

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]

May 12, 2023

Company name: MegaChips Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6875
 URL: <https://www.megachips.co.jp/>
 Representative: Tetsuo Hikawa, President and CEO
 Contact: Mitsunori Kumagai, Manager of Finance Division
 Phone: +81-6-6399-2884
 Scheduled date of Ordinary General Meeting of Shareholders: June 23, 2023
 Scheduled date of commencing dividend payments: June 2, 2023
 Scheduled date of filing annual securities report: June 23, 2023
 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, 2023 (From April 1, 2022 to March 31, 2023)

(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, 2023	70,722	(6.0)	6,029	(14.2)	7,311	(6.9)	7,086	(74.3)
March 31, 2022	75,256	(10.2)	7,030	39.9	7,857	100.8	27,544	31.7

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥8,775 million [(70.9)%]
 Fiscal year ended March 31, 2022: ¥30,120 million [36.7%]

	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
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	369.40	—	10.0	8.2	8.5
March 31, 2022	1,349.01	—	46.9	9.6	9.3

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2023: ¥206 million
 Fiscal year ended March 31, 2022: ¥420 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	89,021	74,535	83.7	3,883.46
As of March 31, 2022	89,842	67,428	75.1	3,517.30

(Reference) Equity: As of March 31, 2023: ¥74,535 million
 As of March 31, 2022: ¥67,428 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, 2023	1,241	(5,520)	(1,738)	20,717
March 31, 2022	(195)	20,018	(16,534)	25,769

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, 2022	—	—	—	90.00	90.00	1,725	6.7	3.1
March 31, 2023	—	—	—	90.00	90.00	1,727	24.4	2.4
Fiscal year ending March 31, 2024 (Forecast)	—	—	—	—	—		—	

We pay dividends once per year based on the basic policy for profit distribution, using the fiscal year-end date as the record date. Since the concrete dividend forecast is yet to be decided, “—” is shown for the fiscal year-end dividend.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	70,000	(1.0)	5,800	(3.8)	5,200	(28.9)	3,300	(53.4)	171.94

* Notes

(1) Changes in significant subsidiaries during the Fiscal year ended March 31, 2023 (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New: 1 (MegaChips VC2 USA LLC)

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, 2023: 21,967,700 shares

March 31, 2022: 21,967,700 shares

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

March 31, 2023: 2,774,753 shares

March 31, 2022: 2,797,111 shares

3) Average number of shares outstanding during the period

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

Fiscal year ended March 31, 2022: 20,418,208 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	70,722	(6.0)	6,115	(13.2)	7,241	(2.7)	7,108	(64.0)
March 31, 2022	75,256	(7.3)	7,046	20.5	7,441	38.5	19,773	46.3

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	370.58	—
March 31, 2022	968.40	—

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2023	74,154	59,928	80.8	3,122.42
March 31, 2022	77,175	55,208	71.5	2,879.86

(Reference) Equity: As of March 31, 2023: ¥59,928 million

As of March 31, 2022: ¥55,208 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 Consolidated Operating Results	P. 2
(1)	Overview of consolidated operating results	P. 2
(2)	Overview of financial position	P. 2
(3)	Overview of the cash flow	P. 3
(4)	Outlook	P. 3
2.	Basic Approach to the Selection of Accounting Standards	P. 5
3.	Consolidated Financial Statements and Main Notes	P. 6
(1)	Consolidated balance sheet	P. 6
(2)	Consolidated statements of income and statements of comprehensive income	P. 8
(3)	Consolidated statements of changes in equity	P. 10
(4)	Consolidated statements of cash flows	P. 12
(5)	Notes relating to consolidated financial statements	P. 14
	(Notes on going concern assumptions)	P. 14
	(Material changes in subsidiaries)	P. 14
	(Material accounting estimates)	P. 14
	(Segment information)	P. 14
	(Per share information)	P. 15
	(Material subsequent events)	P. 15
4.	Other	P. 16
	Change in Board of Directors	P. 16

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 consumer electronics and electronic components and devices remained consistent as same period last year, while demand for the industrial electronic devices slightly decreased, however, the overall market for the electronics device industry was on a par with the previous corresponding period.

In the ASIC business, the Group is providing optimal solutions for applications in client devices and services, not only in the mainstay game console, digital camera and office machine sectors, but also to service 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 proprietary core technology.

