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# MegaChips Corporation Briefing FY2022 2Q (Ending March 2023)

*<https://www.megachips.co.jp/>*

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# **FY2022 (ending March 2023) 2Q Results**

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# FY2022 2Q Consolidated Statement of Income (P/L) Summary

Although the sales and the operating income of the current consolidated cumulative second quarter (Apr-Sep) decreased, there was a large increase in income and profit in the current consolidated second quarter (Jul-Sep) compared to the current consolidated first quarter (Apr-Jun), and the income and profit remained on a par with the previous corresponding period mainly due to the strong demand for the game software storage LSI (customized memories). The sales of the contract development other than game equipment field also increased.

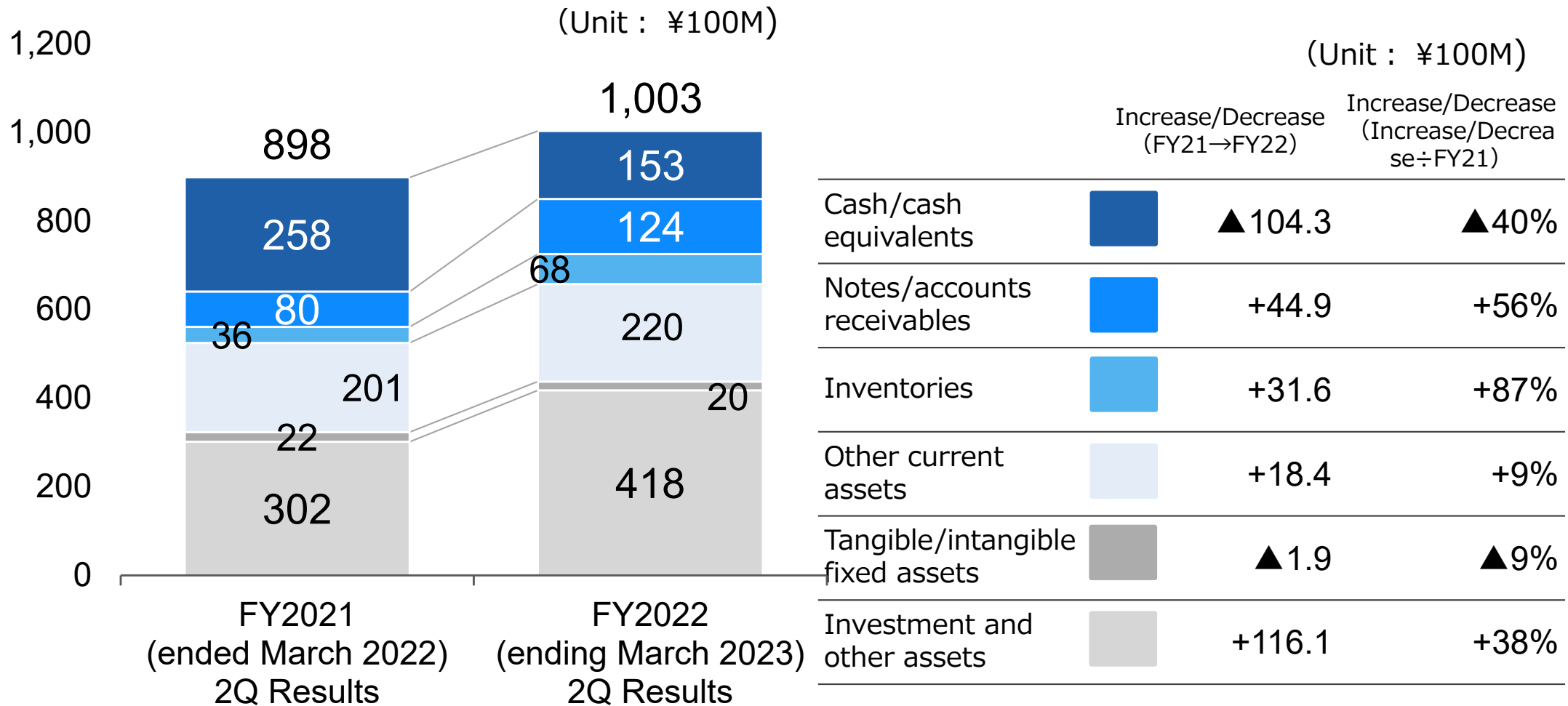
The ordinary income and the profits attributable to owners of the parent of the current consolidated cumulative second quarter (Apr-Sep) increased due to ¥344 million of share of profit of entities accounted for using equity method (¥353 millions of investment loss for the same period of the previous year) and ¥373 of foreign exchange gains.

