

**Brief Statement of Accounts (Japanese Accounting Standards)  
for the First Half of the Year Ending March 31, 2014 (Consolidated)**

November 1, 2013

**MegaChips Corporation**

Code number: 6875

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Scheduled date for submission of quarterly report: November 13, 2013

Scheduled date of start of payment of dividends: –

Supplementary documents for quarterly results: Yes

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

Listed exchange: TSE

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

(Amounts less than one million yen are omitted)

**1. Consolidated operating results for the first half of the year ending March 31, 2014**

(From April 1, 2013 to September 30, 2013)

**(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 half of the year ending March 31, 2014	31,352	26.8	2,485	4.8	2,616	11.9	3,817	37.6
First half of the year ended March 31, 2013	24,718	85.5	2,371	127.3	2,338	122.2	2,774	264.1

(Note) Comprehensive income: 4,193 million yen (77.0%) for the first half of the year ending March 31, 2014  
2,368 million yen (–%) for the first half of the year ended March 31, 2013

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
First half of the year ending March 31, 2014	163.50	–
First half of the year ended March 31, 2013	115.98	–

**(2) Consolidated financial condition**

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First half of the year ending March 31, 2014	49,794	30,995	62.2	1,327.47
Year ended March 31, 2013	44,075	27,595	62.6	1,181.89

(Reference) Shareholders' equity: As of the first half of the year ending March 31, 2014: ¥30,995 million  
Year ended March 31, 2013: ¥27,595 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, 2013	–	–	–	34.00	34.00
Year ending March 31, 2014	–	–	–	–	–
Year ending March 31, 2014 (forecast)	–	–	–	–	–

(Note) Revisions made to the forecasts dividend 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. (However, this excludes special factors related to the settlement of accounts.) Since the concrete dividend forecast is yet to be decided, “–” is shown for the annual dividend forecast. Regarding dividend policy, please refer to page 4 of the Accompanying Materials to the Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2013, released on May 8, 2013.

### 3. Forecast of consolidated operating results (from April 1, 2013 to March 31, 2014)

(Figures in % indicate change from the corresponding period of the year ended March 31, 2013)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	63,000	17.5	4,200	6.0	4,200	1.9	4,900	21.2	209.86

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

#### \* Notes

##### (1) Changes in key subsidiaries during the term

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

New: 1 companies (MegaChips Technology Taiwan Corporation)

Exception: 1 companies (Kawasaki Microelectronics, Inc.)

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

##### (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 (Notes).

##### (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 half of the year ending March 31, 2014 24,038,400 shares

Year ended March 31, 2013 24,038,400 shares

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

First half of the year ending March 31, 2014 689,418 shares

Year ended March 31, 2013 689,486 shares

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

First half of the year ending March 31, 2014 23,348,979 shares

First half of the year ended March 31, 2013 23,920,168 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 operating results forecast included in this document, are based on information available to the Company and certain assumptions that are considered reasonable as of the date of the publication of this release. The Company does not guarantee the projected results. 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 the Consolidated Operating Results for the First Half of the Year Ending March 31, 2014

### (1) Explanation of consolidated operating results

During the first half under review, there was a move toward a recovery in exports, attributable to an improvement in the export environment and the positive effects generated by economic measures. Corporate earnings improved, centering on large companies, and consumer spending remained on a recovery path. Under these conditions, the economy staged a slow recovery. However, downside economic risks, such as a potential downturn in the overseas economy, remain stubbornly high.

In the electronic machinery and equipment industry, in which the MegaChips Group operates, demand for consumer and industrial electronic equipment declined despite year-on-year growth in market for certain electronic components and devices. As a result, demand for the electronic machinery and equipment continuously decreased on a year-to-year basis.

Under these challenging conditions, the Company merged with Kawasaki Microelectronics, Inc. (hereinafter “Kawasaki Micro”) and began operating as the new MegaChips Corporation effective April 1, 2013.