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 industrial equipment, telecommunications, energy control and robotics. 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 third quarter, the MegaChips Group saw net sales of ¥70,722 million (a decrease of 6.0% year-on-year), and the operating profit amounted to ¥6,029 million (a decrease of 14.2% year-on-year) mainly due to the strong demand for the game software storage LSI (customized memories) in the second and third quarters.

With regard to profit, share of profit of entities accounted for using equity method (goodwill amortization included) and foreign exchange gains occurred for ¥206 million and ¥642 million respectively, ordinary profit amounted to ¥7,311 million (a decrease of 6.9% year-on-year).

The profit attributable to owners of parent reached ¥7,086 million (a decrease of 74.3% year-on-year) due to a gain on sales of shares of subsidiaries and associates of ¥3,467 million as an extraordinary income from the sale of a portion of shares in SiTime Corporation, an affiliated company.

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 ¥89,021 million (a decrease of ¥821 million from the previous fiscal year-end). Comparing major assets with the end of the previous consolidated fiscal year, while notes and accounts receivable-trade, and contract assets, investment securities, and shares of subsidiaries and associates increased by ¥2,402 million, ¥8,546 million, and ¥2,044 million, respectively, cash and deposits, and accounts receivable - other decreased by ¥6,504 million and ¥6,741 million respectively.

Total liabilities amounted to ¥14,485 million (a decrease of ¥7,927 million from the previous fiscal year-end). Comparing major liabilities with the end of the previous consolidated fiscal year, the notes and accounts payable-trade decreased by ¥756 million, accounts payable-other by ¥485 million, and Income taxes payable by ¥6,021 million, respectively.

The MegaChips Group's net assets amounted to ¥74,535 million (an increase of ¥7,106 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 ¥7,086 million, foreign currency translation adjustment increased by ¥3,099 million, while dividends of surplus was ¥1,725 million, and valuation difference on available-for-sale securities decreased by ¥1,410 million. As a result, the ratio of net worth to total assets was 83.7% (increased by 8.6 percentage points from the previous fiscal year-end).

(3) Overview of the cash flow

Cash and cash equivalents ("Capital") were recorded at ¥20,717 million at the end of the current consolidated fiscal year, a decrease of ¥5,052 million from the previous consolidated fiscal year (an increase of ¥4,361 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 ¥1,241 million (compared to ¥195 million used as capital in the previous consolidated fiscal year). This was mainly due to a profit before income taxes of ¥10,272 million and a decrease in other assets of ¥6,442 million, while a ¥3,467 million gain on sale of shares of subsidiaries and associates was posted, trade receivable increased by ¥2,402 million, notes and accounts payable decreased by ¥756 million, and income taxes paid of ¥8,393 million.

Cash flows from investment activities amounted to ¥5,520 million (compared to ¥20,018 million acquired as capital in the previous consolidated fiscal year). This was mainly attributable to ¥4,591 million in proceeds from sales of shares of subsidiaries and associates, ¥9,447 million for the acquisition of investment securities and ¥1,008 million for purchase of long-term prepaid expenses.

As a result, the free cash flows, consisting of the net cash provided by or used in operating activities or investment activities, resulted in ¥4,279 million net cash used (compared to ¥19,823 million acquired as capital in the previous consolidated fiscal year).

Cash flows used in financing activities amounted to ¥1,738 million (compared to ¥16,534 million used as capital in the previous consolidated fiscal year). This was mainly due to cash dividends paid of ¥1,723 million.

(4) Outlook

In the telecommunication sector, which the MegaChips Group is targeting where those that were not connected to the network are now connected, the development of communication technology has been progressing in response to the IoT era, such as improved transmission speed, reduced lag time, and the capacity to connect many devices simultaneously.

In the industrial equipment field, the industrial robots and various industrial equipment are becoming more important as the global need of automation and the digital shifts are rapidly progressing everywhere in our daily life including logistics and manufacture automation.

As a result, the growing need for high-performance and multifunctional electronic components used in the devices surrounding us in various fields has led to an increase in demand for LSI products as a key device that contributes to high precision, multifunctionality, compactness, and low power consumption.

