
MegaChips Corporation

Results for the Fiscal Year Ended
March 31, 2014 (FY3/14)

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

Contents

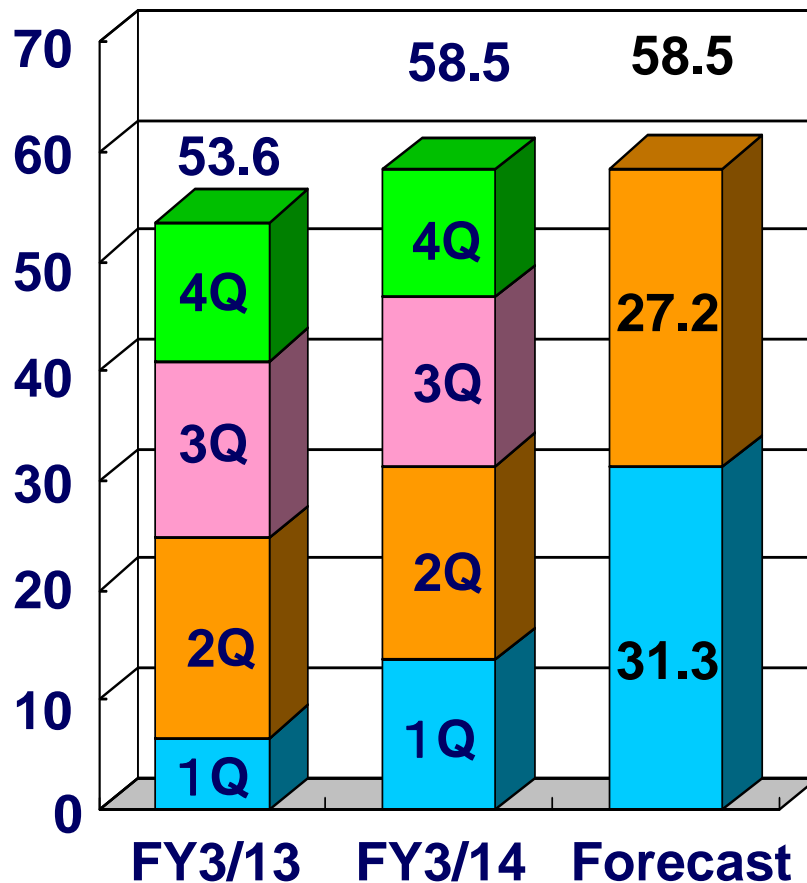
1. FY3/14 Results	3
2. FY3/15 Medium-Term Management Strategy	9
3. FY3/15 Medium-Term Business Plan	15

FY3/14 Results

FY3/14 Consolidated Performance

Net Sales

(¥ Billion)



Net Sales: ¥58.5 billion
YoY basis: +9.0%

Compared with the preceding FY, the sales of the new LSI product for digital camera and the steady demand of LSI products for LCD and OA contributed to the increase of income.

