

Consolidated Financial Results **for the Fiscal Year Ended March 31, 2024** **[Japanese GAAP]**

May 10, 2024

Company name: MegaChips Corporation
Stock exchange listing: Tokyo Stock Exchange
Code number: 6875
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Scheduled date of Ordinary General Meeting of Shareholders: June 21, 2024
Scheduled date of commencing dividend payments: May 31, 2024
Scheduled date of filing annual securities report: June 21, 2024
Availability of supplementary briefing material on annual financial results: Available
Schedule of annual 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 Fiscal Year Ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2024	57,942	(18.1)	5,483	(9.1)	3,456	(52.7)	4,486	(36.7)
March 31, 2023	70,722	(6.0)	6,029	(14.2)	7,311	(6.9)	7,086	(74.3)

(Note) Comprehensive income: Fiscal year ended March 31, 2024: ¥41,737 million [375.6%]
Fiscal year ended March 31, 2023: ¥8,775 million [(70.9)%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2024	242.30	—	5.1	3.2	9.5
March 31, 2023	369.40	—	10.0	8.2	8.5

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2024: ¥(2,914) million
Fiscal year ended March 31, 2023: ¥206 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	126,610	102,673	80.9	5,639.82
As of March 31, 2023	89,021	74,535	83.7	3,883.46

(Reference) Equity: As of March 31, 2024: ¥102,408 million
As of March 31, 2023: ¥74,535 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2024	8,160	214	(5,392)	25,160
March 31, 2023	1,241	(5,520)	(1,738)	20,717

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, 2023	—	—	—	90.00	90.00	1,727	24.4	2.4
March 31, 2024	—	—	—	110.00	110.00	1,997	45.4	2.3
Fiscal year ending March 31, 2025 (Forecast)	—	—	—	120.00	120.00		43.6	

We pay dividends once per year based on the basic policy for profit distribution, using the fiscal year-end date as the record date.

The breakdown of annual dividends for fiscal year ended March 31, 2024 is an ordinary dividend of ¥50 and a special dividend of ¥60.

The breakdown of annual dividends for fiscal year ending March 31, 2025 (Forecast) is an ordinary dividend of ¥60 and a special dividend of ¥60.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (From April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	52,000	(10.3)	4,000	(27.1)	4,000	15.7	5,000	11.4	275.36

* Notes

(1) Changes in significant subsidiaries during the Fiscal year ended March 31, 2024 (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, 2024: 21,132,400 shares

March 31, 2023: 21,967,700 shares

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

March 31, 2024: 2,974,202 shares

March 31, 2023: 2,774,753 shares

3) Average number of shares outstanding during the period

Fiscal year ended March 31, 2024: 18,518,152 shares

Fiscal year ended March 31, 2023: 19,183,125 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2024	57,942	(18.1)	5,580	(8.7)	6,023	(16.8)	7,480	5.2
March 31, 2023	70,722	(6.0)	6,115	(13.2)	7,241	(2.7)	7,108	(64.0)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2024	403.96	—
March 31, 2023	370.58	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	121,214	97,419	80.4	5,365.04
As of March 31, 2023	74,154	59,928	80.8	3,122.42

(Reference) Equity: As of March 31, 2024: ¥97,419 million

As of March 31, 2023: ¥59,928 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.

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1. Overview of Consolidated Operating Results

(1) Overview of consolidated operating results

In the electronic machinery and equipment industry in the current consolidated fiscal year, demand for the industrial electronic devices and consumer electronics was steady, and demand for electronic components and devices also remained strong, the overall market demand for the electronics device industry increased compared to the corresponding period of the previous year.

In the ASIC business, the Group develops and supplies System LSI with unique algorithm and architecture to solve our customers problems based on our deep understanding of their applications and our proprietary core technology. The Group provides optimal solutions for applications in customer devices and services, not only in the mainstay game consoles, digital cameras and office machines, but also in the industrial equipment area. We service major customers both inside and outside Japan and thereby strengthening our business foundation.