Under these circumstances, the MegaChips Group intends to accelerate its medium- to long-term growth by strengthening its revenue base and concentrating its management resources on, in fields which are expected to grow in the future, including the industrial equipment, telecommunications, energy control, and robotics, while strengthening the foundation of the ASIC business, focusing on the amusement sector.

In addition, as our initiatives for sustainability, we will build a foundation for sustainable growth prioritizing development of human resources and promotion of diversity, respect for human rights, work environment improvement, environmentally friendly business activities, the creation of a sustainable supply chain, and specific social contribution activities in the electronics field.

- ① Strengthening of business foundation in our core business field
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 innovative technology. We will also strengthen our business base by maintaining a stable supply and providing optimal solutions in response to customers' needs by focusing on information coordination and securing a manufacturing infrastructure to fulfill our responsibility as a part of the supply chain.
- ② Fostering new business fields
We will concentrate the deployment of our management resources, targeting the fields of industrial equipment, telecommunications, energy control, and robotics, where rapid market expansion is expected, to proactively launch excellent products into the domestic and overseas markets and promote sustainable growth by fostering new business fields. Especially in the telecommunication field, we will accelerate the launch of products for the wireless communication, high-speed wired communication and power-line communication based on the cutting-edge technology of business partners, as well as commercialization by focusing on the development of module products that integrate these products by developing domestic and overseas sales and production systems and allocating human resources.
- ③ Initiatives to create new businesses for the future
With a view to long-term growth, we will promote the collaborative research and development of cutting-edge technologies with domestic and overseas universities, we will bolster strategic alliances and business investments with startup companies, mainly in the U.S. through a CVC (corporate venture capital) fund. We will combine these technologies with our existing expertise that we have cultivated over the years, enhance values and create unique businesses.
- ④ Strengthening financial position that supports medium- to long-term growth
To support long-term growth through business structure transformation and the fostering of new businesses, we will maintain and strengthen our management base so that we can flexibly and quickly respond to changes in the business environment. As a safety index, we will enhance the ratio of net worth to total assets.
- ⑤ Promoting human resource development and diversification and improving working environment
To bring the best out of our human resources, we will promote the development of human resources and diversification and improve the work environment. As to the human resource development and diversification, we will expand on education system, such as job-level training and theme-based training, employ a wide variety of people through a year-round recruitment system, and enhance internship opportunities in our new graduate recruitment activities. We will also strive to create a comfortable working environment for all employees by conducting stress checks and workshops on women's health and encouraging employees to take paid leave.
- ⑥ Addressing global environmental conservation and supply chain issues
For global environmental conservation, the MegaChips Group will operate its business taking into consideration countermeasures for global warming and reduction of the environmental load. We will continue to strive to establish a sustainable supply chain by, among other things, requesting our manufacturing partners to comply with guidelines on the use of hazardous chemicals and to ensure compliance with emission standards for carbon-dioxide and toxic substances, while, at the same time engaging in eco-friendly office activities including the reduction of energy consumption and waste.
- ⑦ Fostering engineers in the electronics field
To support the younger generation, which is the foundation of Japan's strength, we are dedicated to developing highly skilled human resources who will lead the next generation in the electronics field through donations to Japanese universities and joint or outsourced research, while, at the same time, promoting the creation of innovative technologies through research activities.

In the consolidated fiscal year ending March 31, 2023, the MegaChips Group forecasts a net sales of ¥70,000 million (a 1.0% decrease from the previous consolidated fiscal year), an operating income of ¥5,800 million (a 3.8% decrease from the previous consolidated fiscal year), ordinary profit of ¥5,400 million (a 26.1% decrease from the previous consolidated fiscal year), and profit attributable to owners of the parent of ¥3,300 million (an 53.4% decrease from the previous consolidated fiscal year). In the current fiscal year, the MegaChips Group posted gain on sale of shares of subsidiaries and associates for ¥3,467 million through the sale of portion of SiTime Corporation that the Company owns.