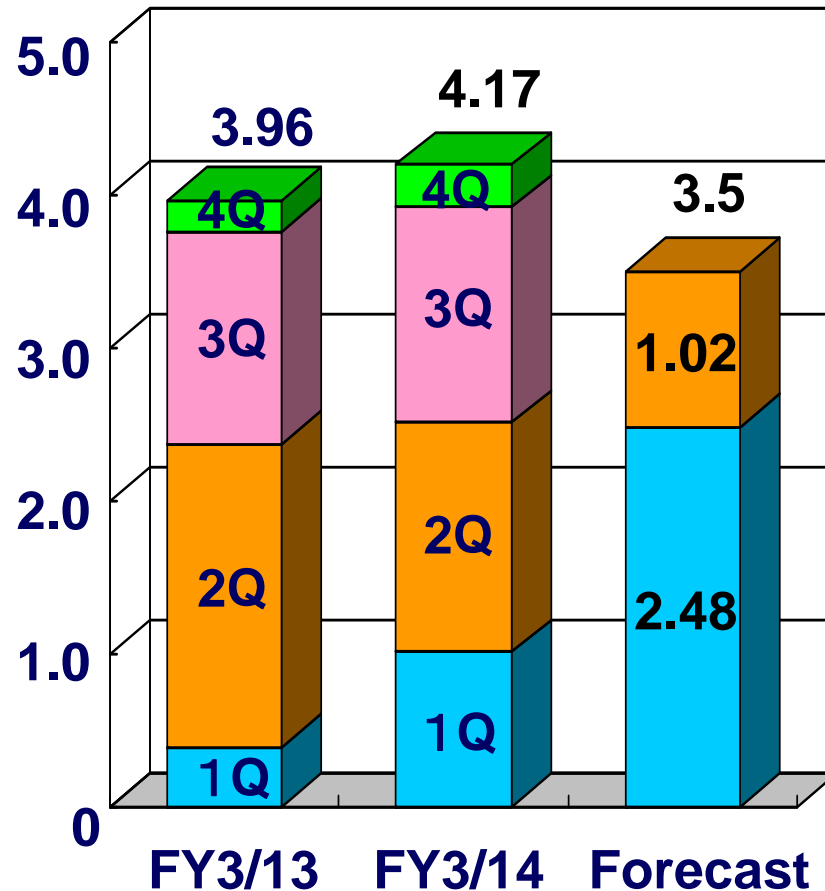
The consolidated sales amount reached the highest-ever level.

*The figures for the full-year forecast were released on January 31, 2014.

FY3/14 Consolidated Performance

Operating Income

(¥ Billion)



Operating income: ¥4.17 billion
YoY basis: + 5.3 %

Compared with the preceding FY, the sales of the new LSI product for digital camera and the steady demand of LSI products for LCD and OA contributed to the increase of income.

*The figures for the full-year forecast were released on January 31, 2014.

FY3/14 Consolidated Statement of Income (Summary)

