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# MegaChips Corporation

**Financial results for the fiscal  
first-quarter ending March 2015  
(1Q FY3/15)**

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

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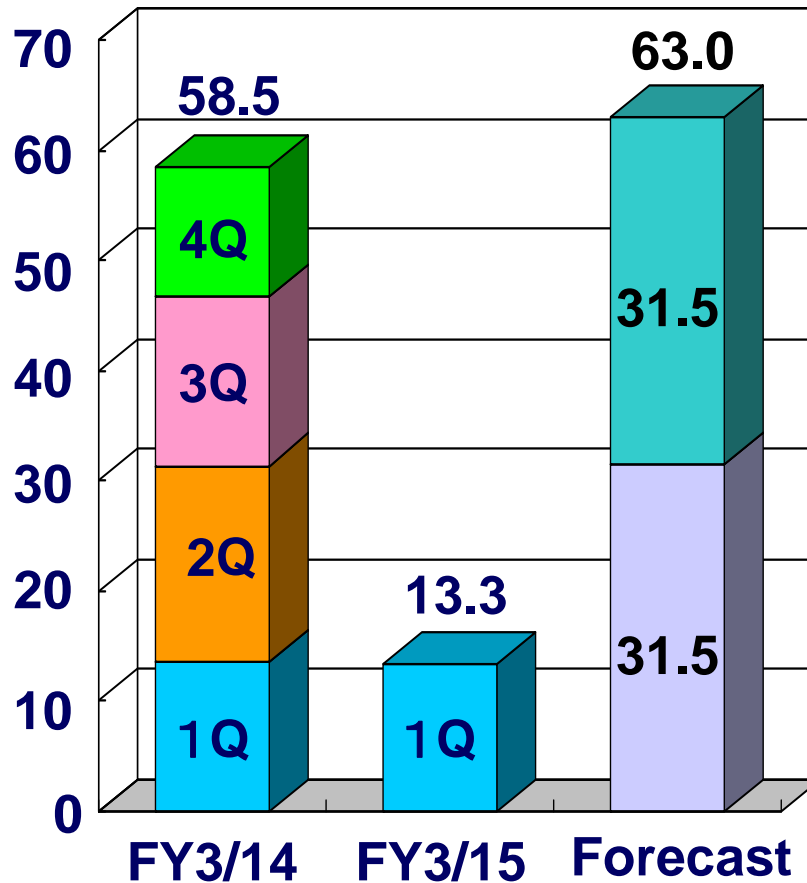
# 1Q FY3/15 Results

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# FY3/15 Consolidated Performance

## Net Sales

(¥ Billion)



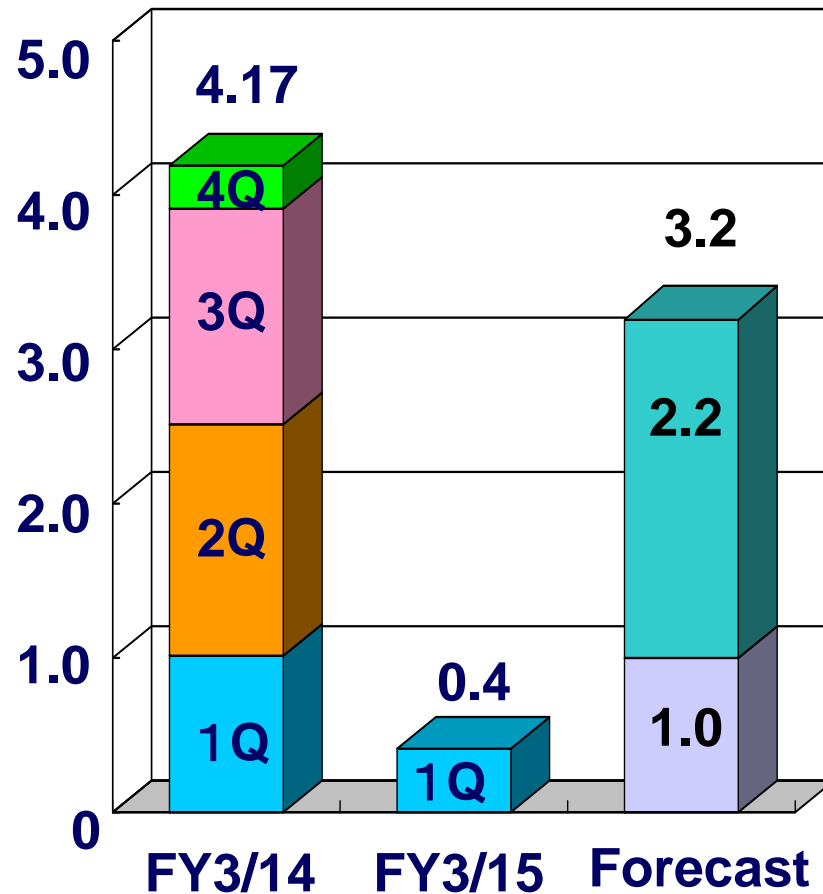
Net Sales: ¥13.3 billion  
YoY basis: - 1.9%