(Unit : ¥ Million)		FY2021 2Q (ended Mar 2022) Results	FY2022 2Q (ending Mar 2023) Results	YOY
Consolidated	Net sales	38,903	35,999	▲7.5%
	Operating income	4,112	3,567	▲13.2%
	Ordinary income	3,665	4,325	+ 18.0%
	Net profit attributable to owners of the parents	2,286	2,886	+ 26.3%
	Net income per share (¥)	108.18	150.56	+ 39.2%

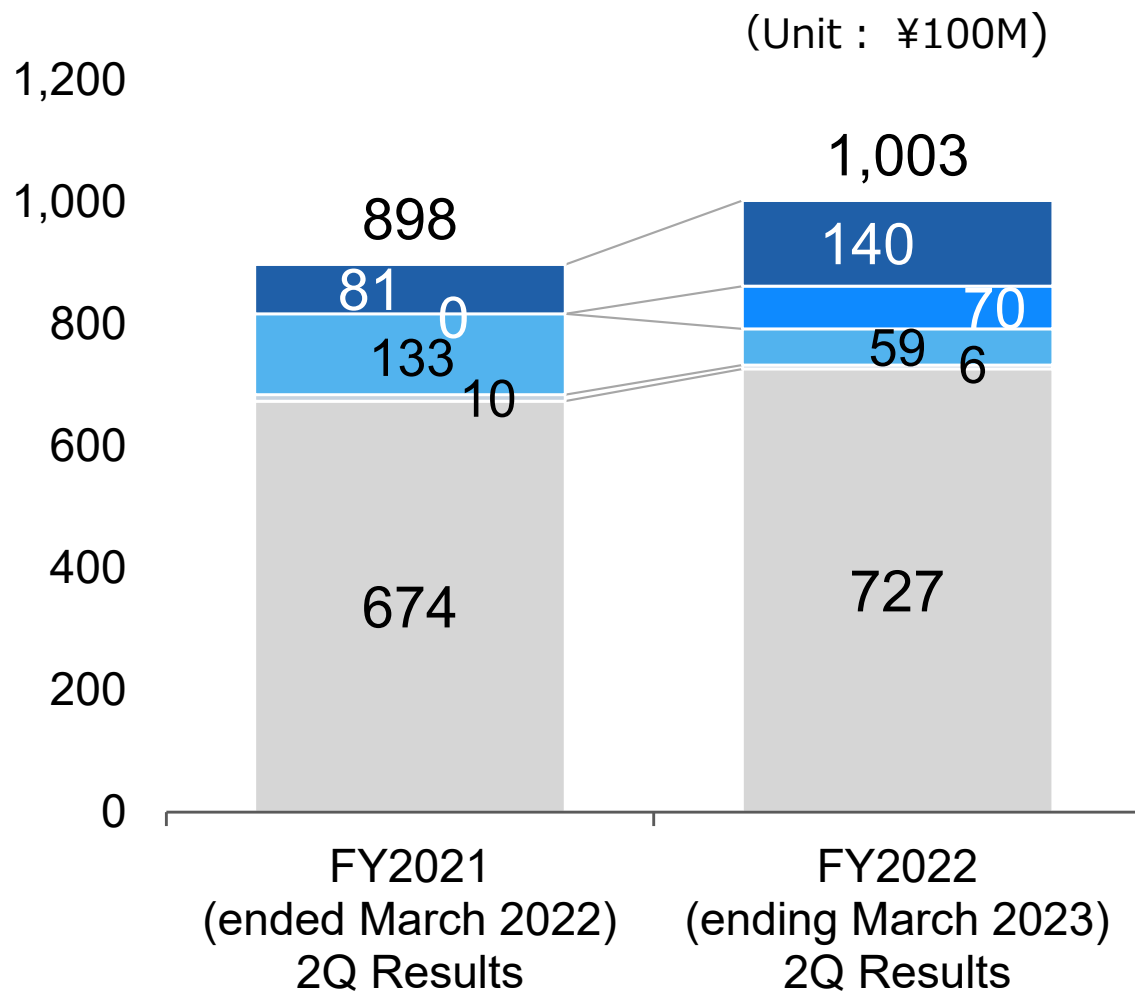
※Exchange rate at the end of FY2021 2Q: USD ¥111.92

