

Brief Statement of Accounts (Japanese Accounting Standards) for the First Quarter of the Year Ending March 31, 2012 (Consolidated)

July 29, 2011

MegaChips Corporation

Code number: 6875

Representative: Akira Takata, President and Representative Director

Contact: Masayuki Fujii, Director, Officer and General Manager of the Corporate Control Division

Listed exchange: TSE

<http://www.megachips.co.jp/>

Tel: +81-6-6399-2884

Scheduled date for submission of quarterly report: August 9, 2011

Scheduled date of start of payment of dividends: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and analysts)

(Amounts less than one million yen are omitted)

1. Consolidated operating results for the first quarter of the year ending March 31, 2012

(From April 1, 2011 to June 30, 2011)

(1) Consolidated operating results

(Figures in % refer to change from the same period a year earlier)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of the year ending March 31, 2012	5,440	(6.9)	341	(29.3)	351	(25.6)	329	7.8
First quarter of the year ended March 31, 2011	5,844	(34.4)	483	(23.6)	473	(23.1)	305	(34.5)

(Note) Comprehensive income: 39 million yen (-95.3%) for the first quarter of the year ending March 31, 2012
849 million yen (-%) for the first quarter of the year ended March 31, 2011

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
First quarter of the year ending March 31, 2012	13.72	–
First quarter of the year ended March 31, 2011	12.57	–

(2) Consolidated financial condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First quarter of the year ending March 31, 2012	27,276	24,729	90.7	1,032.35
Year ended March 31, 2011	29,203	25,453	87.2	1,060.19

(Reference) Shareholders' equity: As of the first quarter of the year ending March 31, 2012: ¥24,729 million
Year ended March 31, 2011: ¥25,453 million

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2011	–	–	–	29.00	29.00
Year ending March 31, 2012	–	–	–	–	–
Year ending March 31, 2012 (forecast)	–	–	–	–	–

(Note) Revisions to dividend forecasts published most recently: No

We pay dividends once per year based on the dividend policy, using the year-end date as the record date. Dividends are determined based on either a dividend payout ratio of around 30% or a dividend on equity (DOE) ratio of around 2%, whichever is higher, while taking into consideration the consolidated operating results, financial position, investment plans and so forth. Since the concrete dividend forecast is yet to be decided, “–” is shown for the year-end dividend and annual dividend forecast.

3. Forecast of consolidated operating results (from April 1, 2011 to March 31, 2012)

(Percentages denote the rate of increase or decrease from the previous year in “Full-year” and from the same period of the previous year in “Six-month period ending September 30, 2011.”)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending September 30, 2011	16,500	3.3	1,300	(13.5)	1,300	(11.4)	900	(14.0)	37.49
Full-year	39,500	8.9	3,200	4.7	3,300	(0.6)	2,200	(3.9)	91.63

(Note) Revisions to operating results forecasts published most recently: No

4. Others

(1) Changes in key subsidiaries during the term

(changes in specific subsidiaries resulting in changes in the scope of consolidation):

New: — Exception: — None

(2) Adoption of unique accounting method to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to the Accompanying Materials, Page 3, 2. Matters Relating to Summary Information (Other).

(3) Changes in accounting policies and changes or restatement of accounting estimates:

- 1) Changes in accounting policies due to revised accounting standards: None
- 2) Changes in accounting policies other than that described above: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of shares outstanding (common stock)

1) Number of outstanding shares at the end of the period (including treasury stock)

First quarter of the year ending March 31, 2012 24,038,400 shares

Year ended March 31, 2011 24,038,400 shares

2) Number of shares of treasury stock at the end of the period

First quarter of the year ending March 31, 2012 84,020 shares

Year ended March 31, 2011 30,020 shares

3) Average number of shares outstanding during the period (or the cumulative consolidated accounting period as of the end of the term)

First quarter of the year ending March 31, 2012 23,982,270 shares

First quarter of the year ended March 31, 2011 24,291,963 shares

* Status of quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements under the Financial Instruments and Exchange Act have not been reviewed at the time of the announcement of this financial summary.

