

Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 8, 2024

Company name: MegaChips Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6875
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 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on financial results: Available
 Schedule of financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2024	9,660	(44.1)	874	(44.9)	584	(55.0)	2,187	129.6
June 30, 2023	17,290	15.9	1,586	42.2	1,297	(15.2)	952	(19.3)

(Note) Comprehensive income: Three months ended June 30, 2024: ¥17,263 million [611.9%]

Three months ended June 30, 2023: ¥2,425 million [(19.8)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	121.85	—
June 30, 2023	50.21	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2024	147,780	116,844	78.9	6,523.41
As of March 31, 2024	126,610	102,673	80.9	5,639.82

(Reference) Equity: As of June 30, 2024: ¥116,564 million

As of March 31, 2024: ¥102,408 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	—	—	110.00	110.00
Fiscal year ending March 31, 2025	—	—	—	—	—
Fiscal year ending March 31, 2025 (Forecast)	—	—	—	120.00	120.00

(Note) Revision to the forecast for dividends announced most recently: No

We pay dividends once per year based on the basic policy for profit distribution, using the 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

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

* Notes

(1) Significant changes in the scope of consolidation during the three months ended June 30, 2024: No

New: –

Exception: –

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

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

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

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Number of shares outstanding (common stock)

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

June 30, 2024: 20,652,400 shares

March 31, 2024: 21,132,400 shares

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

June 30, 2024: 2,783,802 shares

March 31, 2024: 2,974,202 shares

3) Average number of shares outstanding during the period

Three months ended June 30, 2024: 17,948,534 shares

Three months ended June 30, 2023: 18,973,376 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or audit corporations: None

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

(Note on the forward-looking statements)

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

(Method to acquire supplementary documents for quarterly financial results)

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

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1. Qualitative Information Related to The Quarterly Operating Results

(1) Overview of consolidated operating results

The Group is providing System LSIs with unique algorithm architecture to solve customers' problems based on our deep understanding of our customers' applications and our proprietary core technology. In the ASIC (Application Specific Integrated Circuit) business, the Group is providing optimal solutions for applications in devices and services for major domestic and international customers, not only in the mainstay game console, digital camera and office machine sectors, but also in growth markets including the industrial equipment and telecommunication infrastructure and aims to enhance business foundation.

In the ASSP (Application Specific Standard Product) business, to achieve further growth in a world where innovation in Information and Communication 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, industrial equipment, energy control. 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 first quarter, the MegaChips Group saw net sales of ¥9,660 million (a decrease of 44.1% from the same quarter of the previous consolidated fiscal year) and the operating profit of ¥874 million (a decrease of 44.9% from the same quarter of the previous consolidated fiscal year), due to the decrease in demand for amusement business compared to the same quarter of the previous consolidated fiscal year, which demand remained strong.

The ordinary profit amounted to ¥584 million (a decrease of 55% from the same quarter of the previous consolidated fiscal year) because the foreign exchange losses occurred for ¥365 million, and the profit attributable to owners of parent reached ¥2,187 million (an increase of 129.6% from the same quarter of the previous consolidated fiscal year), due to gain on sale of investment securities by selling shares of SiTime Corporation and loss on devaluation of two issues of investment securities that the Group owns occurred ¥978 million and ¥4,035 million, respectively.

Because the MegaChips Group operates as one business segment, no statement related to segment information has been presented.

(2) Overview of financial position

Total assets as of the end of the current consolidated first quarter amounted to ¥147,780 million (an increase of ¥21,169 million from the previous fiscal year-end). Comparing major assets with the end of the previous consolidated fiscal year, notes and accounts receivable-trade and contract assets increased by ¥3,274 million, investment securities increased by ¥19,909 million, mainly due to the market valuation of SiTime Corporation, while cash and deposits decreased by ¥1,986 million.

Total liabilities amounted to ¥30,935 million (an increase of ¥6,997 million from the previous fiscal year-end). Comparing major liabilities with the end of the previous consolidated fiscal year, deferred tax liabilities increased by ¥6,602 million.

The MegaChips Group's net assets amounted to ¥116,844 million (an increase of ¥14,171 million from the previous fiscal year-end). This was primarily due to the profit attributable to owners of the parent was ¥2,187 million, valuation difference on available-for-sale securities and foreign currency translation adjustment increased by ¥14,546 million and ¥514 million, respectively, while dividends of surplus of ¥1,997 million and purchase of treasury shares of ¥1,095 million occurred.

