
MegaChips Corporation

**Financial results for the fiscal
first-quarter ending March 2014
(1Q FY3/14)**

<http://www.megachips.co.jp/english/index.html>

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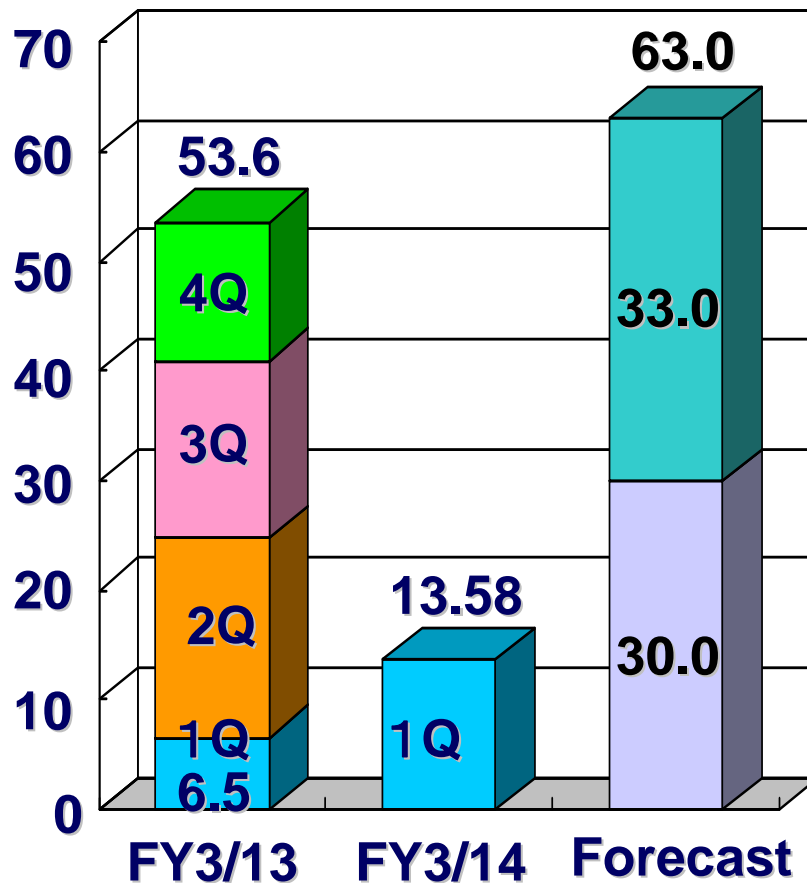
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1Q FY3/14 Results

FY3/14 Consolidated Performance

Net Sales

(¥ Billion)



Net Sales: ¥13.58 billion
YoY basis: +106.9%

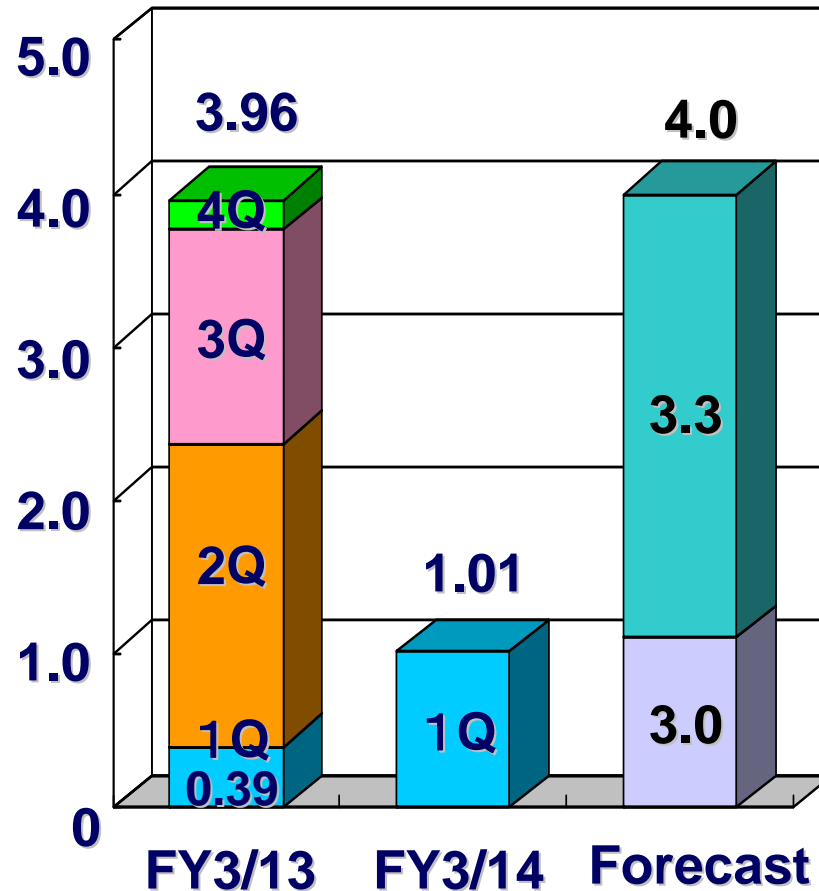
- In comparison with the 1st quarter of the preceding fiscal year, the addition of the sales of new LSI products for digital camera and the steady demand of LSI for LCD panel and OA, etc. in ex-Kawasaki Microelectronics, contributed to the increase of sales.