* Note: Request for appropriate use of the business outlook and other remarks

(Note on the description of the future and other matters)

Forward-looking statements, such as the forecast of operating results included in this document, are based on the information available to the Company and certain assumptions considered reasonable as of the date of publication of this release. Actual results could differ materially depending on various factors that may arise in the future.

(Method to acquire supplementary documents for quarterly results)

Supplementary documents for quarterly results will be presented on the Company’s website immediately after disclosure of the summary of consolidated quarterly financial results.

Accompanying Materials

Accompanying Materials – Contents

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1. Qualitative Information on Consolidated Operating Results for the First Quarter of the Year ending March 31, 2012

(1) Qualitative information on consolidated operating results

During the first quarter of the consolidated fiscal year under review, the Japanese economy remained in a severe situation. The Great East Japan Earthquake had a strong impact on the production operations, and the decrease in production and exports led to a decline in capital investment and sluggish personal consumption owing to a drop in corporate profits. Although signs of a recovery in certain sectors began to emerge, given persistent risks to the economy, the business outlook remains uncertain.

In the electronic machinery and equipment industry, in which the MegaChips Group operates, demand for electronic components such as semiconductors and consumer electronic equipment declined. The overall market for electronic machinery and equipment continued to contract on a year-on-year basis.

In these severe circumstances, the Group focused on developing and selling products and on expanding its areas of operation by offering optimal solutions to customers' needs, based on its compression and decompression technologies for images, audio, and music, as well as original technologies in communications.

The opportunities in the information and communication fields where the Group can show its leadership are expanding, especially with the digitization of media such as video, audio and music, the higher performance of LSI due to technological advances in semiconductor, improvements in high-speed cable and radio communications networks, and the diversification of digital broadcast systems, such as high-definition TV broadcast systems.

Targeting these growth markets, the Group aggressively developed and marketed high-performance, application-specific memories, system LSIs and electronic components mounted with original system LSIs and system products focusing on the transmission and storage of digital images that were designed for use in games, amusement, digital SLR cameras, and digital audio-visual equipment and security monitoring.

Despite these initiatives, the business environment surrounding the operations of the MegaChips Group became more challenging compared with the same period of the previous fiscal year. In the markets for the Group's mainstay products, demand for LSIs for storing game software (custom memories) decreased, although demand for digital image monitoring systems for security and monitoring applications remained steady.

Consolidated net sales for the first quarter of the fiscal year under review amounted to ¥5,440 million (down 6.9 % year on year). Consolidated operating income stood at ¥341 million (down 29.3%). Consolidated ordinary income came to ¥351 million (falling 25.6%). Consolidated net income was ¥329 million (up 7.8%), reflecting a gain on sales of investment securities of ¥197 million.

(2) Qualitative information on consolidated financial position

Total assets for the first quarter of the consolidated fiscal year under review amounted to ¥27,276 million (down ¥1,926 million from the previous fiscal year). This decline mainly reflected declines of ¥2,497 million in trade notes and trade accounts receivable and ¥431 million in investment securities from the previous consolidated fiscal year, offsetting an increase of ¥980 million in cash and deposits from the previous consolidated fiscal year.

Total liabilities were ¥2,547 million (down ¥1,202 million). This result mainly reflected declines in trade notes and trade accounts payable of ¥814 million, and income taxes payable of ¥619 million from the previous consolidated fiscal year.

Total net assets stood at ¥24,729 million (down ¥724 million from the previous consolidated fiscal year). As a result, the shareholders' equity ratio came to 90.7% (up 3.5 percentage points from the previous consolidated fiscal year).

