

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2020	—	—	—	17.00	17.00	369	—	1.4
March 31, 2021	—	—	—	80.00	80.00	1,741	8.3	4.5
Fiscal year ending March 31, 2022 (Forecast)	—	—	—	—	—		—	

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, 2022 (From April 1, 2021 to March 31, 2022)

(% 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
	65,500	(21.9)	4,300	(14.4)	3,700	(5.4)	2,400	(88.5)	110.28

* Notes

(1) Changes in significant subsidiaries during the Fiscal year ended March 31, 2021 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: —

Exception: —

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

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

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Number of shares outstanding (common stock)

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

March 31, 2021: 23,038,400 shares

March 31, 2020: 23,038,400 shares

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

March 31, 2021: 1,275,531 shares

March 31, 2020: 1,275,420 shares

3) Average number of shares outstanding during the period

Fiscal year ended March 31, 2021: 21,762,946 shares

Fiscal year ended March 31, 2020: 21,763,009 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	81,149	48.9	5,847	43.6	5,372	35.6	13,514	—
March 31, 2020	54,493	(33.1)	4,071	22.7	3,963	3.0	1,109	(33.7)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2021	621.00	—
March 31, 2020	50.96	—

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2021	72,674	48,153	66.3	2,212.66
March 31, 2020	68,527	35,008	51.1	1,608.64

(Reference) Equity: As of March 31, 2021: ¥48,153 million

As of March 31, 2020: ¥35,008 million

* These financial results are outside the scope of audit by Certified Public Accountants or audit corporations.

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

(Note on the forward-looking statements)

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

(Method to acquire supplementary documents for financial results)

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

○Accompanying Materials-Contents

1. Overview of the Consolidated Operating Results, etc.	P. 2
(1) Overview of the consolidated operating results	P. 2
(2) Overview of the financial position	P. 3
(3) Overview of the cash flow	P. 3
(4) Outlook	P. 4
2. Basic Approach to the Selection of Accounting Standards	P. 4
3. Consolidated Financial Statements and Main Notes	P. 5
(1) Consolidated balance sheet	P. 5
(2) Consolidated statements of income and statements of comprehensive income	P. 7
(3) Consolidated statements of changes in equity	P. 9
(4) Consolidated statements of cash flows	P. 11
(5) Notes relating to consolidated financial statements	P. 13
(Notes on going concern assumptions)	P. 13
(Material changes in subsidiaries)	P. 13
(Material accounting estimates)	P. 13
(Not applicable accounting standards, etc.)	P. 13
(Segment information, etc.)	P. 13
(Per share information)	P. 14
(Material subsequent events)	P. 14
4. Other	P. 15
Change in Board of Directors	P. 15

1 . Overview of the Consolidated Operating Results etc.

(1) Overview of the consolidated operating results

In the current consolidated fiscal year, the overall market for the electronic machinery and equipment industry remained at the same level as in 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 on the launch of new LSI businesses targeting, among other fields, the fields of in-vehicle devices, industrial equipment, and telecommunications infrastructure, and energy control, and robotics, 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 each of June 2020 and February 2021, MegaChips sold a portion of its shares of SiTime Corporation, its U.S.-based consolidated subsidiary, through a secondary offering of shares in conjunction with the issuance of new shares of SiTime Corporation, in order to improve corporate value and shareholder value by, among other things, focusing its management resources on growth areas and strengthening its management structure and management base through financial and capital strategies. 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 fiscal year, the MegaChips Group saw net sales of ¥83,814 million (an increase of 27.4% from 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 ¥5,608 million and operating income after amortization of goodwill and other items of ¥5,025 million (an increase of 416.7% from the previous consolidated fiscal year). As a result of a ¥899 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), the Group saw ordinary profits of ¥3,912 million (an increase of 512.3% from the previous consolidated fiscal year).

In addition, due to a gain on sales of shares of subsidiaries and associates of ¥26,387 million as a result of the partial sale of shares of SiTime Corporation, a consolidated subsidiary, and SiTime Corporation's issuance of new shares, a ¥2,543 million loss on retirement of non-current assets, mainly of software assets developed in-house, and losses of ¥895 million associated with an office lease agreement and real property of the business location, the profit attributable to owners of the parent of the current consolidated fiscal year amounted to ¥20,920 million (compared to a loss attributable to owners of the parent of ¥1,792 million in 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 current consolidated fiscal year amounted to ¥74,627 million (an increase of ¥2,279 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 ¥4,152 million, and merchandise and finished goods increased by ¥1,134 million, buildings decreased by ¥837 million, the “other” of property, plant and equipment decreased by ¥1,037 million, and software decreased by ¥1,985 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 ¥11,958 million, goodwill and technical assets decreased by ¥7,985 million and by ¥2,504 million, respectively.