In the ASSP business, to achieve further growth in a world where innovation in telecommunication technologies is occurring at a breakneck pace, the Company is concentrating its management resources on launching new LSI businesses, targeting fields where future growth is expected, such as the areas of telecommunications and industrial equipment. MegaChips strives to foster new businesses that will become important pillars for future profits by developing and providing a superior, value-added solution capable of differentiation through initiatives to enhance the competitiveness of the analog and digital circuits' development and design technology and engaging in strategic collaboration with businesses inside and outside Japan.

As to consolidated operating results for the current consolidated fiscal year, the MegaChips Group saw net sales of ¥57,942 million (a decrease of 18.1% year-on-year), and the operating profit amounted to ¥5,483 million (a decrease of 9.1% year-on-year) due to the decrease in demand for amusement business compared to the previous consolidated fiscal year despite a high level of demand, while demand for ASIC business has remained strong.

With regard to profit, ordinary profit amounted to ¥3,456 million (a decrease of 52.7% year-on-year) due to a share of loss of entities accounted for using equity method (goodwill amortization included) of ¥2,914 million from SiTime Corporation (exemption from the equity method as of March 31, 2024) that was an equity method affiliate, while interest income and foreign exchange gains occurred for ¥261 million and ¥252 million, respectively.

The profit attributable to owners of parent reached ¥4,486 million (a decrease of 36.7% year-on-year) due to a gain on sales of shares of subsidiaries and associates of ¥5,524 million as an extraordinary income from the sale of a portion of shares in SiTime Corporation, which was an affiliated company and a gain on change in equity of ¥1,053 million. On the other hand, a loss on valuation of investment securities as an extraordinary loss and a loss on valuation of shares of subsidiaries and associates occurred for ¥887 million and ¥454 million, respectively. In the previous consolidated fiscal year, a gain on sale of shares of subsidiaries and associates of ¥3,467 million was posted due to the sale of portion of shares in SiTime Corporation.

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 ¥126,610 million (an increase of ¥37,589 million from the previous fiscal year-end). Comparing major assets with the end of the previous consolidated fiscal year, while cash and deposits and investment securities increased by ¥8,794 million and ¥61,409 million, respectively, securities, accounts receivable-other, share of subsidiaries and associates and deferred tax assets decreased by ¥1,451 million, ¥8,820 million, ¥21,149 million and ¥992 million, respectively.

Of the above, an increase of investment securities of ¥59,992 million and a decrease of shares of subsidiaries and associates of ¥18,221 million were due to the exemption of SiTime Corporation from the equity method associates and its market capitalization.

Total liabilities amounted to ¥23,937 million (an increase of ¥9,451 million from the previous fiscal year-end). Comparing major liabilities with the end of the previous consolidated fiscal year, while deferred tax liabilities increased by ¥14,454 million due to an increase of ¥15,313 million of SiTime Corporation's market capitalization, notes and accounts payable-trade decreased by ¥4,836 million.

The MegaChips Group's net assets amounted to ¥102,673 million (an increase of ¥28,138 million from the previous fiscal year-end). Comparing major assets with the end of the previous consolidated fiscal year, while the profit attributable to owners of the parent was ¥4,486 million, retained earnings decreased by ¥4,154 million due to a dividends of surplus of ¥1,727 million, cancellation of treasury shares of ¥2,614 million and a decrease of ¥4,318 million resulting from the exemption of SiTime from the equity method associates. Treasury stocks increased by ¥1,245 million (shown as a negative amount) due to an acquisition and retirement of ¥3,934 million and ¥2,614 million, respectively. In addition, while valuation difference on available-for-sale securities increased by ¥35,508 million due to an increase of ¥34,763 million resulting from the mark-to-market of SiTime Corporation, foreign currency translation adjustment decreased by ¥2,234 million due to a decrease of ¥3,986 million resulting from the exemption of SiTime Corporation from the equity method associates.

As a results, net worth amounted to ¥102,408 million and the ratio of net worth to total assets was 80.9% (decreased by 2.8 percentage points from the previous fiscal year-end).