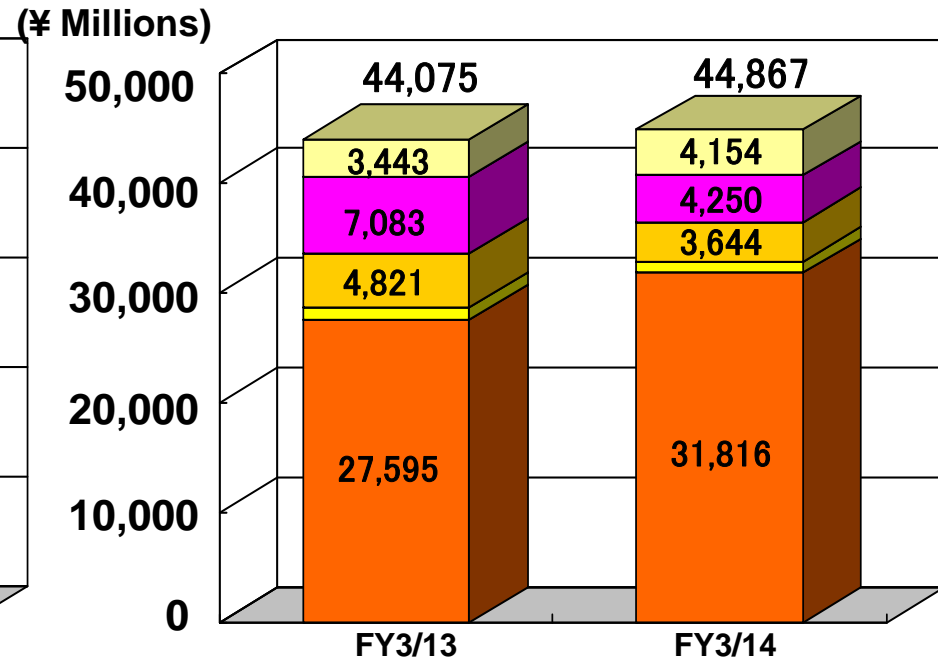
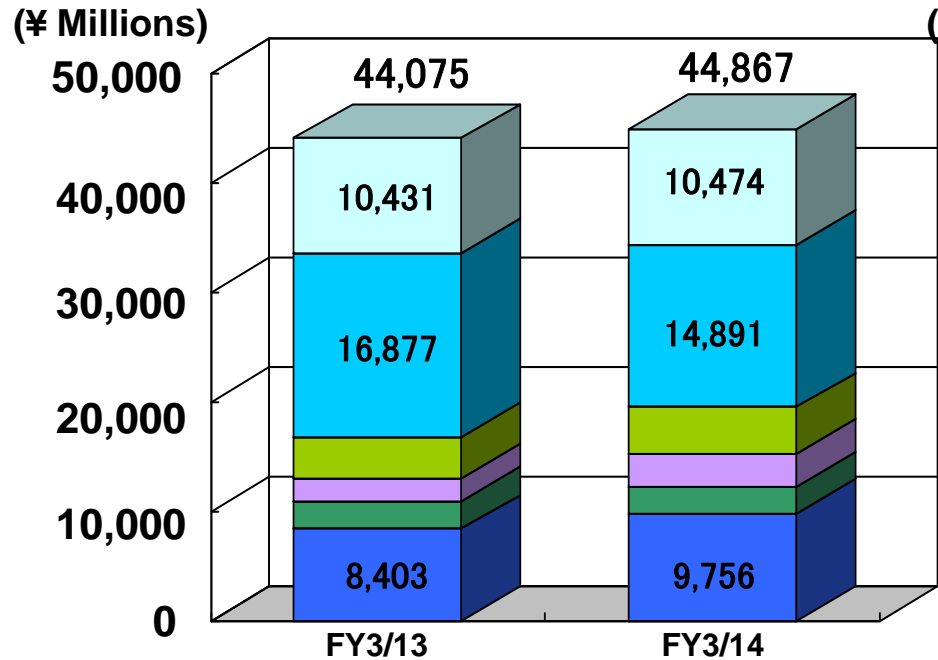
(¥ Millions)		FY3/14 results	FY3/14 forecast	Vs. forecast	FY3/13 results	YoY change
Consolidated	Net sales	58,469	53,623	58,500	+ 9.0%	99.9%
	Operating income	4,173	3,962	3,500	+ 5.3%	119.2%
	Ordinary income	4,277	4,120	3,600	+ 3.8%	118.8%
	Net income	4,725	4,044	4,600	+ 16.9%	102.7%
	Net income per share (¥)	202.40	170.23	197.01	+ 18.9%	102.7%

1) Consolidated net sales and connected net income are the highest amount in the past.

2) 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.

3) In the fiscal year ending in March, ¥1,406 million was recorded as the negative goodwill, by which the net asset value exceeded the purchase value in the purchase of all outstanding shares of stock of KME.