Total liabilities were ¥24,583 million (a decrease of ¥16,732 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 and income taxes payable each increased by ¥2,169 million and by ¥6,651 million, respectively, short-term loans payable decreased by ¥2,491 million, the current portion of long-term loans payable decreased by ¥18,210 million, and long-term loans payable decreased by ¥3,000 million.

The MegaChips Group’s net assets were ¥50,043 million (an increase of ¥19,012 million from the end of the previous consolidated fiscal year). Comparing major assets with the end of the previous consolidated fiscal year, while the profit attributable to owners of the parent was ¥20,920 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 67.1% (an increase of 28.3 percentage points from the end of the previous consolidated fiscal year).

(3) Overview of the cash flow

Cash and cash equivalents (“Capital”) were recorded at ¥21,407 million at the end of the current consolidated fiscal year, an increase of ¥4,188 million from the previous consolidated fiscal year (compared to an increase of ¥7,037 million in the previous consolidated fiscal year). The status of cash flows at the end of the current consolidated fiscal year was as follows.

Cash flows from operating activities acquired as capital amounted to ¥5,513 million (compared to ¥28,256 million acquired as capital in the previous consolidated fiscal year). This was mainly due to a profit before income taxes of ¥26,834 million (compared to a loss before income taxes of ¥1,965 million in the previous consolidated fiscal year), depreciation of ¥1,514 million, a share of loss of entities accounted for using equity method of ¥899 million, a loss on retirement of non-current assets of ¥2,543 million, an increase in notes and accounts payable-trade of ¥2,581 million, a gain on sales of shares of subsidiaries and associates of ¥26,387 million, and an increase of ¥2,141 million in inventory.

Cash flow from investing activities acquired as capital reached ¥17,022 million (compared to ¥2,541 million used as capital in the previous consolidated fiscal year). This was mainly attributable to ¥19,151 million in proceeds from sales of shares of subsidiaries and associates.

As a result, free cash flow, the sum of cash flow from operating activities and cash flow from investing activities, amounted to ¥22,536 million acquired as capital (compared to ¥25,715 million acquired as capital in the previous consolidated fiscal year).

Cash flows from financing activities used as capital amounted to ¥18,807 million (compared to ¥18,599 million used as capital in the previous consolidated fiscal year). This was mainly due to a net increase in short-term loans payable of ¥2,979 million and repayments of long-term loans payable of ¥21,210 million.

(4) Outlook

Under the following basic policies, the MegaChips Group intends to accelerate its medium- to long-term growth by strengthening its revenue base and concentrating its management resources on, among other fields, the in-vehicle device, industrial equipment, telecommunications infrastructure, energy control, and robotics fields, which are expected to grow in the future.

- ① In the ASIC business, which is our core business, we will strengthen the sales force by proactively promoting a customer-oriented and proposal-based business and strive to improve quality and develop new technology. We will also strengthen our business base by providing optimal solutions in response to customers' needs by focusing on information coordination and securing a manufacturing infrastructure in order to fulfill our responsibility as a part of the supply chain.
- ② We will promote business structure transformation for long-term sustainable growth by concentrating our management resources by targeting, among other fields, the in-vehicle device, industrial equipment, telecommunications infrastructure, energy control, and robotics fields, where rapid market expansion is expected.
- ③ To create new businesses with a view to long-term growth, we will promote the launch of new businesses by strengthening the infrastructure of the Group's North American base, promoting joint R&D of cutting-edge technologies with U.S. universities, and establishing a CVC (corporate venture capital) fund to promote strategic alliances and business investments with start-up companies with cutting-edge technologies and ideas, mainly in the U.S.
- ④ In order to support long-term growth through business structure transformation and the fostering of new businesses, we will strengthen our management base so that we can flexibly and quickly respond to changes in the business environment by implementing measures to strengthen our financial base, and building a personnel system and promoting gender diversity measures in order to make the most of our diverse human resources, including women, and to maximize their abilities.