(3) Overview of the cash flow

Cash and cash equivalents ("Capital") were recorded at ¥25,160 million at the end of the current consolidated fiscal year, an increase of ¥4,442 million from the previous consolidated fiscal year (a decrease of ¥5,052 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 provided by operating activities amounted to ¥8,160 million (compared to ¥1,241 million acquired as capital in the previous consolidated fiscal year). This was mainly due to a profit before income taxes of ¥8,223 million, a share of loss of entities accounted for using equity method of ¥2,914 million, a loss on valuation of investment securities of ¥887 million, a loss on valuation of shares of subsidiaries of ¥454 million and a decrease in other assets of ¥9,585 million, while a ¥5,524 million gain on sale of shares of subsidiaries and associates was posted, trade payables decreased by ¥4,836 million, and income taxes paid occurred for ¥3,161 million.

Cash flows provided by investment activities amounted to ¥214 million (compared to ¥5,520 million used as capital in the previous consolidated fiscal year). This was mainly attributable to ¥7,031 million in proceeds from the sales of shares of subsidiaries and associates. Meanwhile, payments into time deposits, purchase of property, plant and equipment, and the acquisition of investment securities were ¥2,899 million, ¥943 million, and ¥1,301, respectively.

As a result, the free cash flows, consisting of the net cash provided by or used in operating activities or investment activities, resulted in ¥8,375 million net cash acquired (compared to ¥4,279 million used as capital in the previous consolidated fiscal year).

Cash flows used in financing activities amounted to ¥5,392 million (compared to ¥1,738 million used as capital in the previous consolidated fiscal year). This was mainly due to a purchase of treasury shares of ¥3,935 million and cash dividends paid of ¥1,725 million.

(4) Outlook

[Mid-term initiatives]

The MegaChips Group creates higher value-added products and services by combining our unique technologies with the innovative, cutting-edge expertise and expertise of other companies. We are committed to providing solutions to customer issues.

In the upcoming mid-term, we will continue our business structural reform to stabilize profits by strengthening business portfolio and developing new businesses. We are advancing various measures and striving to establish the amusement, ASIC, and telecommunications businesses as the pillars supporting our company.

Looking ahead to our future growth, we aim to launch a fourth new business. We will promote collaborative research and development with domestic and foreign universities, strengthen the structure of our Northern American site, and invest in startups with advanced technologies and ideas. We will also form strategic alliances through our corporate venture capital (CVC) we have established in the United States.

By doing so, we will explore new business opportunities and take the lead in creating and commercializing unique businesses.

① Amusement business

In our core amusement business, we will focus on customer-oriented proposals and support activities, fully preparing ourselves to win the contract of the next model of gaming console. To ensure a stable supply of products, we will continue our initiatives such as reinforcing information collaboration and enhancing of our production structure to strengthen the entire supply chain including our partner companies, manufacturing subcontractors and cooperating partners. In terms of sales performance, we strive to ensure our position as a major supplier and aim to secure stable sales and profits.

② ASIC business

In the ASIC business, in addition to our mainstay of consumer devices and OA equipment fields, we will continue to expand our business by targeting new sectors including industrial equipment and telecommunications. Utilizing our expertise in analog, telecommunication, information security, cryptography, and image processing technologies, we plan to develop products for image processing, FA devices, and telecommunication infrastructure equipment, and then proceed with mass production in a phased manner. We aim to continue increasing sales and profits over the mid-to-long term.

③ Telecommunications business

In telecommunications business, we are working on launching a new business with the goal of starting full-scale mass production in this mid-term. Specifically, we are advancing the commercialization through a strategic alliance with Morse Micro PTY. LTD. (“Morse Micro”), a leader in Wi-Fi HaLow™, wireless communication technology. In this field, we are going to expand our business with a wide range of solutions by combining our expertise in wired telecommunications with Morse Micro’s wired communications technology, which enables ultra-long communication distances of approximately 1km and low power consumption. There are diverse applications including local networks, home networks (both inside and outside the home), video data transfer for drive recorders, interfaces with drones, and wireless surveillance camera networks. Regarding business performance, we will focus on developing solutions for customer applications and acquiring new customers to initiate full-scale commercial production in earnest, aiming to achieve profitability at an early stage.

