

(Excerpt translation)

BRIEF STATEMENT OF ACCOUNTS FOR THE INTERIM FINANCIAL PERIOD OF THE YEAR ENDING MARCH 31, 2004 (CONSOLIDATED)

November 13, 2003

Name of the Company:	MegaChips Corporation
Listing:	Tokyo Stock Exchange
Code number:	6875 (URL http://www.megachips.co.jp)
Name of prefecture where head office is located:	Osaka
Representative:	Shigeki Matsuoka President and Representative Director
Inquiries to be directed to:	Masayuki Fujii Executive Officer, Corporate Planning, in charge of Accounting, Finance and IR Tel. (06)-6399-2884
Date of meeting of the Board of Directors for settlement of interim accounts:	November 13, 2003
Parent company:	-
Rate of shareholdings of the parent company in the Company:	- %
Application of US GAAP:	No.

1. Consolidated business results for the interim financial period ended September 30, 2003 (April 1, 2003 through September 30, 2003):

(1) Consolidated operating results

	Interim financial period ended September 30		Financial period ended March 31
	2003	2002	2003
Sales	¥11,842 million (-) 16.0%	¥14,094 million (-) 33.1%	¥29,055 million (- %)
Operating profit	¥757 million (-) 19.1%	¥936 million (-) 50.8%	¥1,741 million (- %)
Ordinary profit	¥733 million (-) 20.2%	¥919 million (-) 51.2%	¥1,721 million (- %)
Profit for the period	¥26 million (-) 94.8%	¥495 million (-) 57.1%	¥192 million (- %)
Per-share profit for the period	¥1.07	¥20.19	¥7.85
Fully diluted earnings per share for the period	¥1.07	¥20.19	¥7.85

(Notes) 1. Investment gain (loss) on equity method:

Interim financial period ended September 30, 2003:	¥ -
Interim financial period ended September 30, 2002:	¥ -
Financial period ended March 31, 2003:	¥ -

2. Average number of shares outstanding during each period (consolidated):

Interim financial period ended September 30, 2003:	24,378,177 shares
Interim financial period ended September 30, 2002:	24,546,127 shares
Financial period ended March 31, 2003:	24,462,415 shares

3. Changes in accounting methods: None.

4. The percentages in the items of sales, operating profit, ordinary profit and profit for the interim financial period indicate the rates of increase or decrease from the previous interim financial period.

(2) Consolidated financial condition

	Interim financial period ended September 30		Financial period ended March 31
	2003	2002	2003
Total assets	¥20,171 million	¥21,596 million	¥19,996 million
Shareholders' equity	¥15,314 million	¥15,725 million	¥15,430 million
Ratio of shareholders' equity to total liabilities, minority interest and shareholders' equity	75.9%	72.8%	77.2%
Shareholders' equity per share	¥628.19	¥645.06	¥632.95

(Note) Number of issued shares outstanding at end of each period (consolidated):

Interim financial period ended September 30, 2003:	24,378,177 shares
Interim financial period ended September 30, 2002:	24,378,349 shares
Financial period ended March 31, 2003:	24,378,177 shares

(3) Consolidated cash flow condition

	Interim financial period ended September 30		Financial period ended March 31
	2003	2002	2003
Cash flows from operating activities	¥1,192 million	(¥89 million)	¥2,054 million
Cash flows from investing activities	¥33 million	(¥691 million)	(¥828 million)
Cash flows from financing activities	¥32 million	(¥707 million)	(¥683 million)
Cash and cash equivalents at the end of the period	¥7,392 million	¥4,302 million	¥6,337 million

(4) Matters related to the scope of consolidation and the application of equity method

Number of consolidated subsidiaries:	1
Number of non-consolidated subsidiaries subject to the equity method:	0
Number of affiliated companies subject to the equity method:	0

(5) Situation of changes in the scope of consolidation and the application of equity method

Consolidated subsidiaries:	Included:	0
	Excluded:	1
Companies subject to the equity method:	Included:	0
	Excluded:	0

**2. Forecast of consolidated business results for the year ending March 31, 2004
(April 1, 2003 through March 31, 2004):**

	<u>Whole-year period</u>
Sales	¥23,500 million
Ordinary profit.....	¥1,140 million
Profit for the period.....	¥120 million

(Reference) Forecast of per-share profit for the period (whole-year period): ¥4.92

- (Notes)
1. Figures are stated by discarding fractions of one million yen.
 2. The above forecast is made based on the information available to management at the time of publication hereof. Actual results may differ from these projections for a variety of reasons in the future.