- Compared with the previous year, the demand of LSI for digital camera and OA remained steady, though the demand of LSI (customer memory) for storage of game software decreased.

# FY3/15 Consolidated Performance

## Operating Income

(¥ Billion)



Operating income: ¥0.4 billion  
YoY basis: - 58.9 %

· The active investment was made in building of base for overseas customers, like R&D and maintenance and enhancement of overseas offices

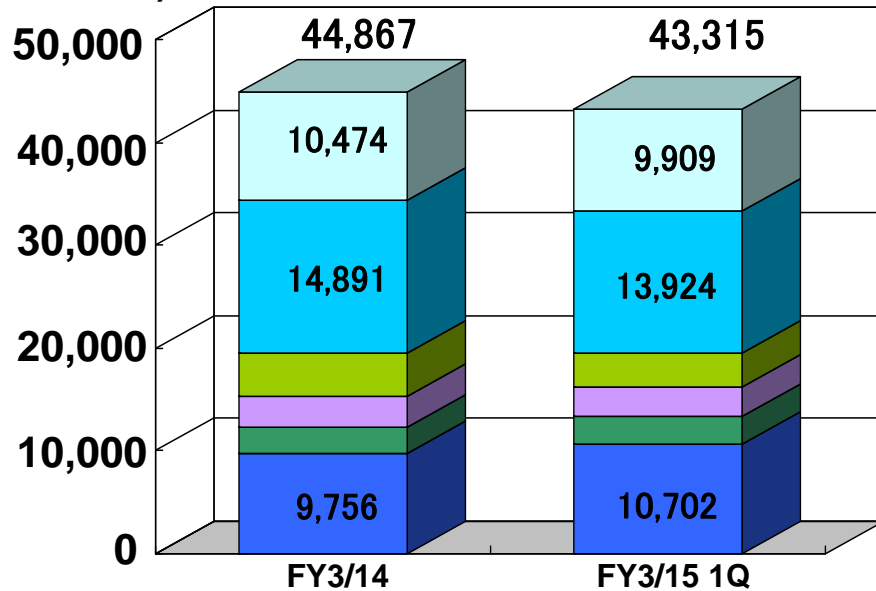
# FY3/15 Consolidated Statement of Income (Summary)

| (¥ Millions) |                          | FY3/15 1Q results | FY3/14 1Q results | FY3/15 forecast | YoY change | Vs. forecast |
|--------------|--------------------------|-------------------|-------------------|-----------------|------------|--------------|
| Consolidated | Net sales                | 13,325            | 13,589            | 63,000          | - 1.9%     | 21.2%        |
|              | Operating income         | 415               | 1,011             | 3,200           | - 58.9%    | 13.0%        |
|              | Ordinary income          | 406               | 1,151             | 3,100           | - 64.7%    | 13.1%        |
|              | Net income               | 123               | ※ 2,889           | 1,700           | - 95.7%    | 7.2%         |
|              | Net income per share (¥) | 5.37              | 123.76            | 72.81           | - 95.7%    | 7.4%         |