In the consolidated fiscal year ending March 31, 2025, mainly due to a decrease of demand for amusement business, the MegaChips Group forecasts a net sales of ¥52,000 million (a 10.3% decrease from the previous consolidated fiscal year), an operating income of ¥4,000 million (a 27.1% decrease from the previous consolidated fiscal year), ordinary profit of ¥4,000 million (a 15.7% increase from the previous consolidated fiscal year). As noted in “Sale of Investment Securities and Post of Extraordinary Profits” released on May 10, 2024, the Company expects to gain a profit attributable to owners of parent of ¥5,000 million (a 11.4% increase from the previous consolidated fiscal year) due to an approximately estimated ¥3,000 million in extraordinary income from the sale of a portion of SiTime Corporation shares.

Regarding dividends for the fiscal year ending March, 31, 2025, we expect to pay an annual dividend of ¥120, an increase of ¥10 from the dividend for the fiscal year ended March, 31, 2024, due to the forecasted consolidated business results for the fiscal year ending March 31, 2025 and the outlook of business conditions.

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 the 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, 202)	Consolidated fiscal year under review (ended March 31, 2024)
Assets		
Current assets		
Cash and deposits	19,265,419	28,059,864
Notes, accounts receivable-trade, and contract assets	10,353,476	10,473,989
Securities	1,451,821	—
Merchandise and finished goods	2,182,487	1,775,070
Work in progress	1,740,111	1,448,520
Raw materials and supplies	374,976	219,600
Accounts receivable	11,960,299	3,140,105
Other	1,500,044	1,083,970
Allowance for doubtful accounts	(76,264)	(71,571)
Total current assets	48,752,371	46,129,550
Non-current assets		
Property, plant and equipment		
Buildings	348,386	348,239
Accumulated depreciation	(178,581)	(201,376)
Buildings (net)	169,804	146,862
Tools, furniture and fixtures	4,805,754	4,895,109
Accumulated impairment	(3,866,880)	(3,917,655)
Tools, furniture and fixtures (net)	938,873	977,454
Construction in progress	705,049	639,958
Other	1,212,464	1,215,850
Accumulated depreciation	(1,189,147)	(1,181,587)
Other (net)	23,317	34,262
Total property, plant and equipment	1,837,045	1,798,538
Intangible assets		
Software	455,907	564,542
Other	1,574	1,160
Total intangible assets	457,482	565,703
Investment and other assets		
Investment securities	14,214,221	75,623,395
Shares of subsidiaries and associates	21,149,636	—
Long-term prepaid expenses	931,619	1,605,545
Deferred tax assets	1,026,233	34,132
Other	652,434	854,071
Total investment and other assets	37,974,145	78,117,145
Total non-current assets	40,268,672	80,481,386
Total assets	89,021,044	126,610,936

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (ended March 31, 2023)	Consolidated fiscal year under review (ended March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,344,452	2,508,130
Accounts payable-other	1,958,026	2,186,832
Income taxes payable	1,969,952	2,476,620
Provision for bonuses	733,733	719,163
Provision for loss on construction contracts	210,644	94,000
Other	1,685,627	628,076
Total current liabilities	13,902,436	8,612,823
Non-current liabilities		
Deferred tax liabilities	—	14,454,860
Other	583,555	869,515
Total non-current liabilities	583,555	15,324,376
Total liabilities	14,485,992	23,937,199
Net equity		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	9,359,915	9,359,915
Earned surplus	61,364,420	57,210,333
Treasury stock	(8,298,764)	(9,544,485)
Total shareholders' equity	67,265,884	61,866,076
Other accumulated comprehensive equity		
Valuation difference on available-for-sale securities	2,045,472	37,553,803
Foreign currency translation adjustment	5,223,695	2,989,119
Total other accumulated comprehensive equity	7,269,167	40,542,922
Non-controlling interests	—	264,737
Total net assets	74,535,052	102,673,736
Total liabilities and net assets	89,021,044	126,610,936

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

(Unit: Thousand Yen)