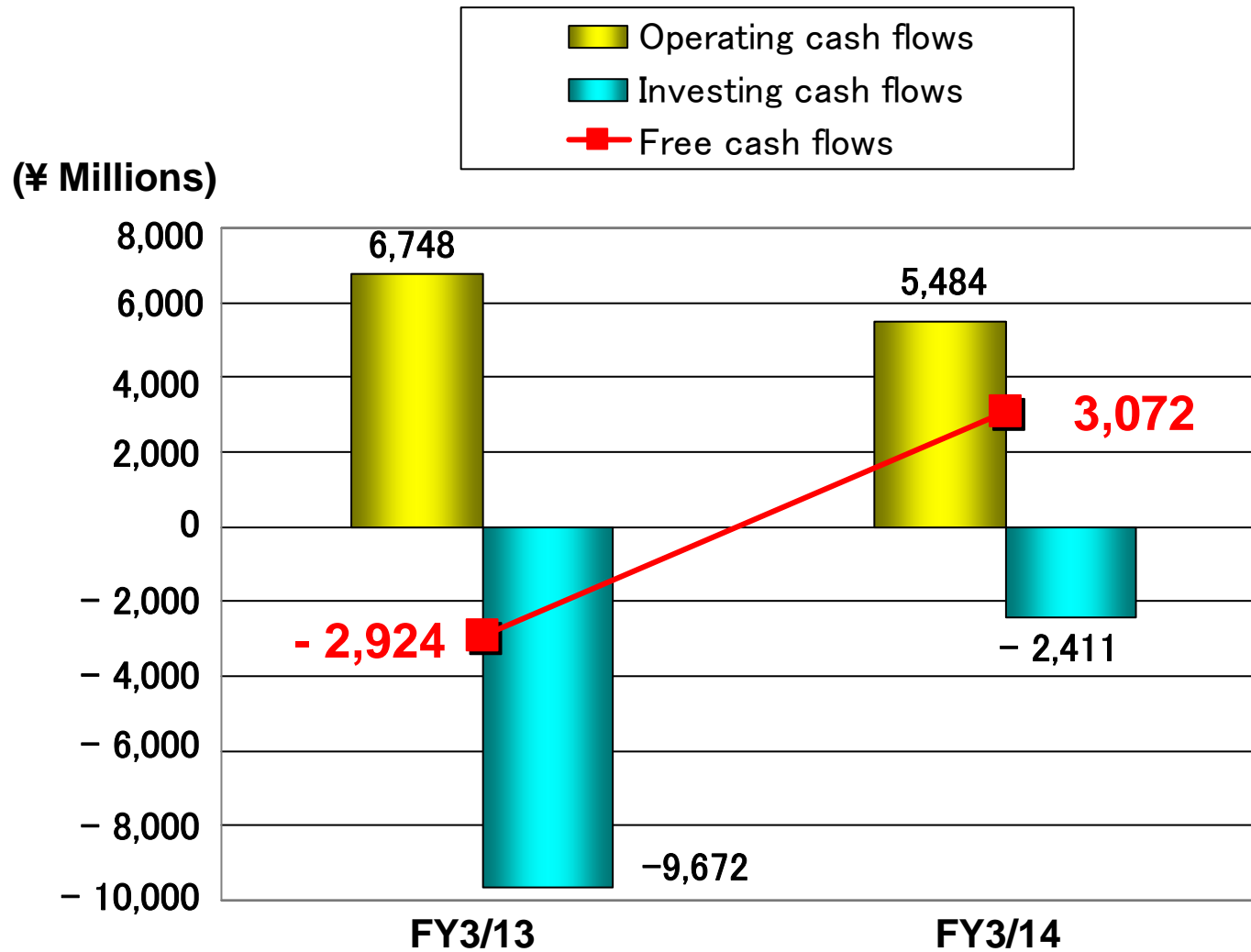
FY3/14 Consolidated Balance Sheets



	FY3/13	FY3/14
Cash and cash equivalents	10,431	10,474
Accounts receivable	16,877	14,891
Inventories	3,701	4,209
Other current assets	2,078	3,014
Tangible/intangible fixed assets	2,583	2,523
Investments and other assets	8,403	9,756

	FY3/13	FY3/14
Accounts payable	3,443	4,154
Interest-bearing debt	7,083	4,250
Other current liabilities	4,821	3,644
Other fixed liabilities	1,132	1,003
Net assets	27,595	31,816