※Exchange rate at the end of FY2022 3Q: USD ¥144.81

# FY2022 2Q Financial Status (Assets)



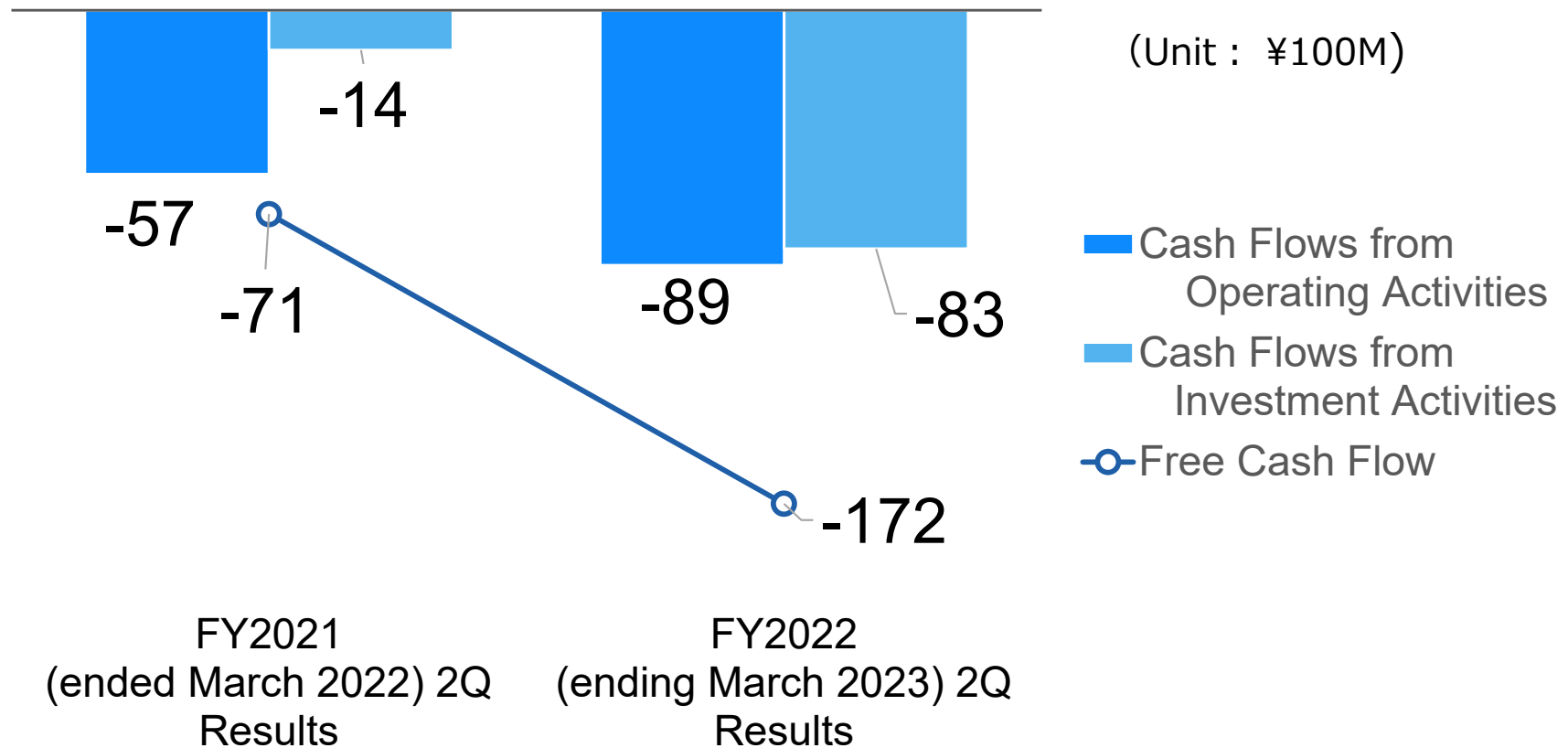
# FY2022 2Q Financial Status (Liabilities/ Net assets)