(3) Overview of cash flows

Cash and cash equivalents (“Capital”) were recorded at ¥23,487 million at the end of the first quarter of the current consolidated fiscal year, a decrease of ¥1,672 million from the end of the previous consolidated fiscal year (compared to a decrease of ¥293 million in the same quarter of the previous consolidated fiscal year). The status of cash flows at the end of the first quarter of the current consolidated fiscal year was as follows.

Cash flows provided by operating activities amounted to ¥2,857 million (compared to ¥3,998 million acquired as capital in the same quarter of the previous consolidated fiscal year). This was mainly due to a profit before income taxes of ¥3,641 million, loss on valuation of investment securities of ¥965 million and increase in other liabilities of ¥2,012 million, while gain on sale of investment securities of ¥4,035 million, increase in trade receivables of ¥3,274 million and income taxes paid of ¥2,225 million.

Cash flows from investment activities amounted to ¥3,961 million (compared to ¥1,594 million used as capital in the same quarter of the previous consolidated fiscal year). This was mainly attributable to ¥435 million for the acquisition of property, plant and equipment, ¥4,618 million of the proceeds from sale of investment securities.

As a result, the free cash flows, consisting of the net cash provided by or used in operating activities and investment activities, resulted in ¥1,104 million net cash obtained (compared to ¥2,403 million acquired as capital in the same quarter of the previous consolidated fiscal year).

Cash flows used in financing activities amounted to ¥3,082 million (compared to ¥3,609 million used as capital in the same quarter of the previous consolidated fiscal year). This was mainly due to purchase of treasury shares of ¥1,103 million and cash dividends paid of ¥1,977 million.

(4) Overview of forward looking statements such as consolidated earnings forecast

There is no change from the consolidated earnings forecast for the fiscal year ending March 31, 2025, which was announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Japanese GAAP)”, which was officially released on May 10, 2024.

(5) Management that is conscious of cost of capital and stock price

MegaChips Groups aims to achieve both high capital efficiency and healthy financial structure. We will ensure the adequate return of managerial resources based on market conditions, competitive circumstances, and growth opportunities. Regarding capital efficiency, we will strive to understand our own cost of capital and take initiatives that are meaningful of this cost to enhance corporate value in the medium term. We consider ROE and PBR as important indicators representing capital income ratio and a market valuation, respectively.

MegaChips Group's Return on Equity (ROE) was 5.1% in the fiscal year ended March 2024, which was slightly lower than our recognized cost of capital. We target an ROE level of more than 8%, and to achieve this target in the mid-to-long term, we aim to continuously enhance capital efficiency, ensure the implementation of our mid-to-long term management strategy, and increase profitability. We believe it is necessary to improve capital efficiency and market valuation, including our stock price and PBR, by gaining sufficient understanding from investors regarding our growth strategy through ongoing conversations.

Regarding our financial structure, we aim to enhance equity capital to respond to the rapid changes in business circumstances, maintain stable management, and prepare for risks associated with market condition deterioration.

The overview of our mid-to-long term initiatives to enhance corporate value and shareholder value is as follows:

① Growth strategy

We will proceed with measures based on the following mid-term initiatives: We aim to enhance profitability and our business portfolio by strengthening Amusement and ASIC business foundations, and by launching new businesses, including Telecommunications, for mid-to-long-term sustainable growth.

② Financial strategy

We will maintain a healthy financial structure that enables flexible and prompt adaptation to changes in business circumstances, supporting mid-to-long-term growth through business structural reform and new business development. We will also conduct proactive and stable profit return based on the following policy, aiming to enhance capital efficiency.

- Regarding the distribution of retained earnings, we will determine the amount of dividends by taking an amount equivalent to at least 30% of the consolidated net income attributable to owners of parent (with special factors subtracted upon due consideration) as the aggregate amount of dividends, while taking the medium-term business outlook into consideration.

- To enhance capital efficiency, we will agilely conduct share repurchases, considering market conditions, share price trends, and financial conditions.

③ Human resource strategy

We consider the development of human resources to be one of our major agendas for achieving a society where human rights and cultures are respected, and where diverse human resources can actively play their roles. We will take initiatives to provide our employees with opportunities for growth and engagement, promote diversity, offer grand-type scholarships through a foundation established by our founder, and support the development of young human resources who will be the main pillars of the electronics industry.