	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Consolidated fiscal year under review (From April 1, 2023 to March 31, 2024)
Net sales	70,722,656	57,942,966
Cost of sales	58,672,673	46,498,104
Gross profits	12,049,983	11,444,862
Selling, general and administrative expenses	6,020,136	5,961,601
Operating profit	6,029,846	5,483,260
Non-operating income		
Interest income	115,753	261,620
Dividends earned	175,952	187,461
Receipt of dispatching fees	177,269	141,713
Share of profit of entities accounted for using equity method	206,208	—
Gain on investments in investment partnerships	—	3,211
Foreign exchange gains	642,528	252,857
Miscellaneous income	26,585	76,513
Total non-operating income	1,344,298	923,378
Non-operating expenses		
Interest expenses	7,372	4,359
Loss on sale of receivables	35,319	21,638
Share of loss of entities accounted for using equity method	—	2,914,315
Loss on investments in investment partnerships	8,525	—
Donations	—	2,000
Miscellaneous losses	11,316	7,897
Total non-operating expenses	62,534	2,950,210
Ordinary profit	7,311,611	3,456,428
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	3,467,999	5,524,005
Gain on change in equity	360,648	1,053,898
Total extraordinary income	3,828,647	6,577,904
Extraordinary losses		
Loss on retirement of non-current assets	480,068	469,373
Impairment losses	387,616	—
Loss on valuation of investment securities	501	887,058
Loss on valuation of shares of subsidiaries and associates	—	454,230
Total extraordinary losses	868,186	1,810,661
Profit before income taxes	10,272,072	8,223,671
Income taxes - current	2,595,127	3,656,039
Income taxes deferred	590,783	95,961
Total income taxes	3,185,911	3,752,001
Profit	7,086,161	4,471,669
(Breakdown)		
Profit (loss) attributable to owners of parent	7,086,161	4,486,913
Profit (loss) attributable to non-controlling interests	—	(15,243)

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Consolidated fiscal year under review (From April 1, 2023 to March 31, 2024)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,410,014)	35,508,331
Foreign currency translation adjustment	531,988	917,662
Share of other comprehensive income of entities accounted for using equity method	2,567,709	839,582
Total other comprehensive income	1,689,683	37,265,575
Comprehensive income	8,775,845	41,737,245
(Breakdown)		
Comprehensive income attributable to owners of parent	8,775,845	41,747,340
Comprehensive income attributable to non-controlling members	—	(10,095)

(3) Consolidated statements of changes in equity

Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(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	9,359,915	56,013,709	(8,364,802)	61,849,135
Changes during period					
Dividends of surplus			(1,725,353)		(1,725,353)
Profit (loss) attributable to owners of parent			7,086,161		7,086,161
Purchase of treasury shares				(8,425)	(8,425)
Disposal of treasury shares			(10,097)	74,463	64,366
Cancellation of treasury shares					—
Change in scope of equity method					—
Transfer from retained earnings to capital surplus					—
Net changes in items other than shareholders' equity					
Total changes in items during period	—	—	5,350,710	66,038	5,416,749
Balance at the end of the period	4,840,313	9,359,915	61,364,420	(8,298,764)	67,265,884

	Other accumulated comprehensive income			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	3,455,486	2,123,997	5,579,483	—	67,428,618
Changes during period					
Dividends of surplus					(1,725,353)
Profit (loss) attributable to owners of parent					7,086,161
Purchase of treasury shares					(8,425)
Disposal of treasury shares					64,366
Cancellation of treasury shares					—
Change in scope of equity method					—
Transfer from retained earnings to capital surplus					—
Net change in items other than shareholders' equity	(1,410,014)	3,099,698	1,689,683	—	1,689,683
Total changes in items during the period	(1,410,014)	3,099,698	1,689,683	—	7,106,433
Balance at the end of the period	2,045,472	5,223,695	7,269,167	—	74,535,052

Consolidated fiscal year under review (From April 1, 2023 to March 31, 2024)