FY3/14 Consolidated Cash Flows



FY3/15 Medium-Term Management Strategy

Medium-Term Management Strategy

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

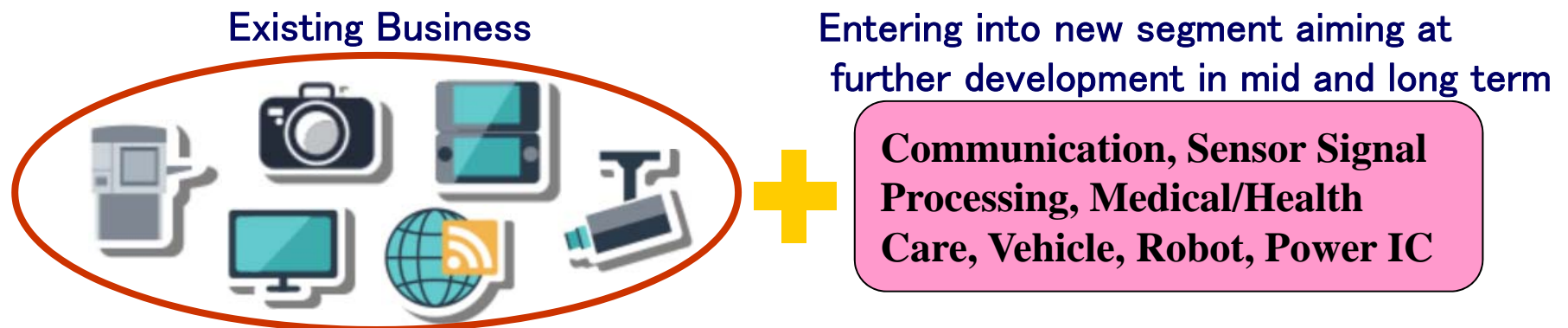
Medium-Term Management Strategy

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

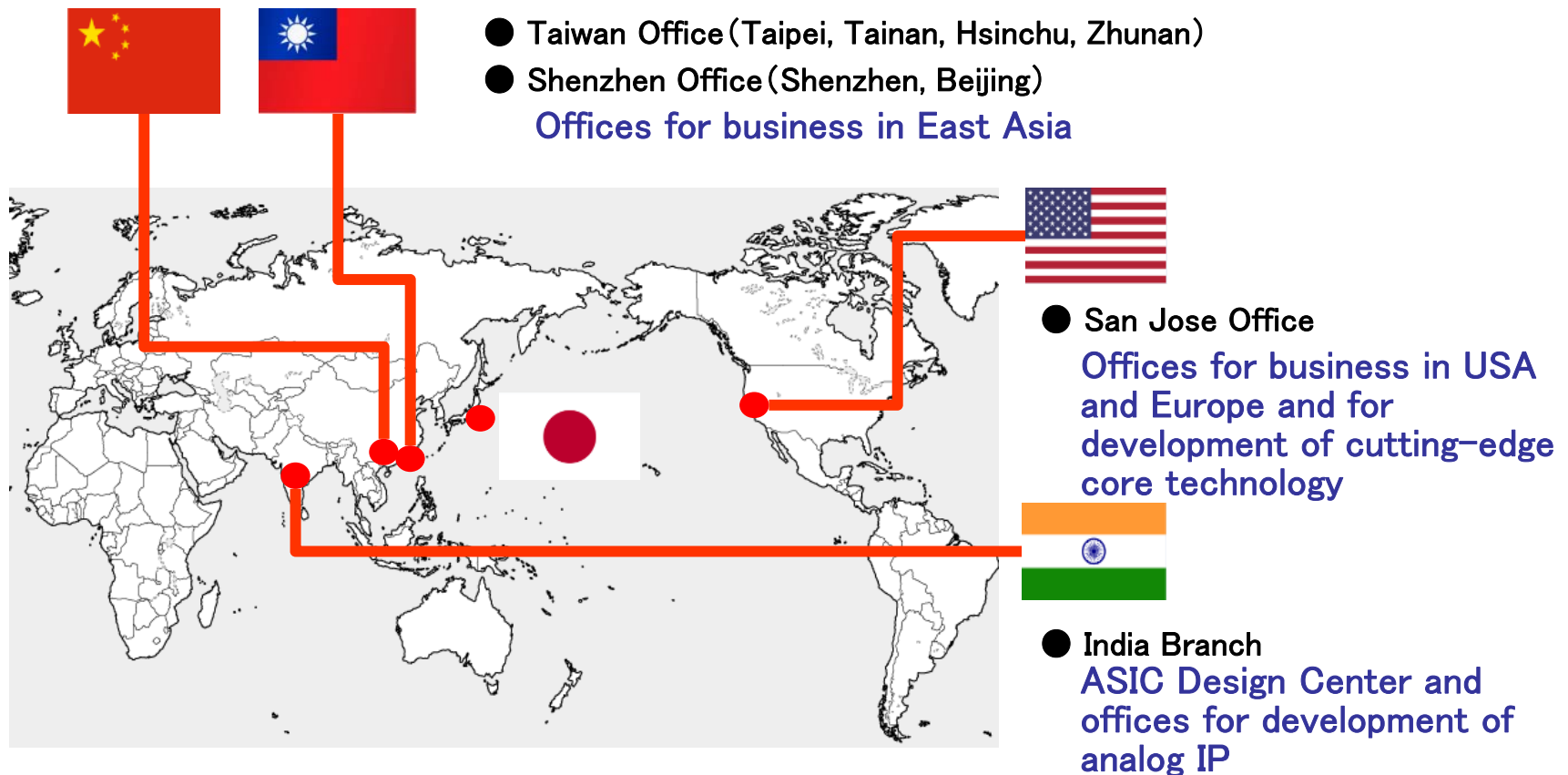
→ Develop new ASSP business by active M&A, strategic alliance and new investment