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CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Balance Sheets

	Interim financial period ended September 30, 2003 (as at September 30, 2003)		Financial period ended March 31, 2003 (as at March 31, 2003)		Interim financial period ended September 30, 2002 (as at September 30, 2002)	
	Amount	Component ratio	Amount	Component ratio	Amount	Component ratio
	(thousands of yen)	(%)	(thousands of yen)	(%)	(thousands of yen)	(%)
ASSETS						
I. Current assets						
1. Cash and deposits.....	7,392,791		6,337,127		4,302,962	
2. Trade notes and trade accounts receivable.....	9,002,972		8,011,095		11,279,119	
3. Inventories.....	1,506,361		2,704,781		2,904,711	
4. Deferred tax assets.....	306,463		347,406		214,991	
5. Others.....	75,556		386,821		79,856	
6. Allowance for doubtful receivables.....	(68)		(2,008)		(2,607)	
Total current assets.....	18,284,077	90.6	17,785,222	88.9	18,779,034	87.0
II. Fixed assets						
1. Tangible fixed assets						
(1) Buildings.....	258,329		281,520		301,297	
(2) Land.....	104,677		104,677		104,677	
(3) Others.....	71,419		86,447		97,882	
Total tangible fixed assets.....	434,426	2.2	472,646	2.4	503,857	2.3
2. Intangible fixed assets						
(1) Consolidation adjustment.....	-		-		1,125	
(2) Others.....	315,527		483,101		1,173,228	
Total intangible fixed assets.....	315,527	1.6	483,101	2.4	1,174,353	5.4
3. Investments and other assets						
(1) Investment securities.....	255,625		238,877		259,702	
(2) Prepaid pension cost.....	-		-		51,299	
(3) Deferred tax assets.....	266,569		350,333		90,050	
(4) Others.....	633,528		665,870		737,917	
(5) Allowance for doubtful receivables.....	(18,691)		-		-	
Total investments and other assets ...	1,137,032	5.6	1,255,081	6.3	1,138,969	5.3
Total fixed assets.....	1,886,985	9.4	2,210,829	11.1	2,817,180	13.0
TOTAL ASSETS	20,171,063	100.0	19,996,052	100.0	21,596,215	100.0

	Interim financial period ended September 30, 2003 (as at September 30, 2003)		Financial period ended March 31, 2003 (as at March 31, 2003)		Interim financial period ended September 30, 2002 (as at September 30, 2002)	
	Amount (thousands of yen)	Component ratio (%)	Amount (thousands of yen)	Component ratio (%)	Amount (thousands of yen)	Component ratio (%)
<u>LIABILITIES</u>						
I. Current liabilities						
1. Trade accounts payable	3,457,830		3,027,240		4,121,815	
2. Short-term loans payable.....	325,000		50,000		25,000	
3. Accrued corporate income taxes ...	203,660		345,079		356,478	
4. Allowance for bonuses.....	174,625		150,682		196,779	
5. Others	383,759		350,317		327,040	
Total current liabilities	4,544,875	22.5	3,923,319	19.6	5,027,114	23.3
II. Fixed liabilities						
1. Reserve for employee severance allowances	-		-		20,897	
2. Others	70,709		47,702		47,702	
Total fixed liabilities	70,709	0.4	47,702	0.2	68,600	0.3
TOTAL LIABILITIES	4,615,585	22.9	3,971,021	19.8	5,095,715	23.6
<u>MINORITY INTEREST</u>						
Minority interest	241,471	1.2	594,750	3.0	775,050	3.6
<u>SHAREHOLDERS' EQUITY</u>						
I. Capital.....	4,840,313	24.0	4,840,313	24.2	4,840,313	22.4
II. Additional paid-in capital	5,936,081	29.4	5,936,081	29.7	5,936,081	27.5
III. Retained earnings	5,395,590	26.8	5,549,740	27.8	5,853,265	27.1
IV. Revaluation difference of other securities.....	29,360	0.1	(2)	(0.0)	(8,029)	(0.0)
V. Exchange translation adjustment.....	-	-	(8,513)	(0.1)	(9,135)	(0.1)
VI. Treasury stock.....	16,201,345	80.3	16,317,618	81.6	16,612,494	76.9
	(887,338)	(4.4)	(887,338)	(4.4)	(887,044)	(4.1)
TOTAL SHAREHOLDERS' EQUITY	15,314,006	75.9	15,430,280	77.2	15,725,449	72.8
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY	20,171,063	100.0	19,996,052	100.0	21,596,215	100.0