(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	9,359,915	61,364,420	(8,298,764)	67,265,884
Changes during period					
Dividends of surplus			(1,727,365)		(1,727,365)
Profit (loss) attributable to owners of parent			4,486,913		4,486,913
Purchase of treasury shares				(3,934,976)	(3,934,976)
Disposal of treasury shares		19,449		75,110	94,560
Cancellation of treasury shares		(2,614,144)		2,614,144	—
Change in scope of equity method			(4,318,939)		(4,318,939)
Transfer from retained earnings to capital surplus		2,594,695	(2,594,695)		—
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	—	(4,154,086)	(1,245,721)	(5,399,807)
Balance at the end of the period	4,840,313	9,359,915	57,210,333	(9,544,485)	61,866,076

	Other accumulated comprehensive income			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	2,045,472	5,223,695	7,269,167	—	74,535,052
Changes during period					
Dividends of surplus					(1,727,365)
Profit (loss) attributable to owners of parent					4,486,913
Purchase of treasury shares					(3,934,976)
Disposal of treasury shares					94,560
Cancellation of treasury shares					—
Change in scope of equity method					(4,318,939)
Transfer from retained earnings to capital surplus					—
Net changes in items other than shareholders' equity	35,508,331	(2,234,576)	33,273,755	264,737	33,538,492
Total changes in items during the period	35,508,331	(2,234,576)	33,273,755	264,737	28,138,684
Balance at the end of the period	37,553,803	2,989,119	40,542,922	264,737	102,673,736

(4) Consolidated statements of cash flows

	Unit (Thousand Yen)	
	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Consolidated fiscal year under review (From April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit (loss) before taxes	10,272,072	8,223,671
Depreciation	405,517	524,275
Amortization of long-term prepaid expenses	679,730	758,542
Increase (decrease) in allowance for doubtful accounts	74,806	(4,692)
Increase (decrease) in reserves for bonus payments	(117,052)	(14,608)
Increase (decrease) in reserves for loss on construction contracts	176,722	(116,643)
Interest and dividend income	(291,705)	(449,082)
Interest expenses	7,372	4,359
Share of (profit) loss of entities accounted for using equity method	(206,208)	2,914,315
Loss (gains) on investments in partnerships	8,525	(3,211)
Foreign exchange gain (loss)	(617,835)	(650,004)
Loss on retirement of non-current assets	480,068	469,373
Impairment loss	387,616	—
Loss (gain) on valuation of investment securities	501	887,058
Loss (gain) on sales of shares of subsidiaries and associates	(3,467,999)	(5,524,005)
Loss (gain) on valuation of shares of subsidiaries and associates	—	454,230
Loss (gain) on change in equity	(360,648)	(1,053,898)
Decrease (increase) in notes and accounts receivable-trade	(2,402,787)	(120,512)
Decrease (increase) in inventories valuation	(676,423)	854,383
Increase (decrease) in notes and accounts payable - trade	(756,999)	(4,836,322)
Decrease (increase) in other assets	6,442,823	9,585,645
Decrease (increase) in other liabilities	(693,339)	(1,016,883)
Other	35,079	(649)
Subtotal	9,379,836	10,885,339
Interest and dividend income received	262,600	437,754
Interest expenses paid	(7,372)	(4,359)
Corporate and other income tax refunds	209	3,599
Corporate and other income taxes (paid)	(8,393,835)	(3,161,364)
Cash flows from operating activities	1,241,438	8,160,970
Cash flows from investing activities		
Payments into time deposits	—	(2,899,799)
Purchase of property, plant and equipment	(789,124)	(943,705)
Purchase of intangible assets	(156,990)	(168,290)
Purchase of investment securities	(9,447,992)	(1,301,798)
Proceeds from sales of shares of subsidiaries and associates	4,591,523	7,031,172
Purchase of long-term prepaid expenses	(1,008,900)	(918,808)
Proceeds from collection of guarantee deposits	534	1,243
Payments for guarantee deposits	(87,472)	(1,064)
Proceeds from transfer of business	2,156,960	—
Other	(778,984)	(584,884)
Cash flows from investing activities	(5,520,446)	(214,063)