*The figures for the full-year forecast were released on May 8, 2013.

FY3/14 Consolidated Performance

Operating Income

(¥ Billion)



Operating income: ¥1.01 billion
YoY basis: +155.2 %

• In comparison with the 1st quarter of the preceding fiscal year, the addition of the sales of new LSI products for digital camera and the consolidation of the sales of LSI for LCD panel and OA, etc. in ex-Kawasaki Microelectronics, which was not consolidated in the 1st quarter of the preceding fiscal year, contributed to the increase of income.

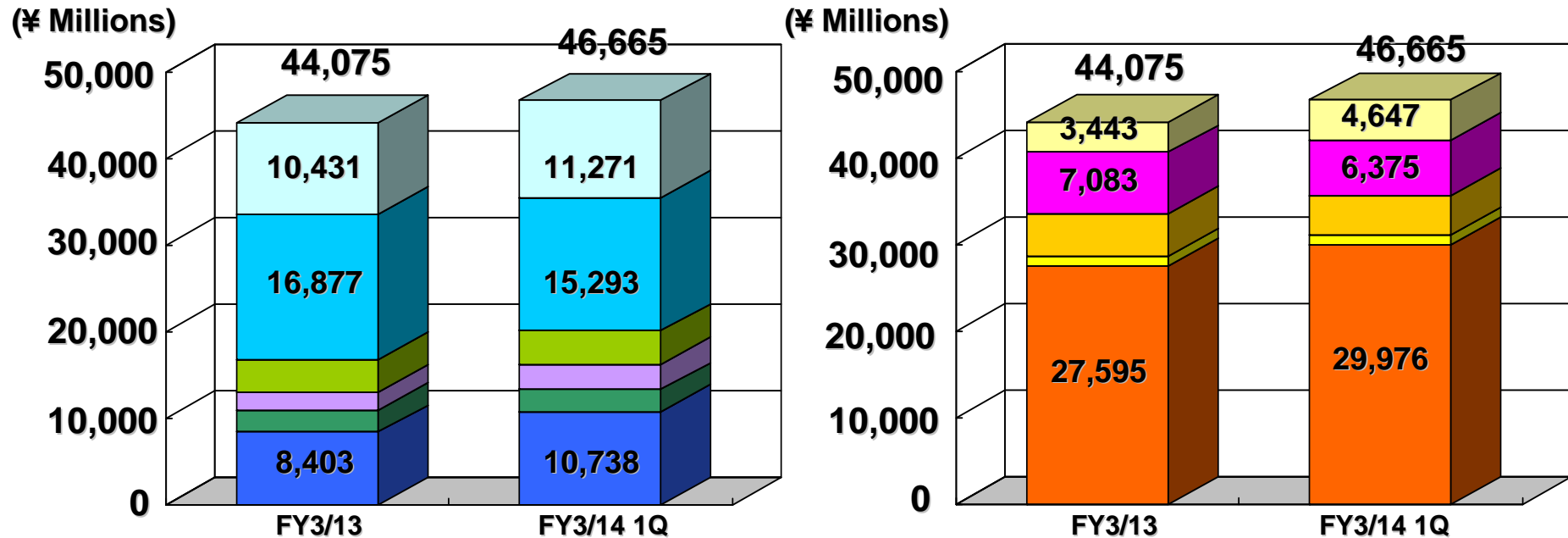
*The figures for the full-year forecast were released on May 8, 2013.