(Unit : ¥100M)

	Increase/Decrease (FY21→FY22)	Increase/Decrease (Increase/Decrease ÷ FY21)
Notes/account payables	+59.5	+73%
Interest-bearing debt	+70.0	—
Other current liabilities	▲73.4	▲55%
Other fixed liabilities	▲4.0	▲38%
Net assets	+52.6	+8%

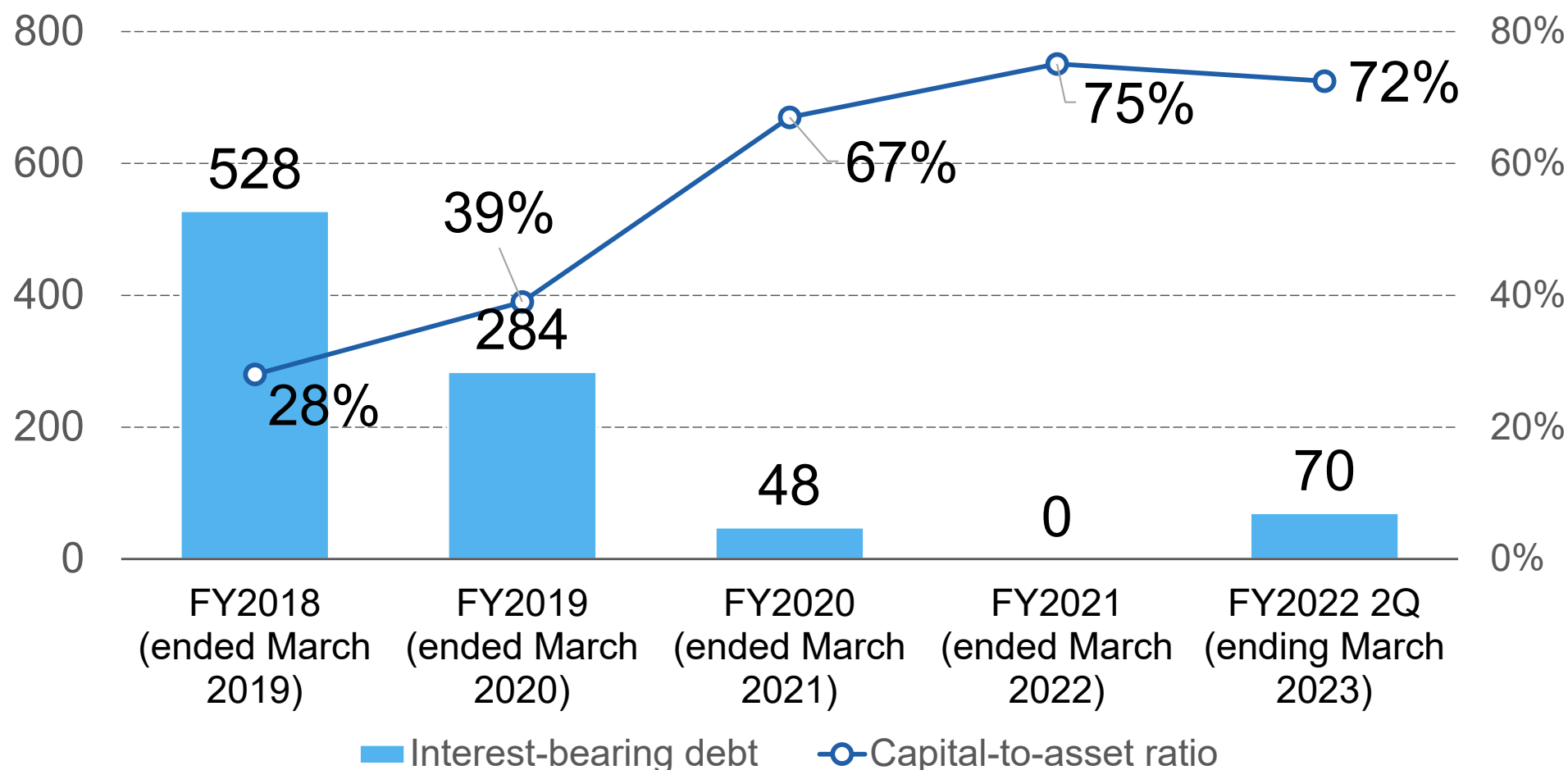
# FY2022 2Q Cash Flow



# FY2022 2Q Capital-to-equity ratio

We strive to enhance financial foundation and Capital-to-equity ratio.