2. Consolidated Profit and Loss Statements

	Interim financial period ended September 30, 2003 (from April 1, 2003 to September 30, 2003)		Interim financial period ended September 30, 2002 (from April 1, 2002 to September 30, 2002)		Financial period ended March 31, 2003 (from April 1, 2002 to March 31, 2003)	
	Amount (thousands of yen)	(%)	Amount (thousands of yen)	(%)	Amount (thousands of yen)	(%)
I. Sales	11,842,135	100.0	14,094,745	100.0	29,055,939	100.0
II. Cost of sales	9,119,571	77.0	11,083,933	78.7	23,311,371	80.2
Gross profit on sales	2,722,564	23.0	3,010,811	21.3	5,744,568	19.8
III. Selling, general and administrative expenses	1,964,736	16.6	2,074,446	14.7	4,003,314	13.8
Operating profit	757,827	6.4	936,365	6.6	1,741,253	6.0
IV. Non-operating profit	8,190	0.1	11,935	0.1	48,055	0.2
1. Interest received.....	83		3,899		5,890	
2. Income from funded insurance.....	-		4,450		4,450	
3. Refund premiums of life insurance	-		371		29,308	
4. Refund premiums of non-life insurance	1,616		-		-	
5. Benefits from group life insurance	2,000		-		-	
6. Additional refunds of corporate income taxes.....	2,339		-		-	
7. Income from real estate lease	1,380		-		-	
8. Transfer back from allowance for doubtful receivables	124		212		87	
9. Miscellaneous income	646		3,002		8,318	
V. Non-operating expenses	32,643	0.3	28,904	0.2	67,408	0.3
1. Interest paid	1,169		133		3,317	
2. Loss from sale of trade notes.....	-		1,181		1,705	
3. Stock issue costs	-		528		528	
4. Loss from disposition of fixed assets	7,251		215		651	
5. Exchange loss	9,880		14,257		19,474	
6. Loss from investments in partnership.....	14,342		10,387		37,906	
7. Miscellaneous losses	-		2,200		3,825	
Ordinary profit.....	733,373	6.2	919,396	6.5	1,721,900	5.9
VI. Special income	11,307	0.1	-	-	18,869	0.1
1. Gain from sale of investment securities	-		-		18,869	
2. Gain from liquidation of associated company.....	11,307		-		-	
VII. Special loss	668,552	5.7	18,118	0.1	1,404,822	4.8
1. Loss from disposition of system products.....	562,595		-		1,240,805	
2. Valuation loss of investment securities	-		8,103		33,903	
3. Loss from liquidation of associated company.....	-		-		58,282	
4. Valuation loss of shares in associated company.....	32,511		-		-	
5. Difference due to change of pension plan	-		-		61,945	

	Interim financial period ended September 30, 2003 (from April 1, 2003 to September 30, 2003)		Interim financial period ended September 30, 2002 (from April 1, 2002 to September 30, 2002)		Financial period ended March 31, 2003 (from April 1, 2002 to March 31, 2003)	
	Amount (thousands of yen)	(%)	Amount (thousands of yen)	(%)	Amount (thousands of yen)	(%)
6. Special retirement benefits	73,446		-		-	
7. Loss from fluctuations of interest ..	-		10,015		9,887	
Income before income taxes and others	76,128	0.6	901,277	6.4	335,947	1.2
Corporate income taxes, inhabitant taxes and enterprise taxes	198,892	1.7	359,496	2.6	676,466	2.3
Interperiod tax allocation adjustment	177,760	1.5	32,849	0.2	(365,661)	(1.2)
Minority interest in net profit (loss) ..	(326,526)	(2.8)	13,342	0.1	(166,921)	(0.6)
Profit for the period	26,001	0.2	495,588	3.5	192,064	0.7

3. Consolidated Surplus Statements

	Interim financial period ended September 30, 2003 (from April 1, 2003 to September 30, 2003)		Interim financial period ended September 30, 2002 (from April 1, 2002 to September 30, 2002)		Financial period ended March 31, 2003 (from April 1, 2002 to March 31, 2003)	
	Amount (thousands of yen)	(%)	Amount (thousands of yen)	(%)	Amount (thousands of yen)	(%)
(Additional paid-in capital)						
I. Beginning balance of additional paid-in capital		5,936,081				
Beginning balance of capital reserve			5,936,081	5,936,081	5,936,081	5,936,081
II. Ending balance of additional paid-in capital		5,936,081		5,936,081		5,936,081
(Retained earnings)						
I. Beginning balance of retained earnings		5,549,740				
Beginning balance of consolidated surplus			5,655,426	5,655,426	5,655,426	5,655,426
II. Increase in retained earnings						
1. Profit for the period	26,001		495,588		192,064	
2. Increase in retained earnings due to decrease in consolidated subsidiary	63,629	89,631	-	495,588	-	192,064
III. Decrease in retained earnings						
1. Cash dividends	243,781		245,784		245,784	
2. Bonuses for officers	-	243,781	51,966	297,750	51,966	297,750
IV. Ending balance of retained earnings		5,395,590		5,853,265		5,549,740