FY3/14 Consolidated Statement of Income (Summary)

(¥ Millions)		FY3/14 1Q results	FY3/13 1Q results	FY3/14 forecast	YoY change	Vs. forecast
Consolidat ed	Net sales	13,589	6,567	63,000	+ 106.9%	21.6%
	Operating income	1,011	396	4,000	+ 155.2%	25.3%
	Ordinary income	1,151	406	4,000	+ 183.1%	28.8%
	Net income	2,889	236	4,800	—	60.2%
	Net income per share (¥)	123.76	9.87	205.58	—	60.2%

- The figures for the full-year forecast were released on May 8, 2013.
- On the merger of Kawasaki Microelectronics, Inc. (“KME”) as of April 1, 2013, the net operating loss carried forward in KME was assumed by our company. The part of such net operating loss, which is likely to be realized, was recorded as deferred tax assets. Accordingly, income taxes adjustment in the amount of Δ 2,450 million Yen (“ Δ ” means profit) was recorded and included in “income tax, etc.”

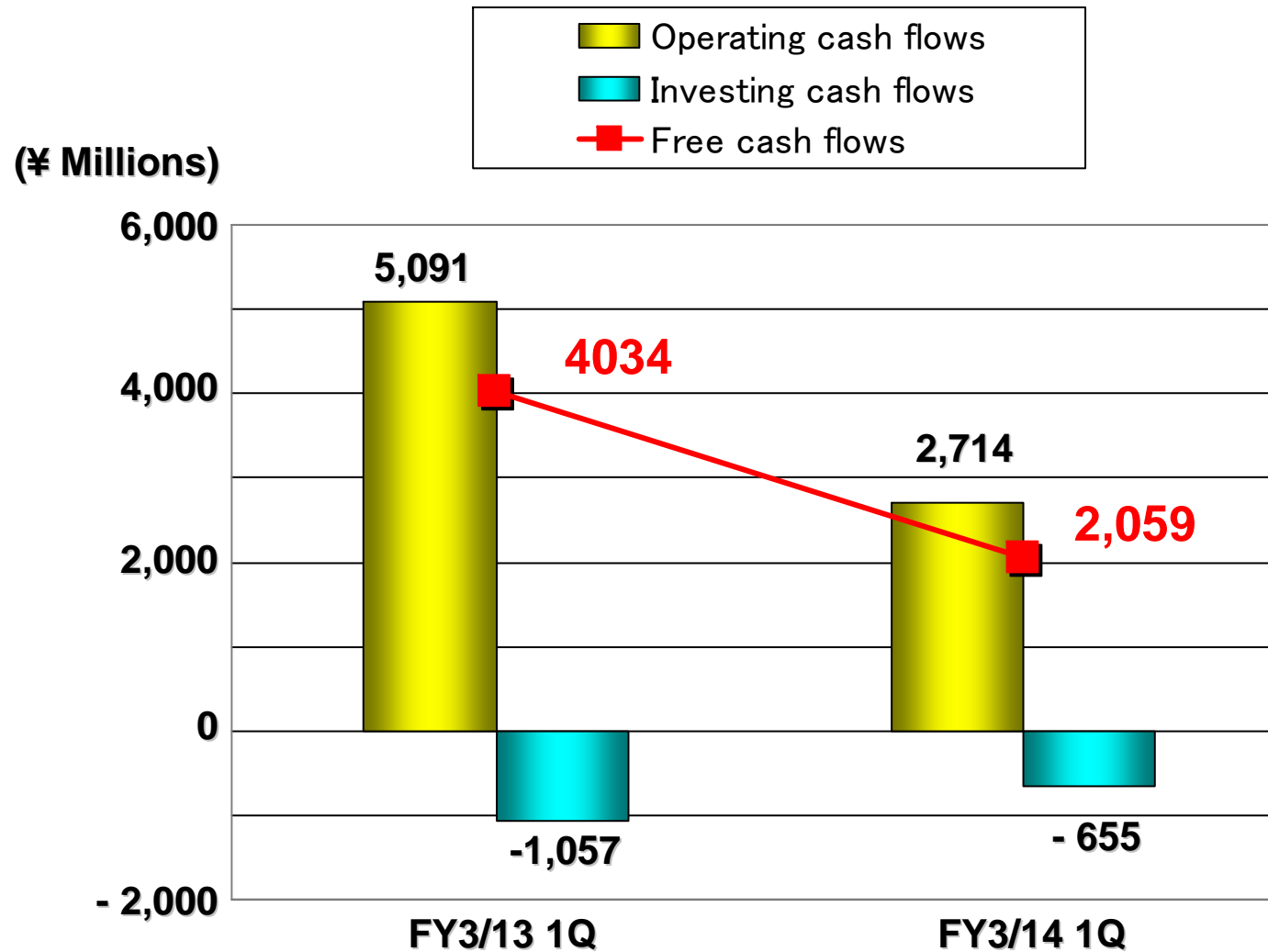
FY3/14 Consolidated Balance Sheets



	FY3/13	FY3/14 1Q
Cash and cash equivalents	10,431	11,271
Accounts receivable	16,877	15,293
Inventories	3,701	3,836
Other current assets	2,078	2,932
Tangible/intangible fixed assets	2,583	2,595
Investments and other assets	8,403	10,738

	FY3/13	FY3/14 1Q
Accounts payable	3,443	4,647
Interest-bearing debt	7,083	6,375
Other current liabilities	4,821	4,498
Other fixed liabilities	1,132	1,169
Net assets	27,595	29,976

FY3/14 Consolidated Cash Flows



FY3/14 Forecast

Revised FY3/14 Forecast (vs. Initial Forecast)

FY3/14 first half forecast

(¥ Million)		FY3/14 1H forecast (revised)	FY3/14 1H forecast (initial)	vs. initial 1H forecast	FY3/12 1H results	YoY change
Consolidated	Net sales	31,500	30,000	+ 5.0%	24,718	+ 27.4%