In the consolidated fiscal year ending March 31, 2022, the MegaChips Group forecasts consolidated net sales of ¥65,500 million (a 21.9% decrease from the previous [consolidated] fiscal year), a [consolidated] operating income of ¥4,300 million (a 14.4% decrease from the previous [consolidated] fiscal year), ordinary profit of ¥3,700 million (a 5.4% decrease from the previous [consolidated] fiscal year), and a consolidated profit attributable to owners of the parent of ¥2,400 million (an 88.5% decrease from the previous [consolidated] fiscal year).

We believe that the impact of the spread of the new coronavirus on our business performance in the next fiscal year will be limited in scope, based on the assumption that the virus will be under control by the end of fiscal 2021. However, it is extremely difficult to predict the impact on the demand for end products in which the Group's products are used, and the impact on our business performance may vary depending on future trends. We will continue to collect and analyze information on the impact of the coronavirus.

2. Basic Approach to the Selection of Accounting Standards

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

3. Consolidated Financial Statements and Main Notes

(1) Consolidated balance Sheet

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (ended March 31, 2020)	Consolidated fiscal year under review (ended March 31, 2021)
Assets		
Current assets		
Cash and deposits	17,255,431	21,407,837
Notes and accounts receivable-trade	23,671,755	23,071,412
Merchandise and finished goods	1,982,480	3,116,736
Work in progress	1,320,112	650,911
Raw materials and supplies	230,683	227,705
Other	1,183,567	2,392,922
Allowance for doubtful accountants	(15,231)	(1,359)
Total current assets	45,628,799	50,866,164
Non-current assets		
Property, plant and equipment		
Buildings	4,499,987	2,431,492
Accumulated depreciation	(3,338,320)	(2,107,337)
Buildings (net)	1,161,666	324,155
Land	198,156	116,149
Construction in progress	378,070	631,873
Other	9,275,165	6,604,542
Accumulated depreciation	(7,811,779)	(6,178,410)
Other (net)	1,463,386	426,132
Total property, plant and equipment	3,201,279	1,498,311
Intangible assets		
Goodwill	7,985,503	—
Technical assets	2,504,750	—
Software	2,536,810	551,130
Other	4,904	6,983
Total intangible assets	13,031,968	558,114
Investment and other assets		
Investment securities	3,059,822	3,590,087
Shares of subsidiaries and associates	—	11,958,131
Long-term prepaid expenses	1,931,652	1,247,326
Deferred tax assets	1,515,020	1,864,528
Other	3,978,890	3,044,623
Total investment and other assets	10,485,386	21,704,697
Total non-current assets	26,718,634	23,761,123
Total assets	72,347,434	74,627,287

(Unit: Thousand Yen)

	Previous consolidated fiscal year (ended March 31, 2020)	Consolidated fiscal year under review (ended March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts receivable-trade	7,317,139	9,486,207
Short-term loans payable	4,491,960	2,000,000
Current portion of long-term loans payable	21,000,000	2,790,000
Accounts payable-other	1,467,760	1,572,606
Income taxes payable	110,810	6,762,580
Provision for bonuses	429,124	664,636
Provision for loss on construction contracts	51,322	16,388
Other	1,205,071	533,309
Total current liabilities	36,073,187	23,825,729
Non-current liabilities		
Long-term loans payable	3,000,000	—
Deferred tax liabilities	676,282	—
Other	1,566,952	758,073
Total non-current liabilities	5,243,235	758,073
Total liabilities	41,316,423	24,583,802
Net equity		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	9,318,392	9,362,461
Earned surplus	13,896,168	34,446,477
Treasury stock	(1,609,032)	(1,609,380)
Total shareholders' equity	26,445,841	47,039,871
Other accumulated comprehensive equity		
Valuation difference on available-for-sale securities	2,586,607	3,054,006
Foreign translation currency adjustment	(964,284)	(50,393)
Total other accumulated comprehensive equity	1,622,323	3,003,613
Subscription rights to shares	118,195	—
Non-controlling interests	2,844,650	—
Total net assets	31,031,010	50,043,484
Total liabilities and net assets	72,347,434	74,627,287

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

(Unit: Thousand Yen)