The MegaChips Group is promoting business with the following operations, focusing on applications, systems planning, and the provision of solutions, using its stable support system, which covers upstream logical design, downstream physical design, manufacturing operations, and quality assurance, for planning and supply as its new source of strength, in addition to offering diverse products based on original solutions of technologies for compressing and decompressing images, audio, and music, and the telecommunications that comprise its expertise.

The Group is developing and selling LSIs, such as memory for specific-use applications, system LSIs, and electronic components mounting the Group’s own LSIs, for its leading customers in Japan and abroad, mainly in the areas of amusement, digital home electronics, office machines, energy-saving products, and home networking equipment.

In the area of security monitoring, the Group is promoting the development and sale of the system devices and equipment on which its system LSIs are mounted, centering on the transmission and recording of digital video.

Both consolidated revenues and profits increased year on year for the first half under review, reflecting the contributions made by new LSIs for digital cameras and steady sales of LSIs for liquid crystal panels and office equipment. As a result, consolidated net sales totaled ¥31,352 million (up 26.8% from the first half of the previous fiscal year). Consolidated operating income stood at ¥2,485 million (up 4.8% year on year). Consolidated ordinary income amounted to ¥2,616 million (up 11.9% year on year). Consolidated net income cleared ¥3,817 million (up 37.6% year on year), thanks to a ¥2,450 million gain on a tax adjustment due to the posting of deferred tax assets as a result of the Company’s merger with Kawasaki Micro.

### (2) Explanation of consolidated financial position

Total assets as of the end of the first half of the fiscal year under review amounted to ¥49,794 million (up ¥5,719 million from the previous fiscal year). Comparing major asset items with the previous fiscal year, notes and accounts receivable–trade increased by ¥3,615 million, deferred tax assets (current assets) by ¥832 million, and deferred tax assets (noncurrent assets) by ¥1,465 million, despite a decrease in cash and deposits of ¥1,223 million.

Total liabilities were ¥18,799 million (an increase of ¥2,320 million from the previous fiscal year). Major items contributing to this growth were an increase in notes and accounts payable–trade of ¥4,033 million, offsetting a decrease in long-term loans payable of ¥1,416 million.

Total net assets stood at ¥30,995 million (up ¥3,399 million from the previous year). As a result, the shareholders’ equity ratio declined 0.4 percentage point from the previous year, to 62.2%.

Cash and cash equivalents (“net cash”) at the end of the first half of the fiscal year under review decreased ¥1,223 million from the previous fiscal year, to ¥9,208 million (compared with an increase of ¥1,956 million in the same period of the previous fiscal year). The status of cash flows for the first half of the consolidated fiscal year under review was as follows:

Net cash provided by operating activities was ¥1,628 million (compared with net cash of ¥3,055 million provided in the same period of the previous fiscal year). This was chiefly attributable to net income before taxes of ¥2,562 million (down 30.6% year on year), an increase in notes and accounts payable–trade of ¥4,012 million and notes and accounts receivable–trade of ¥3,598 million, and a ¥1,244 million decrease in other current liabilities.

Net cash used in investment activities was ¥971 million (compared with net cash of ¥8,495 million used in the same period of the previous fiscal year). This was chiefly attributable to a ¥221 million expenditure for the purchase of property, plant and equipment, and an expenditure for the purchase of long-term prepaid expenses of ¥278 million. As a result, free cash flow, which is the sum of the net cash provided by or used in operating activities and the net cash provided by or used in investment activities, resulted in a net cash acquisition of ¥657 million (compared with the ¥5,439 million in net cash used in the same period of the previous fiscal year).

Net cash used in financing activities was ¥2,205 million (compared with net cash such activities provided of ¥7,358 million in the same period of the previous fiscal year). Major factors that contributed to these outflows included the repayment of long-term loans payable of ¥1,416 million and cash dividend payments of ¥788 million.