	Operating income	2,000	1,100	+ 81.8%	2,371	- 15.7%
	Ordinary income	2,000	1,100	+ 81.8%	2,338	- 14.5%
	Net income	3,600	2,900	+ 24.1%	2,774	+ 29.8%
	Net income per share (¥)	154.18	124.20	+ 24.1%	115.98	+ 32.9%

FY3/14 full-year forecast

(¥ Million)		FY3/14 full- year forecast (revised)	FY3/14 full- year forecast (initial)	vs. initial full-year forecast	FY3/12 full- year results	YoY change
Consolidated	Net sales	63,000	63,000	—	53,623	+ 17.5%
	Operating income	4,200	4,000	+ 5.0%	3,962	+ 6.0%
	Ordinary income	4,200	4,000	+ 5.0%	4,120	+ 1.9%
	Net income	4,900	4,800	+ 2.1%	4,044	+ 21.2%
	Net income per share (¥)	209.86	205.58	+ 2.1%	170.23	+ 23.3%

FY3/14 Medium-Term Management Strategy

Medium-Term Management Strategy for Fiscal Year Ending in March, 2014

**Being a global company
“creating new applications and
continuing to provide system solutions”**

Strengthen business base for domestic consumer market

**Develop new business in growing segment
of domestic industry**

Reinforce corporate structure to enter global market

Make active returns to shareholders

Medium-Term Management Strategy

Strengthen business base for domestic consumer market

- Reinforce the business in the existing market segment and expand the business in OA segment, by enhancement of the competitiveness in ASIC through the integration of LSI development and application knowledge
- Render the stable and high-quality service to domestic customers by providing them with support integrating the ranges from planning and development to the control of overseas wafer foundry, assembly and test
- Provide customers with not only LSI but also the software connected with LSI as package