(Unit : ¥100M)





# **FY2022 (ending March 2023) Forecast**

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# FY2022 (ending March 2023) Forecast

**We aim to invest in mid-term growth areas and secure stable profit.**

(Unit: ¥Million)		FY2021 (ended March 2022) Full-year Results	FY2022 (ending March 2023) Full-year Forecast	FY2022 2Q (ending March 2023) Results	Progress against Full-year Forecast
Consolidated	Net sales	75,256	72,000	35,999	50.0%
	Operating income	7,030	7,200	3,567	49.5%
	Ordinary income	7,857	7,200	4,325	60.1%
	Net profit attributable to owners of the parents	27,544	4,700	2,886	60.1%
	Net income per share (¥)	1,349.01	245.17	150.56	61.4%

※ In the fiscal year ended March 2022 (FY2021), a gain on sales of shares of subsidiaries and associates of ¥29.2 billion occurred due to the sale of a portion of shares in SiTime Corporation, an associated company, and an increase in SiTime Corporation's capital through a secondary offering,

※ Exchange rate of FY2022: USD ¥122.39

# Business update

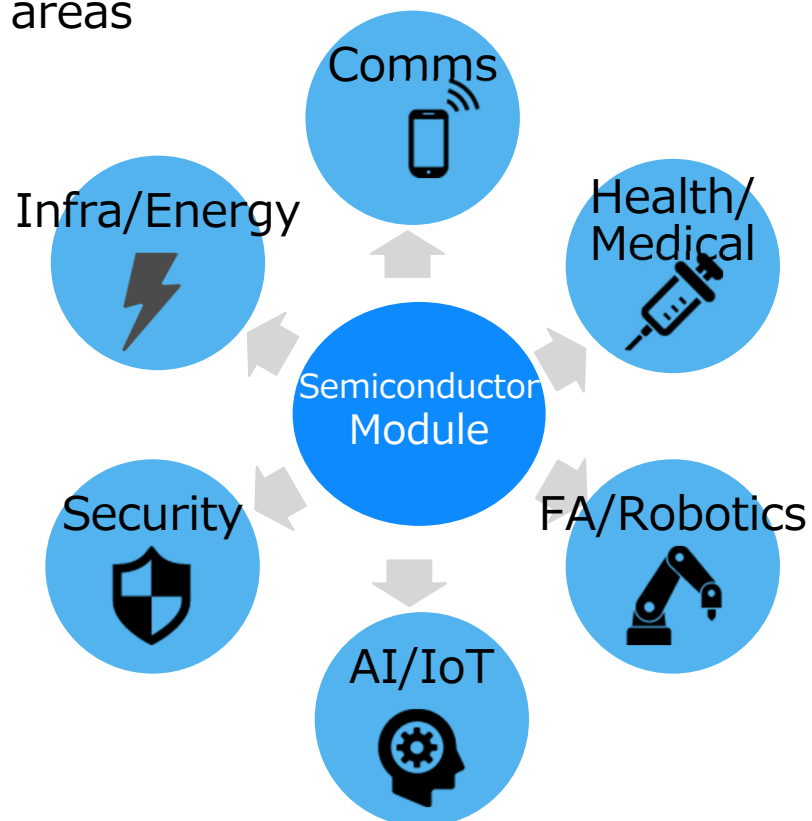
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# New business development efforts

We explore new business through strategic collaboration and invest in startups centering on the U.S.