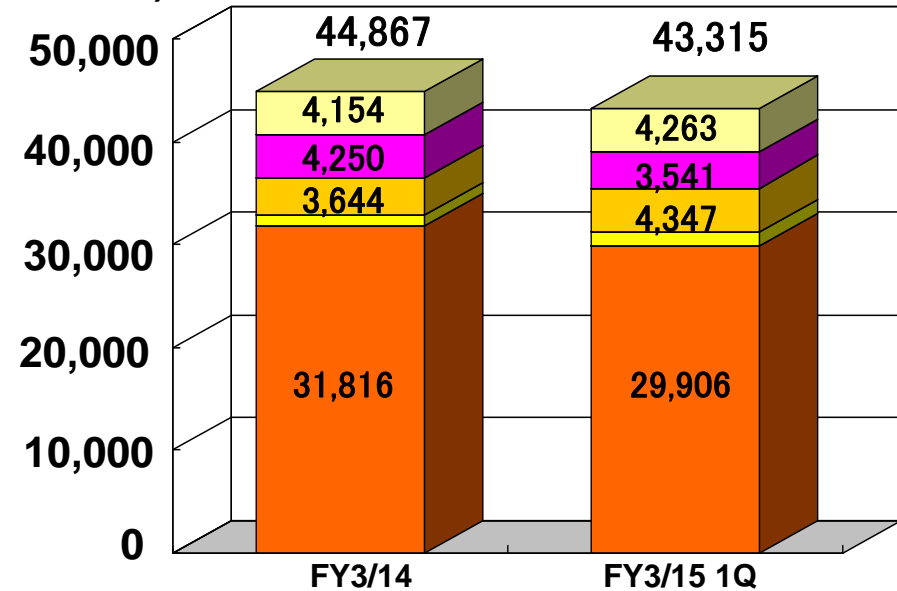
※ On the merger of Kawasaki Microelectronics, Inc. (“KME”) as of April 1, 2013, the net operating loss carried forward in KME was assumed by our company. The part of such net operating loss, which is likely to be realized, was recorded as deferred tax assets. Accordingly, income taxes adjustment in the amount of △ 2,374 million Yen (“△” means profit) was recorded.

# FY3/15 Consolidated Balance Sheets

(¥ Millions)



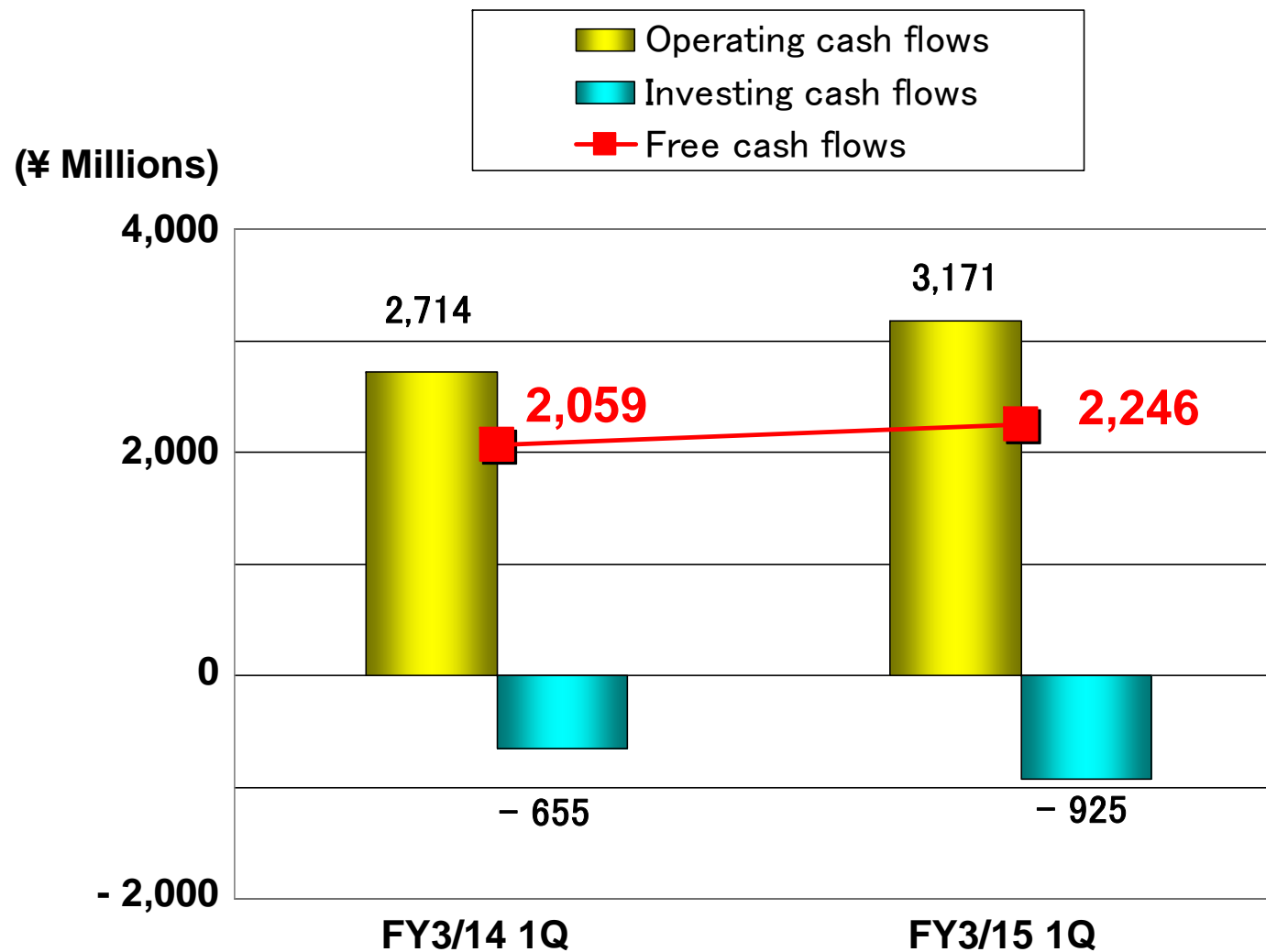
(¥ Millions)