	Unit (Thousand Yen)	
	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Consolidated fiscal year under review (From April 1, 2023 to March 31, 2024)
Cash flows from financing activities		
Purchase of treasury shares	(8,425)	(3,935,369)
Cash dividends paid	(1,723,178)	(1,725,411)
Proceeds from accepting investments from non- controlling interests in investment partnerships	—	274,832
Other	(6,563)	(6,790)
Cash flows from financing activities	(1,738,167)	(5,392,739)
Effect of exchange rate change on cash and cash equivalents	964,970	1,460,529
Net increase (decrease) in cash and cash equivalents	(5,052,205)	4,442,823
Balance at the beginning of the period of cash and cash equivalents	25,769,446	20,717,240
Balance at the end of the period of cash and cash equivalents	20,717,240	25,160,064

(5) Notes relating to consolidated financial statements

(Notes on going concern assumptions)

None

(Material accounting estimates)

(Valuation of unlisted stocks)

(1) Amount recorded in the consolidated financial statements of the current consolidated fiscal year

MegaChips and its consolidated US subsidiaries Group are investing in several overseas startup companies with cutting-edge technologies and ideas for medium- to long-term growth. Such investment amounts are recorded as investment securities of ¥12,355,632 thousand in the consolidated balance sheet of the current consolidated fiscal year.

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

The investments held by MegaChips are recognized as the balance sheet value at the acquisition cost as the non-marketable securities. When the value of investments decreases significantly, a loss on valuation will be recognized except when the recoverability of the real value is supported by sufficient evidence. Although, in accordance with U.S. GAAP, the investments held by consolidated subsidiaries are calculated with the method to show as the valuation of the balance sheet based on the acquisition cost with no easily determinable fair market price, if applicable, be selected to use the cost method of deducting impairment losses and adding or subtracting observable price changes to determine the balance sheet amount, a loss on valuation will be recognized when circumstances are identified that suggest that the fair value will be less than the acquisition cost, taking into account qualitative factors, including a significant deterioration in the investment's financial condition or future prospects.

As for the valuation of these investments, as a result of calculation of excess return included in the real value related to such investments in startups, MegaChips recognize a deterioration in the value of the investment held by the company, and a situation suggesting that the fair value of the investments held by the U.S. consolidated subsidiaries are less than the acquisition cost, ¥357,123 thousand and ¥984,165 thousand, respectively.

(Segment information)

【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, 2022 to March 31, 2023)	Consolidated fiscal year under review (From April 1, 2023 to March 31, 2024)
Net assets per share	3,883.46	5,639.82
Profit (loss) per share	369.40	242.30

(Notes) 1. Diluted net income per share is not shown because there are no dilutive securities.

2. The basis for the calculation of current net profit per share is as follow.

	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Consolidated fiscal year under review (From April 1, 2023 to March 31, 2024)
Profit (loss) attributable to owners of parent (thousand yen)	7,086,161	4,486,913
Amount that is not attributable to ordinary shareholders (thousand yen)	—	—
Profit (loss) attributable to shareholders of the parent company related to ordinary shares (thousand yen)	7,086,161	4,486,913
Average number of ordinary shares during the current period	19,183,125	18,518,152

(Material subsequent events)

(Sale of investment securities)

At a board meeting held on May, 10, 2024, the Company has decided to sell a part of shares in SiTime Corporation (headquarter in California, U.S., listed on the NASDAQ Global Market), which the company holds as investment securities.

(1) Reason for sale of shares

For the mid to long term growth, the Company plans to improve profitability and strengthen our business portfolio, by strengthening the business foundations of amusement and ASIC businesses and launching new business including telecommunications business as an ASSP business.

The Company aims to further strengthen the financial foundation by selling a portion of our shares in SiTime Corporation, consider adding new business areas for sustainable mid-to long term growth and accelerate our growth.

(2) Future Outlook

As a result, the Company forecasts an extraordinary gain on sale of investment securities of approximately ¥3 billion on a consolidated basis and approximately ¥3 billion on a non-consolidated basis for the fiscal year ending March, 31, 2025.