Cash and cash equivalents ("net cash") reached ¥8,484 million for the first quarter of the consolidated fiscal year under review, increased ¥980 million from the previous consolidated fiscal year (compared with a rise of ¥3,254 million in the same period of the previous consolidated fiscal year). The status of cash flows for the first quarter of the consolidated fiscal year under review was as follows:

Net cash provided by operating activities was ¥1,619 million (compared with net cash provided of ¥3,726 million in the same period of the previous consolidated fiscal year), mainly reflecting net income before taxes of ¥549 million (up 8.8% year on year) and a decline of ¥2,497 million in trade notes and trade accounts receivable, offsetting a decline of ¥807 million in trade notes and trade accounts payable and payments of income taxes for ¥826 million.

Net cash provided by investment activities was ¥80 million (¥127 million provided in the same period of the previous consolidated fiscal year). The net cash acquisition was mainly attributable to income from sales of investment securities of ¥314 million, which offset deferred charges of ¥211 million. As a result, free cash flow, which is the sum of the net cash provided by operating activities and net cash provided by investment activities, resulted in cash provided of ¥1,699 million (compared with ¥3,853 million of net cash provided in the same period of the previous consolidated fiscal year).

Net cash used in financing activities was ¥730 million (compared with net cash used of ¥610 million in the same period of the previous consolidated fiscal year), principally a reflection of ¥663 million in cash dividends paid.

(3) Qualitative information on consolidated business outlook

The results forecast for the fiscal year ending March 31, 2012 announced on May 10, 2011 have not changed.

2. Matters Relating to Summary Information (Others)

(1) Adoption of unique accounting method to the preparation of quarterly consolidated financial statements

Calculation of tax expenses

The Company calculates its tax expenses by multiplying quarterly net income before tax by the current estimated effective tax rate, making a reasonable estimate of the effective tax rate after the application of tax effect accounting to net income before tax for the term of the consolidated accounting period including the term under review. Income taxes-deferred is included in “income taxes.”

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

	FY 2010 (As of March 31, 2011)	Q1 FY 2011 (As of June 30, 2011)
Assets		
Current assets:		
Cash and deposits	7,503,256	8,484,067
Notes and accounts receivable—trade	15,159,821	12,662,437
Merchandise and finished goods	282,662	218,715
Work in process	250,519	290,577
Raw materials and supplies	104,544	142,965
Deferred tax assets	273,434	273,434
Other	172,545	142,780
Allowance for doubtful accounts	(1,061)	(886)
Total current assets	23,745,723	22,214,091
Noncurrent assets:		
Property, plant and equipment		
Buildings and accompanying facilities	215,065	215,065
Accumulated depreciation	(156,802)	(159,224)
Buildings and accompanying facilities, net	58,262	55,840
Other	382,975	381,692
Accumulated depreciation	(332,788)	(338,469)
Other, net	50,186	43,223
Total property, plant and equipment	108,449	99,064
Intangible assets		
Other	63,639	62,449
Total intangible assets	63,639	62,449
Investments and other assets		
Investment securities	4,187,223	3,755,444
Long-term prepaid expenses	665,808	701,192
Deferred tax assets	186,008	197,648
Other	249,082	249,082
Allowance for doubtful accounts	(2,675)	(2,675)
Total investment and other assets	5,285,446	4,900,692
Total noncurrent assets	5,457,535	5,062,206
Total assets	29,203,259	27,276,297

(Thousand yen)

	FY 2010 (As of March 31, 2011)	Q1 FY 2011 (As of June 30, 2011)
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	1,987,687	1,173,139
Income taxes payable	889,591	270,258
Provision	332,068	210,653
Other	496,232	848,675
Total current liabilities	3,705,579	2,502,726
Noncurrent liabilities:		
Other	44,346	44,346
Total noncurrent liabilities	44,346	44,346
Total liabilities	3,749,926	2,547,073
Net assets		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,181,300
Retained earnings	12,536,142	12,168,933
Treasury stock	(45,385)	(112,777)
Total shareholders' equity	23,512,370	23,077,769
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	2,326,955	2,011,510
Foreign currency translation adjustment	(385,993)	(360,055)
Total other accumulated comprehensive income	1,940,962	1,651,454
Total net assets	25,453,332	24,729,224
Total liabilities and net assets	29,203,259	27,276,297