|                                  | FY3/14 | FY3/15 1Q |
|----------------------------------|--------|-----------|
| Cash and cash equivalents        | 10,474 | 9,909     |
| Accounts receivable              | 14,891 | 13,924    |
| Inventories                      | 4,209  | 3,199     |
| Other current assets             | 3,014  | 2,891     |
| Tangible/intangible fixed assets | 2,523  | 2,690     |
| Investments and other assets     | 9,756  | 10,702    |

|                           | FY3/14 | FY3/15 1Q |
|---------------------------|--------|-----------|
| Accounts payable          | 4,154  | 4,263     |
| Interest-bearing debt     | 4,250  | 3,541     |
| Other current liabilities | 3,644  | 4,347     |
| Other fixed liabilities   | 1,003  | 1,258     |
| Net assets                | 31,816 | 29,906    |

# FY3/15 Consolidated Cash Flows





# **FY3/15 Medium-Term Management Strategy**

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# Medium-Term Management Strategy

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**Reform the business structure into that which drives the growth by both of ASSP and ASIC business**

- ① Establish new business of ASSP (LSI for specific purpose) and standard LSI in growing industrial segment
- ② Make investment in overseas offices for enhancement of their functions into the core for entering the global market
- ③ Strengthen ASIC business base
- ④ Make active returns to shareholders

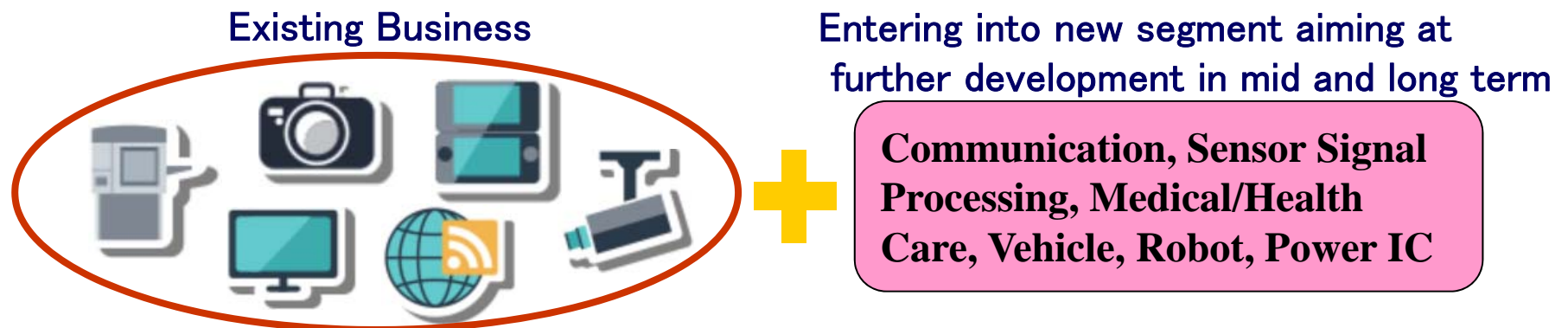
# Medium-Term Management Strategy

① Establish new business of ASSP (LSI for specific purpose) and standard LSI in growing industrial segments