## Business Environment

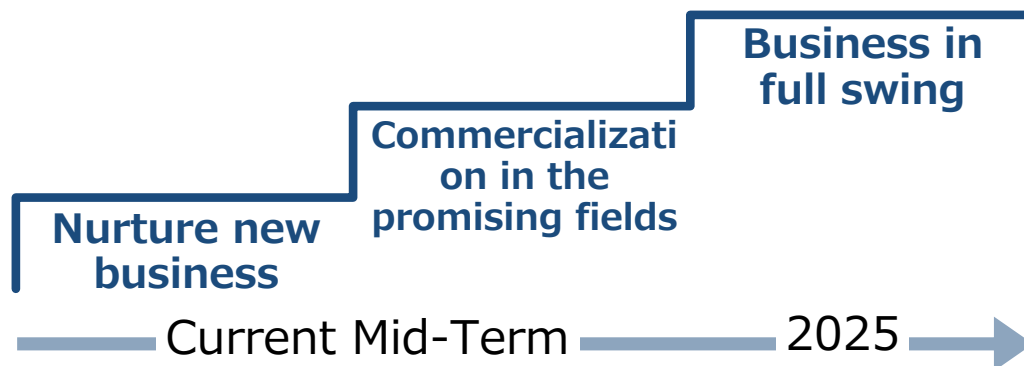
- Opportunity of diversified semiconductor application and expanded of business areas



## Mid-to long-term plan for 2025

- Strengthen US base and nurture the growth of new businesses
    - Responsible for global marketing, product planning, and advanced R&D
    - Establish CVC and enhance relationships with startups
- Accelerate to start promising businesses

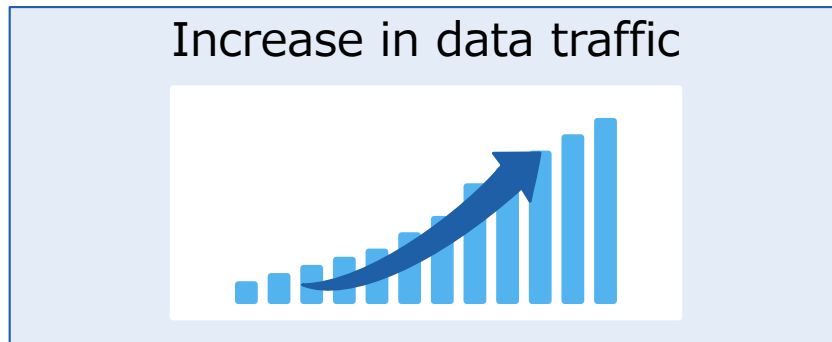
## Direction of growth



# Initiatives in Communication field

**Aiming to expand the market for telecommunication semiconductors, we plan to start volume production in the latter half of the current mid-term business plan period.**

## Business Environment



## Market expansion of Semiconductor x communication

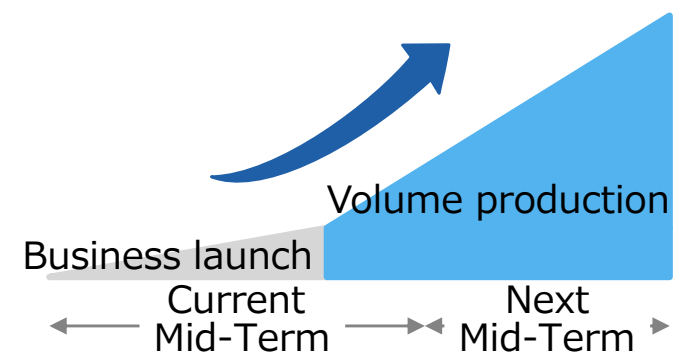
### Every equipment has comms functions

- Advancement of next-gen comms technology and smartification of industrial equipment
  - Low power, lower cost, robust security
- Technology revolution of autonomous driving and electrification
  - High reliability, high-speed/high-capacity, interconnectivity, and others

## Mid-to long-term plan for 2025

- Aim for commercialization of comms solution for the areas including equipment field
  - Enhancement of technology such as high-speed wired and wireless communication
- Accelerate commercialization through strategic alliance with startups with comms technology

## Direction of growth



# Initiatives in Communication field

## Capital alliance and strategic partnership with Morse Micro

We have invested in Morse Micro who achieves “Wi-Fi HaLow™”, a new wireless communication standard designed for IoT environments with lowest power and long range and will develop new market and solutions in the communication market.