Medium-Term Management Strategy

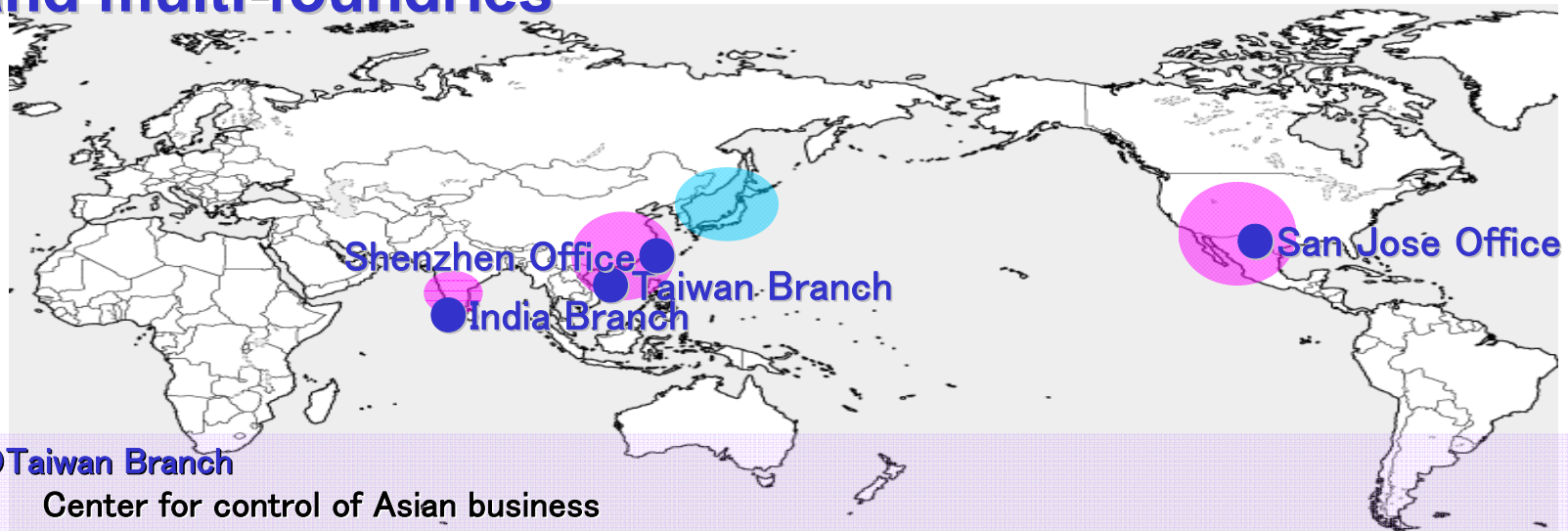
Develop new business in growing segment of domestic industry

- Start new plan and technical development of solutions targeting environment and control of energy saving, automobile and automation, and medical instruments
Enhance the strength of application and marketing
- Expand system LSI business based on the technology for graphics and communications in combination with technology related to cloud computing.
- Develop the business based on high-speed analog communication technology in combination with system LSI

Medium-Term Management Strategy

Reinforce corporate structure to enter global market

→ Establish organization for off-shore development and multi-foundries



● **Taiwan Branch**

Center for control of Asian business
Center for operation control as fabless company

● **India Branch**

Center for development (analog circuit, ASIC design flow and ASIC, etc.)

● **San Jose Office**

Center for R&D of cutting-edge technology and center for sales and marketing to North America, Europe and Middle East

● **Shenzhen Office**

Center for marketing and technical support to Chinese customers

Medium-Term Management Strategy

Returns to Shareholders

【Dividend Policy】

- ① Aiming at continuous increase of enterprise value, the raised funds will be allocated for medium and long term growth, including basic research for creation of innovative technology, development of original products, structure of proper business portfolio and acquirement of excellent human resources. For the maintenance of the sound financial conditions endurable to any change of business environment, necessary internal reservation will be secured.
- ② Distribution of surplus will be made at the rate of whichever higher, (i) around 30% of distribution rate or (ii) 2% of distribution on equity (“DOE”) on a consolidated basis.
- ③ For enhancement of capital efficiency, the stock repurchase will be made flexibly and efficiently, considering the market conditions, stock price and finance conditions (excluding special element in the closing account.)