→ Establish new ASSP business in the segments of communication, vehicle, sensor signal processing, medical/health care and robot

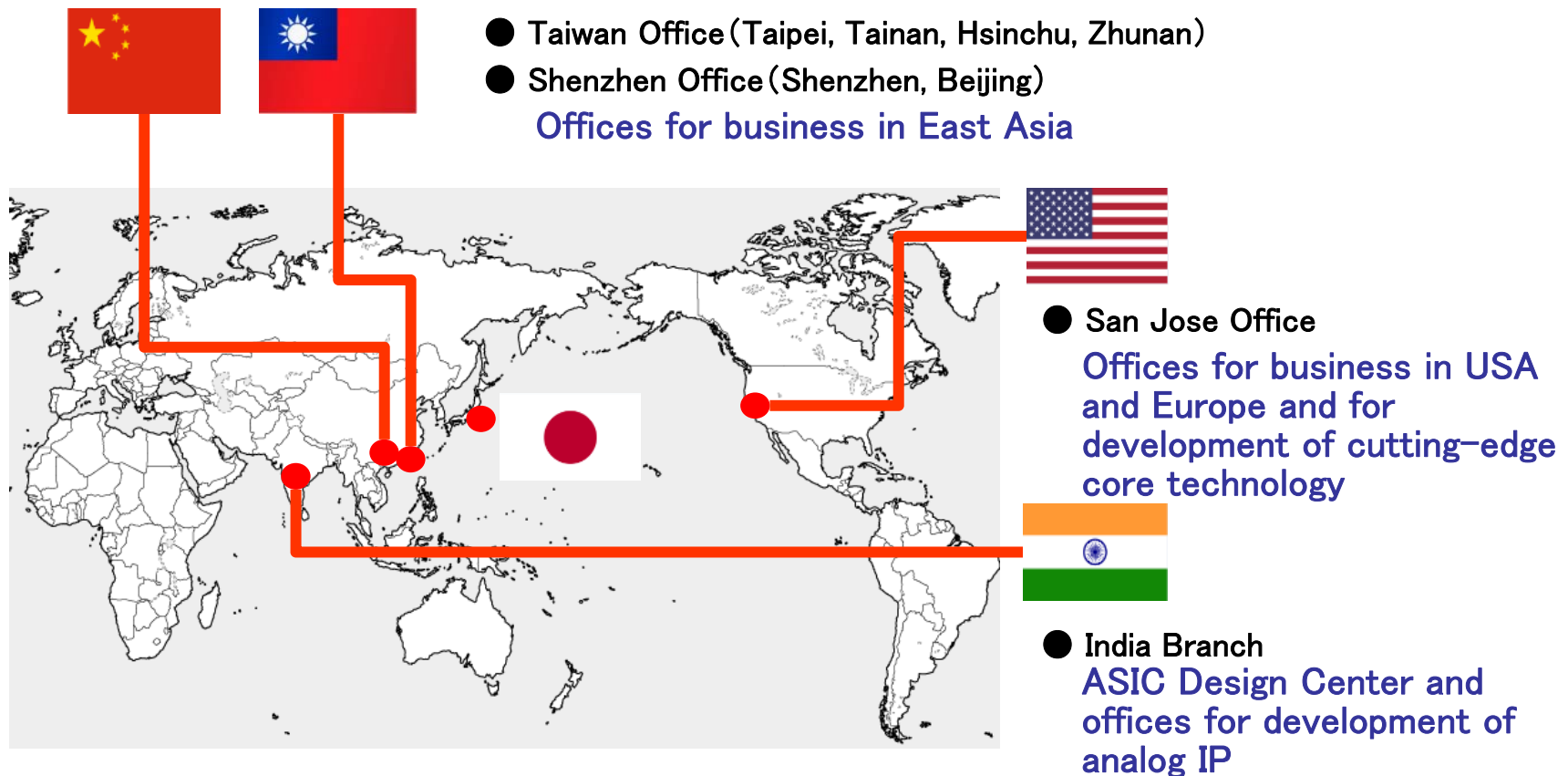
→ Develop new ASSP business by active M&A, strategic alliance and new investment

→ Establish required structure and system, expand the product line and extend the channel to overseas customers



# Medium-Term Management Strategy

② Make investment in overseas offices for enhancement of their functions into the core for entering the global market