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, 2022)	Consolidated fiscal year under review (ended March 31, 2023)
Assets		
Current assets		
Cash and deposits	25,769,446	19,265,419
Notes, accounts receivable-trade, and contract assets	7,950,688	10,353,476
Securities	—	1,451,821
Merchandise and finished goods	2,345,180	2,182,487
Work in progress	951,209	1,740,111
Raw materials and supplies	324,761	374,976
Accounts receivable	18,702,209	11,960,299
Other	1,439,335	1,500,044
Allowance for doubtful accounts	(1,457)	(76,264)
Total current assets	57,481,372	48,752,371
Non-current assets		
Property, plant and equipment		
Buildings	1,686,338	348,386
Accumulated depreciation	(1,363,074)	(178,581)
Buildings (net)	323,263	169,804
Tools, furniture and fixtures	5,232,045	4,805,754
Accumulated impairment	(4,604,326)	(3,866,880)
Tools, furniture and fixtures (net)	627,719	938,873
Land	116,149	—
Construction in progress	675,867	705,049
Other	1,452,283	1,212,464
Accumulated depreciation	(1,436,912)	(1,189,147)
Other (net)	15,371	23,317
Total property, plant and equipment	1,758,370	1,837,045
Intangible assets		
Software	416,516	455,907
Other	6,626	1,574
Total intangible assets	423,142	457,482
Investment and other assets		
Investment securities	5,668,088	14,214,221
Shares of subsidiaries and associates	19,105,173	21,149,636
Long-term prepaid expenses	1,246,877	931,619
Deferred tax assets	1,621,507	1,026,233
Other	2,537,872	652,434
Total investment and other assets	30,179,520	37,974,145
Total non-current assets	32,361,033	40,268,672
Total assets	89,842,406	89,021,044

(Unit: Thousand Yen)

	Previous consolidated fiscal year (ended March 31, 2022)	Consolidated fiscal year under review (ended March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,101,451	7,344,452
Accounts payable-other	2,443,250	1,958,026
Income taxes payable	7,991,659	1,969,952
Provision for bonuses	850,758	733,733
Provision for loss on construction contracts	33,921	210,644
Other	1,947,237	1,685,627
Total current liabilities	21,368,278	13,902,436
Non-current liabilities		
Other	1,045,509	583,555
Total non-current liabilities	1,045,509	583,555
Total liabilities	22,413,787	14,485,992
Net equity		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	9,359,915	9,359,915
Earned surplus	56,013,709	61,364,420
Treasury stock	(8,364,802)	(8,298,764)
Total shareholders' equity	61,849,135	67,265,884
Other accumulated comprehensive equity		
Valuation difference on available-for-sale securities	3,455,486	2,045,472
Foreign currency translation adjustment	2,123,997	5,223,695
Total other accumulated comprehensive equity	5,579,483	7,269,167
Total net assets	67,428,618	74,535,052
Total liabilities and net assets	89,842,406	89,021,044

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

(Unit: Thousand Yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Consolidated fiscal year under review (From April 1, 2022 to March 31, 2023)
Net sales	75,256,424	70,722,656
Cost of sales	61,641,427	58,672,673
Gross profits	13,614,997	12,049,983
Selling, general and administrative expenses	6,584,735	6,020,136
Operating income	7,030,261	6,029,846
Non-operating income		
Interest income	6,940	115,753
Dividends earned	112,852	175,952
Receipt of dispatching fees	70,439	177,269
Share of profit of entities accounted for using equity method	420,364	206,208
Gain on investment in partnerships	13,212	—
Foreign exchange gains	367,931	642,528
Miscellaneous income	25,882	26,585
Total non-operating income	1,017,623	1,344,298
Non-operating expenses		
Interest expenses	23,096	7,372
Loss on sales of accounts receivable	44,511	35,319
Acquisition of treasury stock	74,947	—
Loss (gain) on investments in investment partnerships	—	8,525
Miscellaneous losses	47,722	11,316
Total non-operating expenses	190,278	62,534
Ordinary income	7,857,606	7,311,611
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	29,251,940	3,467,999
Gain on change in equity	147,365	360,648
Total extraordinary income	29,399,306	3,828,647
Extraordinary losses		
Loss on retirement of non-current assets	690,417	480,068
Depreciation	—	387,616
Loss on valuation of investment securities	—	501
Loss on valuation of other investments	205,115	—
Total extraordinary losses	895,532	868,186
Net income (loss) before taxes	36,361,380	10,272,072
Income taxes - current	8,111,706	2,595,127
Income taxes deferred	705,290	590,783
Total income taxes	8,816,997	3,185,911
Profit (loss)	27,544,382	7,086,161
(Breakdown)		
Profit (loss) attributable to owners of parent	27,544,382	7,086,161
Profit (loss) attributable to non-controlling members	—	—