(3) Explanation of information on future forecasts, such as consolidated operating results forecasts

There was no change in the forecast of consolidated operating results for the fiscal year ending March 31, 2014, which is stated in the Brief Statement of Accounts (Japanese Accounting Standards) for the First Quarter of the Year Ending March 31, 2014 (Consolidated), which the Company released on July 26, 2013.

2. Matters Relating to Summary Information (Notes)

(1) Changes in key subsidiaries during the term

Material changes in the scope of consolidation

Starting in the first quarter of this fiscal year, the Company eliminated Kawasaki Microelectronics, Inc., which had been a consolidated subsidiary, from its scope of consolidation as the subsidiary ceased to exist after an absorption-type merger in which the Company became the surviving company.

The Company established MegaChips Taiwan Corporation during the first half of the fiscal year under review, and included it in the scope of consolidation.

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

Calculation of tax expenses

Tax expenses are calculated based on a logical estimate of the effective tax rate after applying tax effect accounting to net income before tax for the consolidated fiscal year and then multiplying net income before tax for the quarter by the estimated effective tax rate.

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheet

(Thousand yen)

	FY 2012 (As of March 31, 2013)	H1 FY 2013 (As of September 30, 2013)
<b>Assets</b>		
Current assets:		
Cash and deposits	10,431,546	9,208,171
Notes and accounts receivable-trade	16,877,890	20,493,422
Merchandise and finished goods	1,298,176	2,250,738
Work in process	1,510,267	1,340,445
Raw materials and supplies	892,883	506,314
Deferred tax assets	1,343,077	2,175,109
Other	734,991	856,173
Allowance for doubtful accounts	(924)	(1,452)
Total current assets	33,087,908	36,828,923
Noncurrent assets:		
Property, plant and equipment		
Buildings	3,853,526	3,850,113
Accumulated depreciation	(2,794,865)	(2,786,796)
Buildings, net	1,058,661	1,063,317
Other	6,862,290	6,860,269
Accumulated depreciation	(6,027,057)	(6,040,909)
Other, net	835,232	819,360
Total property, plant and equipment	1,893,893	1,882,677
Intangible assets		
Other	689,330	655,964
Total intangible assets	689,330	655,964
Investments and other assets		
Investment securities	2,440,619	2,609,456
Long-term prepaid expenses	1,754,537	1,905,465
Deferred tax assets	2,961,178	4,426,476
Other	1,247,542	1,485,978
Total investment and other assets	8,403,876	10,427,376
Total noncurrent assets	10,987,100	12,966,018
Total assets	44,075,009	49,794,942

(Thousand yen)

	FY 2012 (As of March 31, 2013)	H1 FY 2013 (As of September 30, 2013)
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable—trade	3,443,211	7,476,695
Current portion of long-term loans payable	2,833,332	2,833,332
Income taxes payable	529,310	1,085,695
Provision for bonuses	633,554	699,780
Provision for loss on construction contracts	759,978	603,929
Other provision	–	75,000
Other	2,897,931	2,028,777
Total current liabilities	11,097,317	14,803,208
Noncurrent liabilities:		
Long-term loans payable	4,250,002	2,833,336
Other	1,131,944	1,163,356
Total noncurrent liabilities	5,381,946	3,996,692
Total liabilities	16,479,263	18,799,901
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,181,300
Retained earnings	17,364,960	20,388,546
Treasury stock	(1,056,030)	(1,055,926)
Total shareholders' equity	27,330,543	30,354,233
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	267,293	257,781
Foreign currency translation adjustment	(2,091)	383,024
Total other accumulated comprehensive income	265,201	640,806
Total net assets	27,595,745	30,995,040
Total liabilities and net assets	44,075,009	49,794,942

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

(Thousand yen)

