169,693
Share of profit (loss) of entities accounted for using equity method	—	770,247
Loss on retirement of non-current assets	2,051	1,473,205
Accumulated impairment losses	—	398,466
Loss (gain) on valuation of investment securities	546,749	—
Loss (gains) on sales of shares of subsidiaries	—	(3,627,111)
Loss (gain) on change in equity	—	(68,922)
Loss on liquidation of business	—	115,219
Loss (gain) on transfer of business	1,959,383	(41,653)
Special retirement expenses	110,137	—
Decrease (increase) in notes and accounts receivable-trade	1,586,510	(12,702,218)
Increase (decrease) in inventory	3,596,005	(111,867)
Increase (decrease) in trade payables	(1,075,627)	4,844,167
Increase (decrease) in other assets	2,777,487	(959,678)
Increase (decrease) in other liabilities	(339,294)	(77,963)
Other	59,547	850,732
<b>Subtotal</b>	<b>11,764,109</b>	<b>(2,454,248)</b>
Interest and dividend income received	104,246	107,274
Interest expenses paid	(371,457)	(145,937)
Extra retirement payments	(323,726)	(25,515)
Corporate and other tax refunds	8,069	173,857
Corporate and other income taxes paid	(649,240)	(214,010)
<b>Cash flows from operating activities</b>	<b>10,532,000</b>	<b>(2,558,579)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(705,921)	(585,526)
Purchase of intangible assets	(601,715)	(295,077)
Purchase of long-term prepaid expenses	(812,572)	(727,516)
Proceeds from sales of shares of subsidiaries resulting in change of scope of consolidation	—	225,841
Proceeds from transfer of business	406,439	—
Expenses from transfer of business	—	(226,146)
Other	(363,242)	(396,580)
<b>Cash flows from investing activities</b>	<b>(2,077,012)</b>	<b>(2,005,006)</b>

	(Unit: Thousand Yen)	
	Previous consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)	Current consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans	(1,540,820)	10,479,470
Proceeds from long-term loans payable	1,000,000	—
Repayments of long-term loans payable	(8,000,000)	(8,500,000)
Proceeds from share issuance to non-controlling shareholders	6,081,628	—
Cash dividends paid	(369,544)	(369,026)
Other	(27,769)	(205,118)
Cash flows from financing activities	(2,856,505)	1,405,325
Effect of exchange rate change on cash and cash equivalents	(182,890)	(354,804)
Net increase (decrease) in cash and cash equivalents	5,415,591	(3,513,065)
Cash and cash equivalents beginning of quarter balance	10,182,313	17,219,421
Cash and cash equivalents end of quarter balance	15,597,905	13,706,356

(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 third 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.