4. Consolidated Statements of Cash Flows

(thousands of yen)

	Interim financial period ended September 30, 2003 (from April 1, 2003 to September 30, 2003)	Interim financial period ended September 30, 2002 (from April 1, 2002 to September 30, 2002)	Year ended March 31, 2003 (from April 1, 2002 to March 31, 2003)
I. Cash flows from operating activities			
Income before income taxes and others.....	76,128	901,277	335,947
Depreciation	112,898	102,123	301,950
Amortization of long-term prepaid expenses.....	38,022	37,254	79,254
Loss on disposition of fixed assets	7,251	215	651
Loss on fluctuations of interest.....	-	10,015	9,887
Increase (decrease) in allowance for doubtful receivables	18,635	(243)	(842)
Increase (decrease) in allowance for bonuses.....	23,942	32,375	(13,721)
Increase (decrease) in reserve for employee severance allowances	-	6,056	(14,840)
(Increase) decrease in prepaid pension cost	-	(4,733)	46,565
Decrease in reserve for officers' retirement allowances.....	-	(167,595)	(167,595)
Interest and dividend income.....	(83)	(3,912)	(5,904)
Income from funded insurance	-	(4,450)	(4,450)
Loss from investments in partnership	14,342	10,387	37,906
Exchange loss	9,128	14,378	17,937
Interest expense	1,169	133	3,317
Stock issue expenses.....	-	528	528
Loss from disposition of system products	149,210	-	685,455
Income from sale of investment securities.....	-	-	(18,869)
Valuation loss of investment securities.....	-	8,103	33,903
Income from liquidation of associated company	(11,307)	-	-
Valuation loss of shares in associated company	32,511	-	-
(Increase) decrease in trade accounts receivable.....	(999,929)	(835,149)	2,432,874
(Increase) decrease in inventories.....	1,197,331	(1,233,004)	(1,033,074)
Increase in trade accounts payable	430,705	1,533,331	438,756
Officers' bonuses paid.....	-	(62,000)	(62,000)
(Increase) decrease in other current assets.....	292,927	(12,411)	(319,376)
Increase (decrease) in other current liabilities	117,443	(9,351)	40,811
Increase in other fixed liabilities	23,506	46,272	46,272
Others	20	(152)	(27,573)
Subtotal	1,533,856	369,449	2,843,771
Interest and dividend income.....	83	3,899	5,890
Interest paid	(1,333)	(108)	(3,318)
Corporate income taxes paid	(340,311)	(463,099)	(791,469)
Net cash provided by operating activities.....	1,192,295	(89,859)	2,054,874
II. Cash flows from investing activities			
Purchase of tangible fixed assets	(7,108)	(56,260)	(70,815)
Sale of tangible fixed assets.....	191	-	38
Purchase of intangible fixed assets.....	(62,800)	(383,890)	(534,320)
Purchase of investment securities	-	(40,000)	(70,840)
Sale of investment securities	-	9,450	67,344
Liquidation of associated company	130,904	-	-
Distribution of capital investment	1,003	9,751	11,825
Payment for long-term prepaid expenses.....	(45,939)	(119,701)	(149,978)
Guarantee	(3,507)	(135,222)	(136,426)
Refund of guarantee	21,051	24,166	24,757

	Interim financial period ended September 30, 2003 (from April 1, 2003 to September 30, 2003)	Interim financial period ended September 30, 2002 (from April 1, 2002 to September 30, 2002)	Year ended March 31, 2003 (from April 1, 2002 to March 31, 2003)
Refund premiums	-	-	30,231
Others	(500)	-	-
Net cash provided by investing activities	33,294	(691,706)	(828,183)
III. Cash flows from financing activities			
Net increase (decrease) in short-term debt	275,000	(25,000)	-
Issuance of shares to minority shareholders	-	6,371	6,371
Net (increase) decrease in treasury stock.....	-	(428,986)	(429,280)
Cash dividends by parent company	(242,004)	(245,374)	(245,484)
Cash dividends to minority shareholders.....	-	(14,848)	(14,848)
Net cash provided by financing activities.....	32,995	(707,837)	(683,242)
IV. Translation gain (loss) related to cash and cash equivalents	(2,958)	(26,502)	(25,190)
V. Net increase (decrease) in cash and cash equivalents	1,255,626	(1,515,906)	518,257
VI. Cash and cash equivalents at the beginning of the period	6,337,127	5,818,869	5,818,869
VII. Decrease in cash and cash equivalents by decrease of consolidated subsidiary	(199,962)	-	-
VIII. Cash and cash equivalents at the end of the period	7,392,791	4,302,962	6,337,127