- ◆ Investment amount: AUD100,000 thousand (¥9.69 billion)
- ◆ Purpose of capital alliance and strategic partnership:
  - Take on the manufacturing of Morse Micro’s semiconductor and module products, and
  - Pursue joint sales and promotion activities with Morse Micro
- ◆ About Morse Micro PTY. LTD.
  - Established in Aug 2016 in Australia
  - Total equity (as of March 31, 2022) AUD25,748 thousand (approx. ¥2.44 billion)
  - Fabless semiconductor, develops and provides Wi-Fi HaLow™ solution mainly for IoT market

# Initiatives in Communication field

Develop and explore wireless module for **Wi-Fi HaLow™**

## Feature of Wi-Fi HaLow™

**Wi-Fi HaLow** is garnering attention as the next-generation telecommunication standards using **SubGHz** bandwidth and it is now allowed to use in Japan a revision of Radio Laws and Regulations dated Sep 5, 2022.



### ◆ Long-range communication

Achieve farthest range over 1Km, while conventional Wi-Fi offers tens of kilometers.

### ◆ Unprecedented data rates

Achieve range from tens of Mbps to hundreds of Kbps while conventional LPWA system offers tens of Kbps.

### ◆ Proven security and IP transmission

IP transmission is available and supports UDP and TCP/IP protocols. Supports WAP3, Wi-Fi security function, in addition to WAP2.

### ◆ Connectivity over 8000 points

Connectable over 8000 IoT devices to one access point.

Smart factory



Home network



Smart agriculture



Wildlife and disaster monitoring

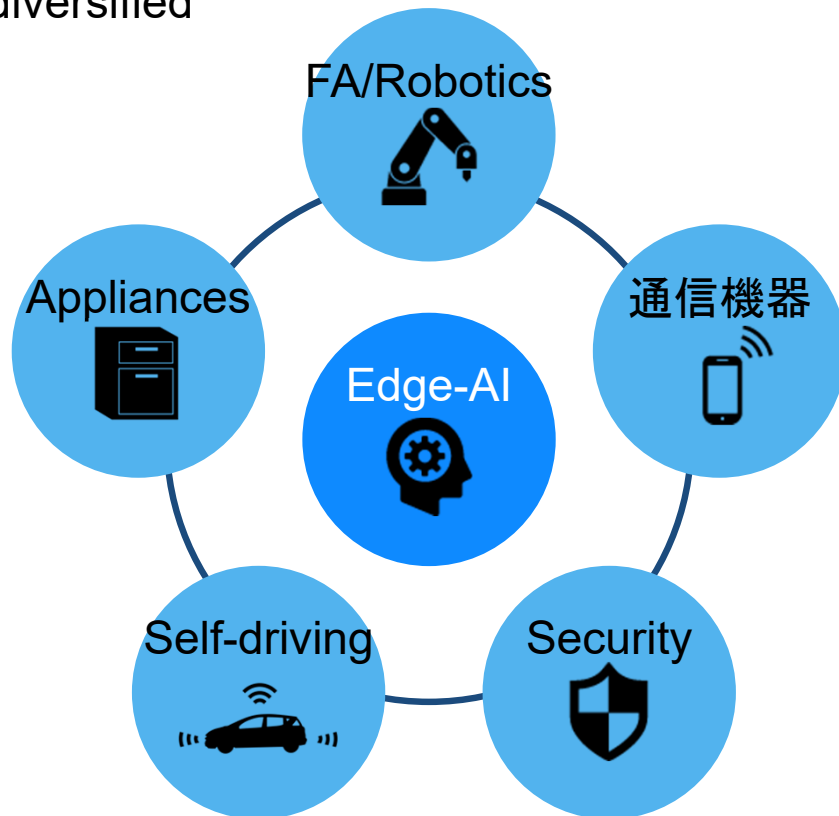


# Initiatives in AI field

We aim to accelerate time-to-market through alliances focusing on Edge-AI.