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Consolidated fiscal year under review (From April 1, 2020 to March 31, 2021)
Net sales	65,764,572	83,814,786
Cost of sales	49,068,642	70,504,584
Gross profits	16,695,930	13,310,202
Selling, general and administrative expenses	15,723,468	8,285,061
Operating income	972,461	5,025,140
Non-operating income		
Interest income	13,898	10,140
Dividends earned	98,357	99,060
Receipt of dispatching fees	100,965	33,451
Gain in investment on partnerships	1,918	6,341
Miscellaneous income	13,832	8,565
Total non-operating income	228,971	157,559
Non-operating expenses		
Interest expenses	482,811	208,504
Commission loan payable	500	622
Loss on sales of accounts receivable	39,893	43,975
Share of loss of entities accounted for using equity method	—	899,128
Foreign exchange losses	28,665	53,552
Miscellaneous losses	10,516	63,943
Total non-operating expenses	562,387	1,269,727
Ordinary income	639,045	3,912,972
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	—	26,387,742
Gain on change in equity	—	117,449
Gain on liquidation of subsidiaries and associations	599,232	—
Gain on transfer of business	—	41,653
Total extraordinary income	599,232	26,546,845
Extraordinary losses		
Loss on retirement of non-current assets	167,375	2,543,415
Impairment loss	271,134	703,978
Loss on valuation of investment securities	546,749	—
Loss on liquidation of subsidiaries and associates	—	26,231
Loss on liquidation of business	—	160,312
Loss on transfer of business	2,092,466	—
Special retirement expenses	125,743	—
Loss on transfer of leasehold contracts	—	191,574
Total extraordinary losses	3,203,469	3,625,511
Net income (loss) before taxes	(1,965,191)	26,834,306
Income taxes - current	176,742	6,564,284
Income taxes deferred	(317,726)	(398,082)
Total income taxes	(140,983)	6,166,202
Profit (loss)	(1,824,208)	20,668,103
(Breakdown)		
Profit (loss) attributable to owners of parent	(1,792,121)	20,920,279
Profit (loss) attributable to non-controlling members	(32,087)	(252,175)

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Consolidated fiscal year under review (From April 1, 2020 to March 31, 2021)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,545,132	467,399
Foreign currency translation adjustment	(788,253)	1,004,771
Share of other comprehensive income of entities accounted for using equity method	—	(107,626)
Total other comprehensive income	756,878	1,364,545
Comprehensive income	(1,067,329)	22,032,648
(Breakdown)		
Comprehensive income attributable to owners of parent	(1,072,056)	22,300,054
Comprehensive income attributable to non-controlling members	4,726	(267,405)

(3) Consolidated statements of changes in equity

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(Unit: Thousand Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	4,840,313	6,183,846	16,058,261	(1,608,924)	25,473,496
Changes of items during period					
Dividends of surplus			(369,971)		(369,971)
Profit (loss) attributable to owners of parent			(1,792,121)		(1,792,121)
Purchase of treasury shares				(108)	(108)
Capital increase of consolidated subsidiaries		3,110,988			3,110,988
Change in ownership interest of parent due to transactions with non-controlling interests		23,556			23,556
Net change of items other than shareholders' equity					
Total changes in items during period	—	3,134,545	(2,162,092)	(108)	972,344
Balance at the end of the period	4,840,313	9,318,392	13,896,168	(1,609,032)	26,445,841

	Other accumulated comprehensive income			Gain on reversal of subscription rights to shares	Non-controlling interests	Total net assets
	Valuation differences on available-for-sale securities	Foreign currency translation adjustment	Total other comprehensive income			
Balance at the beginning of the period	1,041,475	(291,018)	750,456	—	—	26,223,953
Changes of items during the period						
Dividends of surplus						(369,971)
Profit (loss) attributable to owners of the parent						(1,792,121)
Purchase of treasury shares						(108)
Capital increase of consolidated subsidiaries						3,110,988
Change in ownership interest of parent due to transactions with non-controlling interests						23,556
Net change of items other than shareholders' equity	1,545,132	(673,265)	871,866	118,195	2,844,650	3,834,712
Total changes in items during the period	1,545,132	(673,265)	871,866	118,195	2,844,650	4,807,057
Balance at the end of the period	2,586,607	(964,284)	1,622,323	118,195	2,844,650	31,031,010

Consolidated fiscal year under review (From April 1, 2020 to March 31, 2021)