【Stock Repurchase】

Period 2012.9.7~2012.9.13
Numbers 305,400 shares
Amounts ¥499,994,100

Period 2013.2.25~2013.2.28
Numbers 300,000 shares
Amounts ¥443,135,900

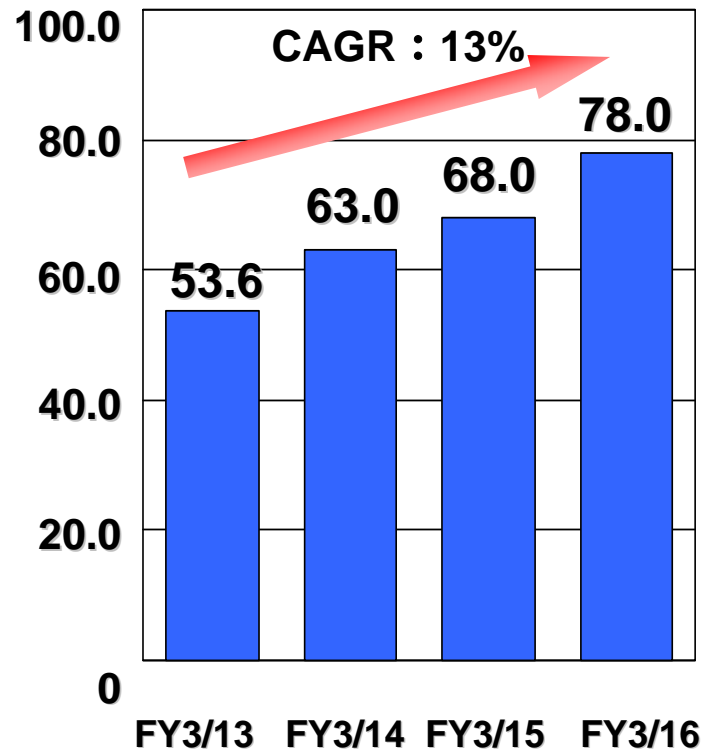
Medium-term Target

Medium-term target for FY3/16

● CAGR 16% from FY3/13 to FY3/16

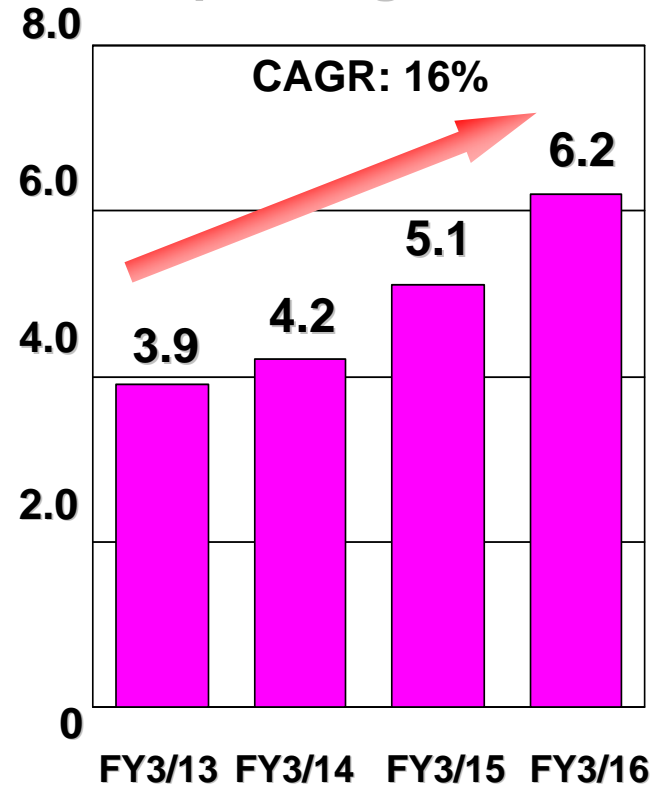
(¥ Billion)

Sales



(¥ Billion)

Operating income



“Second Foundation”, As Reborn MegaChips

Aim at being recognized in the world as global company “creating new applications and continuing to provide system solution” with “integration of LSI and the knowledge in different fields”

MegaChips took a new step by merger of Kawasaki Microelectronics, Inc., a consolidated subsidiary, on April 1, 2013.

MegaChips is aiming at being the best partner of domestic and foreign customers by covering the wide range of technology and integrating support from development to manufacture and QA.



MegaChips

IR Policy

>> 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.

IR Policy

>> 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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