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Consolidated fiscal year under review (From April 1, 2022 to March 31, 2023)
Other comprehensive income		
Valuation difference on available-for-sale securities	401,479	(1,410,014)
Foreign currency translation adjustment	722,689	531,988
Share of other comprehensive income of entities accounted for using equity method	1,451,702	2,567,709
Total other comprehensive income	2,575,870	1,689,683
Comprehensive income	30,120,253	8,775,845
(Breakdown)		
Comprehensive income attributable to owners of parent	30,120,253	8,775,845
Comprehensive income attributable to non-controlling members	—	—

(3) Consolidated statements of changes in equity

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: Thousand Yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at the beginning of the period	4,840,313	9,362,461	34,446,477	(1,609,380)	47,039,871
Cumulative effects of changes in accounting policies			(1,063,352)		(1,063,352)
Restated Balance	4,840,313	9,362,461	33,383,124	(1,609,380)	45,976,519
Changes during period					
Dividends of surplus			(1,741,029)		(1,741,029)
Profit (loss) attributable to owners of parent			27,544,382		27,544,382
Purchase of treasury shares				(10,000,037)	(10,000,037)
Disposal of treasury shares		26,629		42,670	69,300
Cancellation of treasury shares		(29,175)	(3,172,769)	3,201,944	—
Net changes of items other than shareholders' equity					
Total changes in items during period	—	(2,545)	22,630,584	(6,755,422)	15,872,615
Balance at the end of the period	4,840,313	9,359,915	56,013,709	(8,364,802)	61,849,135

	Other accumulated comprehensive income			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	3,054,006	(50,393)	3,003,613	50,043,484
Cumulative effects of changes in accounting policies				(1,063,352)
Restated Balance	3,054,006	(50,393)	3,003,613	48,980,132
Changes during period				
Dividends of surplus				(1,741,029)
Profit (loss) attributable to owners of the parent				27,544,382
Purchase of treasury shares				(10,000,037)
Disposal of treasury shares				69,300
Cancellation of treasury shares				—
Net change of items other than shareholders' equity	401,479	2,174,391	2,575,870	2,575,870
Total changes in items during the period	401,479	2,174,391	2,575,870	18,448,486
Balance at the end of the period	3,455,486	2,123,997	5,579,483	67,428,618

Consolidated fiscal year under review (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
Cumulative effects of changes in accounting policies					—
Restated Balance	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 the 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 ownership interest of parent due to transactions with non-controlling interests					
Total changes in items during the 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			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	3,455,486	2,123,997	5,579,483	67,428,618
Cumulative effects of changes in accounting policies				—
Restated Balance	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 the parent				7,086,161
Purchase of treasury shares				(8,425)
Disposal of treasury shares				64,366
Cancellation of treasury shares				—
Change in ownership interest of parent due to transactions with non-controlling interests	(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