(Unit: Thousand Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	4,840,313	9,318,392	13,896,168	(1,609,032)	26,445,841
Changes of items during the period					
Dividends of surplus			(369,970)		(369,970)
Profit (loss) attributable to owners of the parent			20,920,279		20,920,279
Purchase of treasury shares				(347)	(347)
Capital increase of consolidated subsidiaries					—
Change in ownership interest of parent due to transactions with non-controlling interests		44,068			44,068
Net change of items other than shareholders' equity					
Total changes in items during the period	—	44,068	20,550,308	(347)	20,594,030
Balance at the end of the period	4,840,313	9,362,461	34,446,477	(1,609,380)	47,039,871

	Other accumulated comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation differences on available-for-sale securities	Foreign currency translation adjustment	Total other accumulated comprehensive income			
Balance at the beginning of the period	2,586,607	(964,284)	1,622,323	118,195	2,844,650	31,031,010
Changes of items during the period						
Dividends of surplus						(369,970)
Profit (loss) attributable to owners of parent						20,920,279
Purchase of treasury shares						(347)
Capital increase of consolidated subsidiaries						—
Change in ownership interest of parent due to transactions with non-controlling interests						44,068
Net change of items other than shareholders' equity	467,399	913,890	1,381,289	(118,195)	(2,844,650)	(1,581,556)
Total changes in items during the period	467,399	913,890	1,381,289	(118,195)	(2,844,650)	19,012,474
Balance at the end of the period	3,054,006	(50,393)	3,003,613	—	—	50,043,484

(4) Consolidated statements of cash flows

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Consolidated fiscal year under review (From April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit (loss) before taxes	(1,965,191)	26,834,306
Depreciation	3,511,162	1,514,877
Amortization of goodwill	1,715,147	396,614
Amortization of long-term prepaid expenses	805,373	730,910
Increase (decrease) in allowance for doubtful accounts	(5,697)	(8,336)
Increase (decrease) in reserves for bonus payments	23,662	234,710
Increase (decrease) in reserves for loss on construction contracts	(97,252)	(34,934)
Interest and dividend income	(112,256)	(109,201)
Interest expenses	482,811	208,504
Share of (profit) loss of entities accounted for using equity method	—	899,128
Loss (gains) on investments in partnerships	(1,918)	(6,341)
Foreign exchange gain (loss)	65,674	(268,326)
Loss on retirement of non-current assets	167,375	2,543,415
Impairment loss	271,134	703,978
Loss (gain) on valuation of investment securities	546,749	—
Loss (gain) on sales of shares of subsidiaries and associates	—	(26,387,742)
Loss (gain) on change in equity	—	(117,449)
Loss (gain) on liquidation of subsidiaries and associates	(599,232)	18,165
Loss on liquidation of business	—	160,312
Loss (gain) on transfer of business	2,092,466	—
Extra retirement payment	125,743	—
Decrease (increase) in notes and accounts receivable-trade	15,896,069	(1,151,669)
Decrease (increase) in inventories valuation	3,593,934	(2,141,754)
Increase (decrease) in notes and accounts payable - trade	553,253	2,581,243
Decrease (increase) in other assets	2,774,322	(1,314,969)
Decrease (increase) in other liabilities	(339,339)	114,594
Other	168,346	269,439
Subtotal	29,672,341	5,669,474
Interest and dividend income received	112,256	109,219
Interest expenses paid	(535,018)	(185,720)
Extra retirement payments	(327,571)	(26,894)
Corporate and other income taxes refund	8,184	173,899
Corporate and other income taxes (paid)	(673,912)	(225,987)
Cash flows from operating activities	28,256,279	5,513,991