④ Improvement of IR activities

We consider the development of human resources to be one of our major agendas for achieving a society where human rights and cultures are respected, and where diverse human resources can actively play their roles. We will take initiatives to provide our employees with opportunities for growth and engagement, promote diversity, offer grand-type scholarships through a foundation established by our founder, and support the development of young human resources who will be the main pillars of the electronics industry.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly consolidated balance sheets

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (ended March 31, 2024)	Current first consolidated fiscal quarter (ended June 30, 2024)
Assets		
Current assets		
Cash and deposits	28,059,864	26,072,867
Notes, accounts receivable-trade, and contract assets	10,473,989	13,748,855
Merchandise and finished goods	1,775,070	1,049,576
Work in process	1,448,520	2,360,301
Raw materials and supplies	219,600	202,452
Accounts receivable - other	3,140,105	3,220,102
Other	1,083,970	544,371
Allowance for doubtful accounts	(71,571)	(75,221)
Total current assets	46,129,550	47,123,305
Non-current assets		
Property, plant and equipment		
Buildings	348,239	349,289
Accumulated depreciation	(201,376)	(207,606)
Buildings (net)	146,862	141,683
Other	6,750,919	7,238,235
Accumulated depreciation	(5,099,243)	(5,212,355)
Other (net)	1,651,675	2,025,879
Total property, plant and equipment	1,798,538	2,167,562
Intangible assets		
Other	565,703	585,846
Total intangible assets	565,703	585,846
Investment and other assets		
Investment securities	75,623,395	95,532,623
Long-term prepaid expenses	1,605,545	1,435,599
Deferred tax assets	34,132	36,310
Other	854,071	898,761
Total investment and other assets	78,117,145	97,903,294
Total non-current assets	80,481,386	100,656,703
Total assets	126,610,936	147,780,009

	(Unit: Thousand Yen)	
	Previous consolidated fiscal year (ended March 31, 2024)	Current first consolidated fiscal quarter (ended June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,508,130	2,231,863
Income taxes payable	2,476,620	1,626,872
Provision for bonuses	719,163	263,211
Provision for loss on construction contracts	94,000	63,634
Other provisions	—	45,000
Other	2,814,908	4,704,033
Total current liabilities	8,612,823	8,934,615
Non-current liabilities		
Deferred tax liabilities	14,454,860	21,056,972
Other	869,515	943,538
Total non-current liabilities	15,324,376	22,000,511
Total liabilities	23,937,199	30,935,126
Net equity		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	9,359,915	9,359,915
Earned surplus	57,210,333	55,835,264
Treasury stock	(9,544,485)	(9,074,788)
Total shareholders' equity	61,866,076	60,960,705
Other accumulated comprehensive equity		
Valuation difference on available-for-sale securities	37,553,803	52,100,221
Foreign currency translation adjustment	2,989,119	3,503,181
Total other accumulated comprehensive equity	40,542,922	55,603,402
Non-controlling interests	264,737	280,774
Total net assets	102,673,736	116,844,882
Total liabilities and net assets	126,610,936	147,780,009

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

The consolidated first quarter

(Unit: Thousand Yen)

	Previous consolidated first quarter (From April 1, 2023 to June 30, 2023)	Current consolidated first quarter (From April 1, 2024 to June 30, 2024)
Net sales	17,290,939	9,660,077
Cost of sales	14,191,513	7,261,621
Gross profits	3,099,425	2,398,456
Selling, general and administrative expenses	1,513,220	1,523,756
Operating income	1,586,205	874,699
Non-operating income		
Interest income	53,624	79,210
Gain on valuation of investment securities	—	12,859
Gain on forfeiture of unclaimed dividends	835	2,552
Foreign exchange gains	269,780	—
Miscellaneous income	3,997	111
Total non-operating income	328,237	94,734
Non-operating expenses		
Interest expenses	150	221
Loss on sale of receivables	10,163	—
Share of loss of entities accounted for using equity method	598,628	—
Foreign exchange losses	—	365,570
Donations	—	3,000
Miscellaneous losses	8,001	16,398
Total non-operating expenses	616,944	385,189
Ordinary income	1,297,498	584,243
Extraordinary income		
Gain on change in equity	258,333	—
Gain on sale of investment securities	—	4,035,377
Total extraordinary income	258,333	4,035,377
Extraordinary losses		
Loss on valuation of investment securities	—	978,556
Total extraordinary losses	—	978,556
Profit (loss) before taxes	1,555,831	3,641,064
Income taxes	606,879	1,455,776
Profit (loss)	948,951	2,185,288