(4) Consolidated statements of cash flows

	Unit (Thousand Yen)	
	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Consolidated fiscal year under review (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit (loss) before taxes	36,361,380	10,272,072
Depreciation	307,784	405,517
Amortization of long-term prepaid expenses	689,738	679,730
Increase (decrease) in allowance for doubtful accounts	98	74,806
Increase (decrease) in reserves for bonus payments	185,587	(117,052)
Increase (decrease) in reserves for loss on construction contracts	17,533	176,722
Interest and dividend income	(119,793)	(291,705)
Interest expenses	23,096	7,372
Share of (profit) loss of entities accounted for using equity method	(420,364)	(206,208)
Loss (gains) on investments in partnerships	(13,212)	8,525
Foreign exchange gain (loss)	(609,399)	(617,835)
Loss on retirement of non-current assets	690,417	480,068
Impairment loss	—	387,616
Loss (gain) on valuation of investment securities	—	501
Loss (gain) on sales of shares of subsidiaries and associates	(29,251,940)	(3,467,999)
Loss (gain) on change in equity	(147,365)	(360,648)
Loss on valuation of other investments	205,115	—
Decrease (increase) in notes and accounts receivable-trade	(18,031)	(2,402,787)
Decrease (increase) in inventories valuation	411,522	(676,423)
Increase (decrease) in notes and accounts payable - trade	(1,384,755)	(756,999)
Decrease (increase) in other assets	(544,440)	6,442,823
Decrease (increase) in other liabilities	229,863	(693,339)
Other	(15,042)	35,079
Subtotal	6,597,791	9,379,836
Interest and dividend income received	119,793	262,600
Interest expenses paid	(29,591)	(7,372)
Corporate and other income tax refunds	1,352	209
Corporate and other income taxes (paid)	(6,884,629)	(8,393,835)
Cash flows from operating activities	(195,283)	1,241,438
Cash flows from investing activities		
Purchase of property, plant and equipment	(788,089)	(789,124)
Purchase of intangible assets	(492,030)	(156,990)
Purchase of investment securities	(1,602,818)	(9,447,992)
Proceeds from sales of shares of subsidiaries and associates	24,491,500	4,591,523
Purchase of shares of subsidiaries and associates	(367,170)	—
Purchase of long-term prepaid expenses	(601,828)	(1,008,900)
Proceeds from collection of guarantee deposits	1,694	534
Payments for guarantee deposits	(14,858)	(87,472)
Proceeds from transfer of business	228,040	2,156,960
Other	(835,638)	(778,984)
Cash flows from investing activities	20,018,801	(5,520,446)

	Unit (Thousand Yen)	
	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Consolidated fiscal year under review (From April 1, 2021 to March 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,000,000)	—
Repayments of long-term loans payable	(2,790,000)	—
Purchase of treasury shares	(10,000,037)	(8,425)
Cash dividends paid	(1,737,329)	(1,723,178)
Other	(7,289)	(6,563)
Cash flows from financing activities	(16,534,657)	(1,738,167)
Effect of exchange rate change on cash and cash equivalents	1,072,747	964,970
Net increase (decrease) in cash and cash equivalents	4,361,609	△5,052,205
Balance at the beginning of the period of cash and cash equivalents	21,407,837	25,769,446
Balance at the end of the period of cash and cash equivalents	25,769,446	20,717,240

(5) Notes relating to consolidated financial statements

(Notes on going concern assumptions)

None

(Material changes in subsidiaries)

Since MegaChips VC2 USA LLC and LDVP MCC Co-Investment Fund, L.P are newly established, those have been included in the scope of consolidation from the current consolidated fiscal year.

(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 ¥10,904,097 thousand in the consolidated balance sheet of the current consolidated fiscal year and ¥400,590 thousand as shares of subsidiaries and associates (companies not accounted for using the equity method).

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

The investments held by MegaChips as non-marketable securities are carried at cost. 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 the U.S. 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 elected 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, there was no significant deterioration in the value of the investments held by the Company, nor was there a situation suggesting that the fair value of the investments held by the U.S. consolidated subsidiaries are less than the acquisition cost, thereby making it unnecessary to recognize a loss on valuation.

(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, 2021 to March 31, 2022)	Consolidated fiscal year under review (From April 1, 2022 to March 31, 2023)
Net assets per share	3,517.30	3,883.46
Profit (loss) per share	1,349.01	369.40

(Notes) 1. Diluted net income per share for the consolidated fiscal year ended March 31, 2022 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, 2021 to March 31, 2022)	Consolidated fiscal year under review (From April 1, 2022 to March 31, 2023)
Profit (loss) attributable to owners of parent (thousand yen)	27,544,382	7,086,161
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)	27,544,382	7,086,161
Average number of ordinary shares during the current period	20,418,208	19,183,125

(Material subsequent events)

None

4 . Other

Change in Board of Directors

(1) Candidate for Director to be Newly Appointed

Director: Masashi Kuramoto

Director: Masaaki Iwai

Outside Director: Satoshi Nakamura (Currently, Honorarprofessor of Karlsruher Institut für Technologie, Professor of The Graduate School of Information Science at Nara Institute of Science and Technology)

(2) Director to Retire

Yasuto Shimomae

Ikuo Yamaguchi

(3) Candidate for Corporate Auditor

Hiroshi Aoki

(4) Corporate Auditor to Retire

Makiko Yamakawa

(5) Scheduled Change Date

June 23, 2023