→ 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

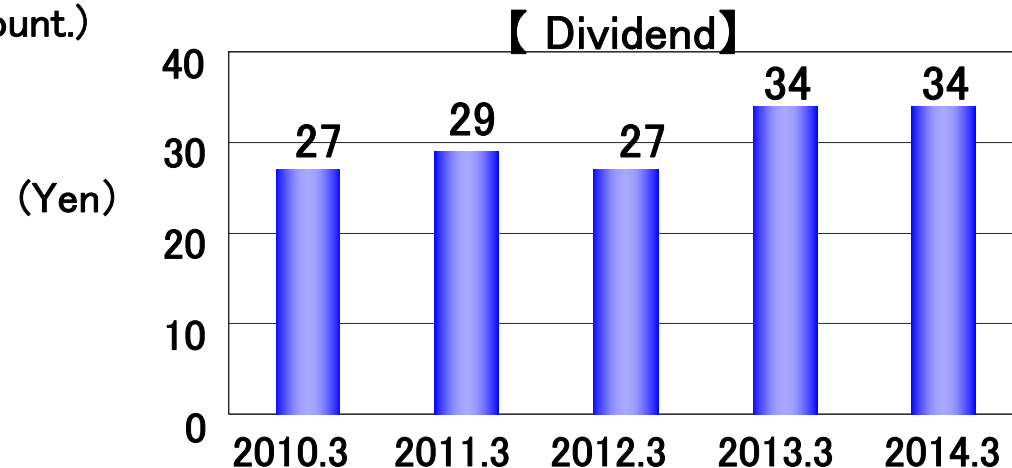
- The enhancement of competitiveness through integration of LSI development and application knowledge in ASIC business will boost the shares in the markets with higher profit rate like OA and industrial equipment.
- Render stable and high-quality service to domestic customers by integrating necessary 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 Medium-Term Business Plan

Business Plan for FY3/15

(¥ Million)		FY3/15 First- half forecast	FY3/15 Full- year forecast	FY3/14 First- half results	FY3/14 Full- year results	YoY change (First- half)	YoY change (Full- 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%

※ 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.

Business Plan for FY3/15

Reason for YoY Decrease in Operating Profit

We regard FY2014 as the year of business reformation, in which the business structure depending on ASIC will be changed to that aiming at the growth driven by both of ASSP and ASIC business.

For this purpose, we decided active investments in creation of new ASSP business, though the operating profit of FY2014 decreases.

For the purpose of generating the source of new investment, we will also make further expansion of the existing business, which will result in the increase of sales revenue.