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Consolidated fiscal year under review (From April 1, 2020 to March 31, 2021)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	38,865
Purchase of property, plant and equipment	(844,919)	(649,916)
Purchase of intangible assets	(789,724)	(378,988)
Purchase of investment securities	—	(55,355)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	225,841
Proceeds from sales of shares of subsidiaries and associates	—	19,151,982
Purchase of long-term prepaid expenses	(816,883)	(738,670)
Collection of loans receivable	7,808	5,068
Payments of loans receivable	(3,079)	—
Proceeds from collection of guarantee deposits	11,530	10,718
Payments for guarantee deposits	(2,020)	(16,369)
Proceeds from transfer of business	297,646	—
Payments for transfer of business	—	(226,146)
Other	(401,633)	(344,598)
Cash flows from investing activities	(2,541,276)	17,022,431
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(15,775,140)	2,979,470
Proceeds from long-term loans payable	1,000,000	—
Repayments of long-term loans payable	(9,500,000)	(21,210,000)
Proceeds from share issuance to non-controlling shareholders	6,081,628	—
Cash dividends paid	(369,816)	(369,228)
Other	(36,634)	(207,788)
Cash flows from financing activities	(18,599,962)	(18,807,546)
Effect of exchange rate change on cash and cash equivalents	(77,931)	459,539
Net increase (decrease) in cash and cash equivalents	7,037,107	4,188,415
Balance at the beginning of the period of cash and cash equivalents	10,182,313	17,219,421
Balance at the end of the period of cash and cash equivalents	17,219,421	21,407,837

(5) Notes relating to consolidated financial statements

(Notes on going concern assumptions)

None

(Material changes in subsidiaries)

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.

(Material accounting estimates)

(Valuation of goodwill included in stocks of affiliates)

1. Amount recorded in the consolidated financial statements for the current consolidated fiscal year

In the consolidated financial statements for the current consolidated fiscal year, the stock of our US-based affiliate company, SiTime Corporation, which is an equity-method affiliate, includes ¥11,958,131 thousand for goodwill, which reflects the difference of ¥1,941,540 thousand between investment and capital.

2. Other information that contributes to the understanding of users of consolidated financial statements

Regarding the details of accounting estimates amortizes goodwill on a straight-line basis over 10 years. The Company assesses the necessity of recognizing impairment losses by comparing the undiscounted future cash flows from the shares of affiliates of SiTime Corporation multiplied by the percentage of ownership with the book value of the shares of affiliates. If it is determined that an impairment loss is required, the carrying amount of the asset will be reduced to its recoverable amount, and the reduction in the carrying amount will be recorded as an equity in losses of affiliates.

As for the goodwill of SiTime Corporation, although there are indications of impairment loss since the operating profits and losses after amortization of goodwill have been continuously negative, the SiTime Corporation's share price has remained at a high level and the recoverable amount has exceeded their book value, making it unnecessary to recognize an impairment loss.

(Not applicable accounting standards, etc.)

“Accounting Standards for Revenue Recognition” (Corporate Accounting Standards No. 29, March 31, 2020)

“Accounting Standards for Revenue Recognition Application Guidelines” (Corporate Accounting Standards Application Guidelines No. 30, March 31, 2020)

1. Summary

These are comprehensive accounting standards for revenue recognition. Revenue is recognized by applying the five steps below.

Step 1: Identify the contracts executed with the client.

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

Step 3: Calculate the transaction price.

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

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

2. Application date

Scheduled for application from the beginning of fiscal year 2022.

3. Effect of application on accounting standards, etc.

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

(Segment information, etc.)

Segment information

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

(Per share information)

(Unit: Thousand Yen)

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Consolidated fiscal year under review (From April 1, 2020 to March 31, 2021)
Net assets per share	1,289.72	2,299.49
Profit (loss) per share	(82.35)	961.28

(Note) 1. Diluted net income per share for the previous consolidated fiscal year is not shown because the Group posted a net loss per share.

2. Diluted net income per share for the fiscal year ended March 31, 2021 is not shown because there are no dilutive securities.

3. The basis for the calculation of current net income per share and current net loss per share is as follows.

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Consolidated fiscal year under review (From April 1, 2020 to March 31, 2021)
Profit (loss) attributable to owners of parent (thousand yen)	(1,792,121)	20,920,279
Amount that is not attributable to ordinary shareholders (thousand yen)	—	—
Profit (loss) attributable to shareholders of the parent company related to ordinary share (thousand yen)	(1,792,121)	20,920,279
Average number of ordinary shares during the current period	21,763,009	21,762,946

(Material subsequent events)

None

4 . Other

Change in Board of Directors

(1) Candidates for Directors to be Newly Appointed

Outside Director: Kunihiro Yamada (Currently, Visiting Professor, Faculty of System Design, Tokyo Metropolitan University)

(2) Directors to Retire

Junhao Rai (Currently, Outside Director)

(3) Candidate for Auditor to be Newly Appointed

Outside Auditor: Akira Matsushima

(4) Scheduled Change Date

June 25, 2021