	(Unit: Thousand Yen)	
	Previous consolidated first quarter (From April 1, 2023 to June 30, 2023)	Current consolidated first quarter (From April 1, 2024 to June 30, 2024)
(Breakdown)		
Profit (loss) attributable to owners of parent	952,725	2,187,063
Profit (loss) attributable to non-controlling members	(3,773)	(1,774)
Other comprehensive income		
Valuation difference on available-for-sale securities	803,295	14,546,417
Foreign currency translation adjustment	576,473	531,873
Share of other comprehensive income of entities accounted for using equity method	96,439	—
Total other comprehensive income	1,476,208	15,078,291
Quarterly Comprehensive income	2,425,159	17,263,580
(Breakdown)		
Comprehensive income attributable to owners of parent	2,427,464	17,247,543
Comprehensive income attributable to non-controlling members	(2,304)	16,036

(3) Quarterly consolidated statements of cash flows

	Unit (Thousand Yen)	
	Previous consolidated first quarter (From April 1, 2023 to June 30, 2023)	Current consolidated first quarter (From April 1, 2024 to June 30, 2024)
Cash flows from operating activities		
Profit (loss) before taxes	1,555,831	3,641,064
Depreciation	111,265	144,919
Amortization of long-term prepaid expenses	171,520	172,738
Increase (decrease) in reserves for bonus payments	(442,693)	(455,975)
Increase (decrease) in reserves for loss on construction contracts	(1,404)	(30,366)
Interest and dividend income	(53,624)	(79,210)
Interest expenses	150	221
Share of (profit) loss of entities accounted for using equity method	598,628	—
Foreign exchange gain (loss)	(391,190)	98,430
Loss (gain) on valuation of investment securities	—	965,697
Loss (gain) on sale of investment securities	—	(4,035,377)
Loss (gain) on change in equity	(258,333)	—
Decrease (increase) in trade receivables	2,118,267	(3,274,865)
Decrease (increase) in inventories	(577,900)	(169,138)
Increase (decrease) in trade payables	(3,048,332)	(276,266)
Decrease (increase) in other assets	5,571,773	527,431
Decrease (increase) in other liabilities	335,373	2,012,603
Other	44,980	60,098
Subtotal	5,734,311	(697,996)
Interest and dividends received	48,762	66,271
Interest paid	(150)	(221)
Corporate and other income taxes (paid)	(1,784,148)	(2,225,476)
Cash flows from operating activities	3,998,775	(2,857,422)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	499,258
Purchase of property, plant and equipment	(701,259)	(435,384)
Purchase of intangible assets	(33,361)	(40,521)
Proceeds from sale of investment securities	—	4,618,638
Purchase of investment securities	(295,973)	(154,679)
Purchase of long-term prepaid expenses	(175,920)	(65,781)
Other	(388,478)	(459,575)
Cash flows from investing activities	(1,594,992)	(3,961,953)
Cash flows from financing activities		
Purchase of treasury stock	(1,983,727)	(1,103,183)
Contributions from non-controlling interests in consolidated investments funds	84,445	—
Cash dividends paid	(1,709,040)	(1,977,304)
Other	(1,652)	(1,704)
Cash flows from financing activities	(3,609,974)	(3,082,192)
Effect of exchange rate change on cash and cash equivalents	912,717	304,913
Net increase (decrease) in cash and cash equivalents	(293,473)	(1,672,747)
Cash and cash equivalents at beginning of period	20,717,240	25,160,064
Cash and cash equivalents at end of period	20,423,767	23,487,317

(4) Notes relating to consolidated financial statements

(Notes on going concern assumptions)

None

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

The previous first quarter consolidated culminative period (from April 1, 2023, to June 30, 2023)

According to the written solution under the Article 370 of the Corporate Law (a written resolution in lieu of a resolution of the Board of Directors meeting) as of March 22, 2023, the Company acquired 574,400 shares of treasury stock. Accordingly, the treasury stock increased by ¥1,983,727 thousand, including the purchase of shares less than one unit. As a result, the Company's treasury stock amounted to ¥10,282,492 thousand at the end of the first quarter of the current consolidated fiscal year.

The current first quarter consolidated culminative period (from April 1, 2024, to June 30, 2024)

Based on the resolution of the Board of Directors meeting on February 9, 2024, the Company acquired 289,100 shares of treasury stock. Accordingly, the treasury stock increased by ¥1,095,032 thousand. On the other hand, the Company's treasury stock decreased by ¥1,564,729 thousand due to the cancellation of 480,000 treasury shares on June 28, 2024. Consequently, the balance of the Company's treasury stock amounted to ¥9,074,788 thousand at the end of the first quarter of the current consolidated fiscal year.

(Notes on Entry under Accounting Methods Specific to the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

The tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year including the current consolidated first quarter and multiplying quarterly profit before income taxes by such estimated tax rate.

(Notes on Segment Information, etc.)

【Segment Information】

Because the MegaChips Group operates as one business segment, the statements have been omitted.