Business Plan for FY3/15

Main New Investments

- ① Investment in new business in Asian and European market following the business acquisition not publicly released
 - Investment in development of new products (USA, Japan, India office)
 - investment in establishment of business structure (Marketing, FAE, Operation: new investments, including investment in Modiotek)
- ② Investment in new ASSP business in segments of mobile, vehicle and health care
- ③ Investment in new business in power management IC, including investment in Vidatronic
- ④ Investment in enhancement of ASIC development

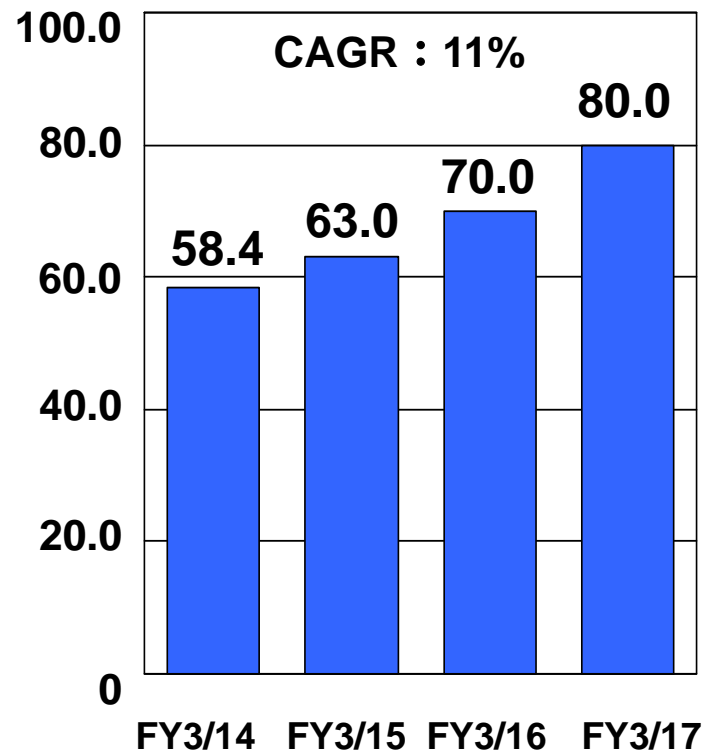
Medium-term Target

Medium-term target for FY3/17

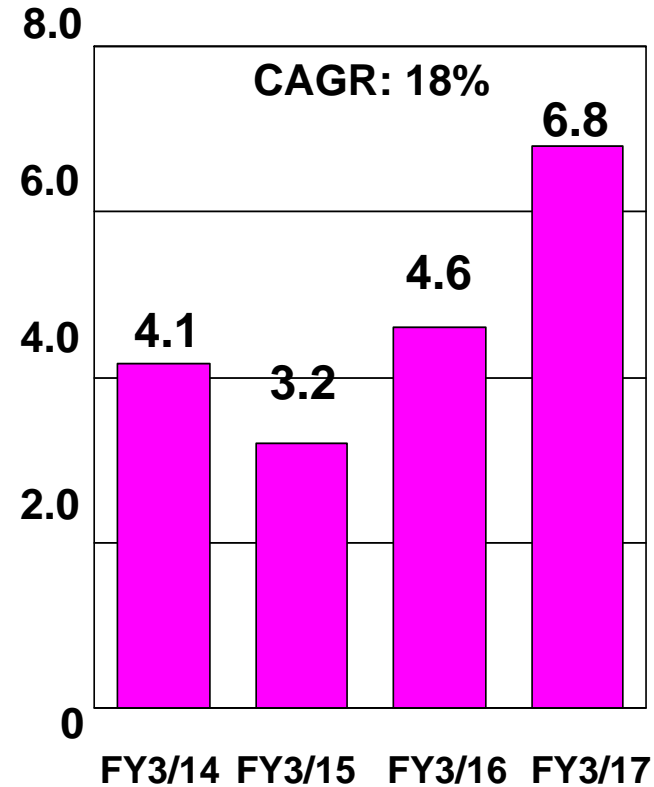
● CAGR 18% from FY3/14 to FY3/17

(¥ Billion)

Sales



(¥ Billion) **Operating income**



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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