(2) Consolidated statements of income and statements of comprehensive income
(Consolidated first quarter)

(Thousand yen)

	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)
Net sales	5,844,557	5,440,123
Cost of sales	4,552,042	4,186,548
Gross profit	1,292,514	1,253,575
Selling, general and administrative expenses	808,885	911,875
Operating income	483,629	341,700
Non-operating income		
Interest income	814	936
Dividends income	–	450
Reversal of dividends payable	3,530	10,137
Miscellaneous income	595	383
Total non-operating income	4,940	11,908
Non-operating expenses		
Foreign exchange losses	15,482	1,300
Miscellaneous loss	16	377
Total non-operating expenses	15,498	1,677
Ordinary income	473,071	351,930
Extraordinary income		
Gain on sales of investment securities	36,780	197,881
Total extraordinary income	36,780	197,881
Extraordinary loss		
Loss on retirement of noncurrent assets	3,092	31
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,217	–
Total extraordinary loss	4,310	31
Net income before taxes	505,541	549,780
Income taxes	200,191	220,746
Income before minority interests	305,350	329,033
Net income	305,350	329,033
Income before minority interests	305,350	329,033
Other comprehensive income		
Valuation difference on available-for-sale securities	492,324	(315,445)
Foreign currency translation adjustment	52,100	25,937
Total other comprehensive income	544,425	(289,507)
Comprehensive income	849,775	39,526
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	849,775	39,526
Comprehensive income attributable to minority interests	–	–

(3) Consolidated statements of cash flows

(Thousand yen)

	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)
Net cash provided by (used in) operating activities		
Net income before taxes	505,541	549,780
Depreciation and amortization	31,526	21,270
Amortization of long-term prepaid expenses	202,538	159,488
Increase (decrease) in provision for bonuses	(99,514)	(150,048)
Increase (decrease) in provision for directors' bonuses	20,475	27,501
Interest and dividends income	–	(1,386)
Loss (gain) on sales of investment securities	(36,780)	(197,881)
Decrease (increase) in notes and accounts receivable–trade	2,574,219	2,497,383
Decrease (increase) in inventories	(66,472)	(14,531)
Increase (decrease) in notes and accounts payable–trade	151,566	(807,002)
Decrease (increase) in other current assets	10,813	36,942
Increase (decrease) in other current liabilities	443,846	329,383
Other	(9,048)	(7,257)
Subtotal	3,728,712	2,443,644
Interest and dividends income received	814	1,483
Income taxes paid	(3,029)	(826,118)
Net cash provided by (used in) operating activities	3,726,497	1,619,009
Net cash provided by (used in) investment activities		
Proceeds from withdrawal of time deposits	100,000	–
Purchase of property, plant and equipment	(3,400)	(1,526)
Purchase of intangible assets	(28,952)	(22,695)
Proceeds from sales of investment securities	39,780	314,869
Purchase of long-term prepaid expenses	(11,996)	(211,109)
Other	32,021	999
Net cash provided by (used in) investment activities	127,452	80,536
Net cash provided by (used in) financing activities		
Purchase of treasury stock	–	(67,392)
Cash dividends paid	(610,156)	(663,460)
Net cash provided by (used in) financing activities	(610,156)	(730,852)
Effect of exchange rate change on cash and cash equivalents	11,042	12,117
Net increase (decrease) in cash and cash equivalents	3,254,835	980,811
Cash and cash equivalents at beginning of period	6,485,643	7,503,256
Cash and cash equivalents at end of period	9,740,479	8,484,067

(4) Note on going concern assumptions

None

(5) Notes to significant changes in shareholders' equity

First quarter of the year ended March 31, 2011

None

First quarter of the year ending March 31, 2012

The Company acquired 54,000 treasury stocks on May 18, 2011 in accordance with a resolution on the acquisition of treasury stock (the Company's common stock) on May 17, 2011 pursuant to Article 370 of the Companies Act (resolutions based on documents in lieu of resolutions by the Board of Directors). As a result, the value of treasury stock increased by ¥67,392,000.