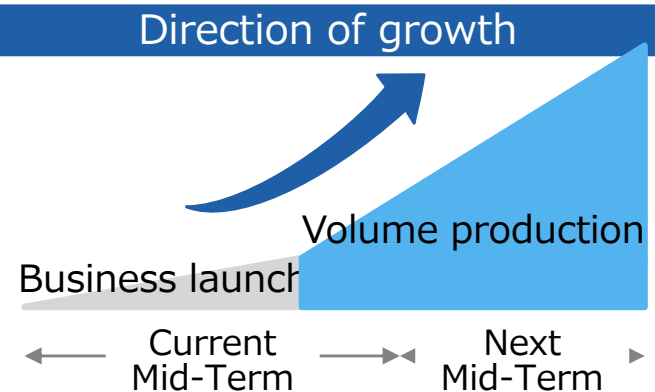
## Business Environment

- IoT advances and applications of Edge-AI will diversified



## Mid-to long-term plan for 2025

- Enhancement of technology development in Edge-AI applications
  - Compact and light weight, low power and low cost
- Promote collaboration with Edge-AI companies
  - Strategic alliance with BrainChip
  - Investment in Quadric from US subsidiary





# Initiatives in AI field

**We provide solutions with AI IP, through strategic partnership with Brainchip and quadric who develops Edge AI IP**

## Collaboration

Strategic partnership with BrainChip

- We aim to accelerate to launch products leveraging next-gen edge-based AI solutions that BrainChip owns

Investment in quadric

- We aim commercialization of products with AI function using processor with AI and DSP for edge equipment

### ◆ Features

- Low power, on-chip learning, versatility, low latency, and variety of image processing library group

### ◆ Target applications

- Image processing (blur, background elimination, etc.), local learning, always-on monitoring (low-power standby), object detection, face recognition, motion detection, sound authentication, gesture detection



## >> Purposes of investor relations and basic policy

MegaChips bases investor relations activities on the principles of fairness, timeliness, accuracy and continuity. We provide information about strategies, finances and other items in order to increase the transparency of our operations. To earn the trust of shareholders, investors and securities analysts and receive a proper evaluation, senior management frequently participates in investor relations activities.

## >> Disclosure rules

MegaChips discloses information in accordance with the Financial Instruments and Exchange Law, Company Law and other laws and regulations (“laws and regulations” hereafter) and the Rules for Timely Disclosure of Corporate Information by Issuers of Listed Securities of the Tokyo Stock Exchange, where MegaChips shares are listed. Furthermore, even when not required by laws and regulations or disclosure standards in timely disclosure rules, we aggressively provide information that we believe has an effect on investment decisions by shareholders, investors and securities analysts and other information that we believe is useful to gain a better understanding of MegaChips.

## >> Disclosure method

MegaChips distributes information using the Timely Disclosure network (TDnet) operated by the Tokyo Stock Exchange in accordance with timely disclosure rules. This includes information covered by the disclosure standards of the timely disclosure rules as well as information that we believe has an effect on investment decisions by shareholders, investors and securities analysts. In addition, we quickly post this information on the company Website.

We also provide other information that we believe is useful to gain a better understanding of MegaChips by issuing IR publications or news releases and posting this information on the company Website.

## >> Forward-looking statements

The information MegaChips discloses may contain forward-looking statements. These statements are based on the judgments of management based on information available when the information was disclosed and thus embody uncertainties and risks (“risks” hereafter). Readers are cautioned to remember that actual results and other developments may differ from these forecasts for a number of reasons. Please refer to the “Cautionary Statement on Risks” section for more information.

## >> Investment decisions

MegaChips discloses information for the purpose of giving people a better understanding of the company and not for the purpose of soliciting investments in securities issued by the company. Investors are asked to reach investment decisions on their own.

## >> Provision of third-party information about MegaChips

Parties other than MegaChips, including securities analysts, the media and a variety of Internet information sites, announce information and forecasts about MegaChips. MegaChips is not in a position to comment on this information or express its support. However, if there is an obvious mistake in this third-party information that could cause a loss of trust in the company or prevent the company from receiving an appropriate evaluation, a correction will be announced and the proper information released.

## >> IR “Quiet Period”

To prevent leaks of information about earnings releases that could affect its stock price and to ensure fairness, MegaChips observes a quiet period during the five business days prior to the earnings announcement for each quarter. During this period, the Company will not make any comments involving financial performance. However, information covered by laws and regulations and timely disclosure rules will be disclosed even during this quiet period and management will respond to inquiries about this information.

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