# Medium-Term Management Strategy

## ③ Strengthen ASIC business base

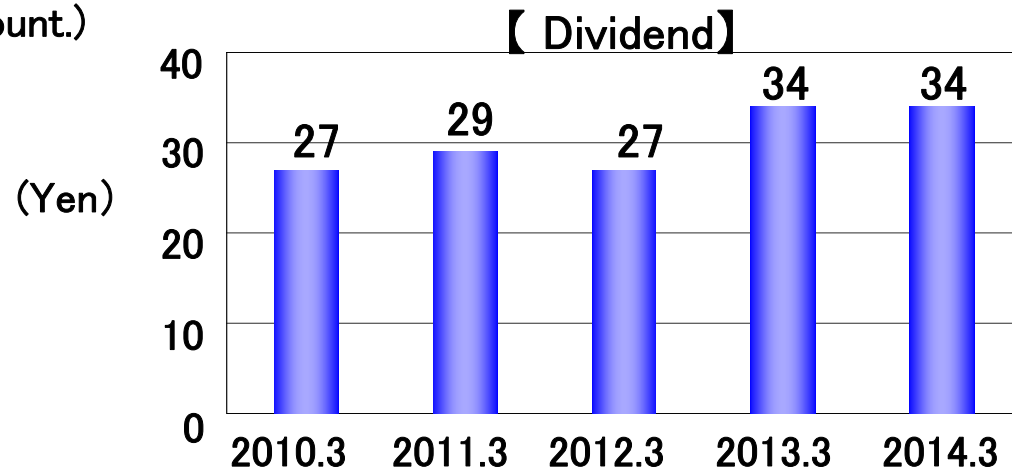
- The enhancement of competitiveness through integration of LSI development and application knowledge in ASIC business will boost the shares in the markets with higher profit rate like OA and industrial equipment.
- Render stable and high-quality service to domestic customers by integrating necessary support in total, ranging from planning/development to overseas foundry, assembly and test
- Establish off-shore development and foundry most suitable for the products
- Acquire the core technology by quick technology development, strategic alliance and M&A

# Medium-Term Management Strategy

## ④ 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 acquisition 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.)



# FY3/15 Forecast

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# Forecast of Fiscal Year Ending in March 2015

## New approach in FY ending in March 2015 (Active investment)

In FY2014, MegaChips will change its business structure, which is highly dependent on ASIC, into what is driven by both of ASSP and ASIC business. To achieve this goal, active investment will be made for establishment of new ASSP business.

The expansion of the existing business will be also focused on in order to procure the funds required for new investment,

### <List of main new investments in FY2014>

- ① New business in Asian and European market (Image and power IC)
  - Investment in new products (offices in U.S.A., Japan and India)
  - Investment in business building (sales, FAE and operation, etc.)
- ② New ASSP business in mobile, vehicle and health care
- ③ Enhancement of capabilities for ASIC development



# Business Plan for FY3/15

| (¥ Million)  |                          | FY3/15<br>First-<br>half<br>forecast | FY3/15<br>Full-<br>year<br>forecast | FY3/14<br>First-<br>half<br>results | FY3/14<br>Full-<br>year<br>results | YoY<br>change<br>(First-<br>half) | YoY<br>change<br>(Full-<br>year) |
|--------------|--------------------------|--------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|-----------------------------------|----------------------------------|
| Consolidated | Net sales                | 31,500                               | 63,000                              | 31,352                              | 58,469                             | + 0.5%                            | + 7.7%                           |
|              | Operating income         | 1,000                                | 3,200                               | 2,485                               | 4,173                              | - 59.8%                           | - 23.3%                          |
|              | Ordinary income          | 900                                  | 3,100                               | 2,616                               | 4,277                              | - 65.6%                           | - 27.5%                          |
|              | Net income               | 400                                  | 1,700                               | 3,817                               | 4,725                              | - 89.5%                           | - 64.0%                          |
|              | Net income per share (¥) | 17.13                                | 72.81                               | 163.50                              | 202.40                             | - 89.5%                           | - 64.0%                          |

※ The amount of forecast has not been changed from that released from May 9, 2014.

※ In the fiscal year ending in March 2014, the loss carried forward, etc. which was assumed from Kawasaki Microelectronics, Inc. (“KME”) in relation to the merger of KME as of April 1, 2013 and which may be realized, was recorded as deferred tax assets. The adjustment for corporate tax, etc. (profit) equal to Δ¥2,374million due to such event was included in “corporate tax, etc.”

# 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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