	H1 FY 2012 (From April 1, 2012 to September 30, 2012)	H1 FY 2013 (From April 1, 2013 to September 30, 2013)
Net sales	24,718,959	31,352,781
Cost of sales	18,750,056	23,610,662
Gross profit	5,968,903	7,742,119
Selling, general and administrative expenses	3,597,623	5,256,748
Operating income	2,371,279	2,485,371
Non-operating income		
Interest income	3,674	3,988
Dividends income	825	3,667
Gain on investments in partnership	–	4,875
Gain on forfeiture of unclaimed dividends	7,807	6,306
Foreign exchange gains	–	147,077
Miscellaneous income	7,549	7,063
Total non-operating income	19,857	172,979
Non-operating expenses		
Interest expenses	18,102	28,894
Loss on investments in partnership	2,371	–
Foreign exchange losses	29,642	–
Miscellaneous loss	2,874	12,668
Total non-operating expenses	52,990	41,563
Ordinary income	2,338,146	2,616,786
Extraordinary income		
Gain on sales of noncurrent assets	13	–
Gain on sales of investment securities	–	88,001
Gain on negative goodwill	1,406,607	–
Total extraordinary income	1,406,620	88,001
Extraordinary loss		
Loss on sales of noncurrent assets	83	–
Loss on retirement of noncurrent assets	4,240	21,805
Loss on valuation of investment securities	–	120,070
Head office transfer cost	46,382	–
Total extraordinary loss	50,705	141,875
Net income before taxes	3,694,061	2,562,912
Income taxes	919,786	(1,254,544)
Income before minority interests	2,774,274	3,817,457
Net income	2,774,274	3,817,457
Income before minority interests	2,774,274	3,817,457
Other comprehensive income		
Valuation difference on available-for-sale securities	(479,447)	(9,511)
Foreign currency translation adjustment	73,825	385,116
Total other comprehensive income	(405,622)	375,605
Comprehensive income	2,368,652	4,193,062
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,368,652	4,193,062
Comprehensive income attributable to minority interests	–	–

## (3) Consolidated statements of cash flows

(Thousand yen)

	H1 FY 2012 (From April 1, 2012 to September 30, 2012)	H1 FY 2013 (From April 1, 2013 to September 30, 2013)
Net cash provided by (used in) operating activities		
Net income before taxes	3,694,061	2,562,912
Depreciation and amortization	210,601	306,468
Amortization of long-term prepaid expenses	167,997	475,847
Gain on negative goodwill	(1,406,607)	–
Increase (decrease) in provision for bonuses	223,972	66,226
Increase (decrease) in provision for loss on construction contracts	(83,819)	(156,049)
Interest and dividends income	(4,499)	(7,655)
Interest expenses	18,102	28,894
Loss (gain) on sales of investment securities	–	(88,001)
Loss (gain) on valuation of investment securities	–	120,070
Decrease (increase) in notes and accounts receivable-trade	(2,221,806)	(3,598,627)
Decrease (increase) in inventories	(82,883)	(279,917)
Increase (decrease) in notes and accounts payable-trade	3,751,544	4,012,542
Decrease (increase) in other current assets	377,597	69,331
Increase (decrease) in other current liabilities	(832,915)	(1,244,447)
Other	78,150	6,693
Subtotal	3,889,493	2,274,287
Interest and dividends income received	4,705	7,969
Interest expenses paid	(10,472)	(29,998)
Income taxes refund	–	318
Income taxes paid	(828,164)	(624,294)
Net cash provided by (used in) operating activities	3,055,561	1,628,281
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(278,994)	(221,215)
Purchase of intangible assets	(57,690)	(109,454)
Proceeds from sales of investment securities	–	91,501
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(6,752,303)	–
Purchase of long-term prepaid expenses	(736,546)	(278,774)
Payments of loans receivable	(550,000)	(98,590)
Other	(119,600)	(354,621)
Net cash provided by (used in) investment activities	(8,495,135)	(971,153)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	8,500,000	–
Repayment of long-term loans payable	–	(1,416,666)
Proceeds from disposal of treasury stock	–	95
Purchase of treasury stock	(499,994)	–
Cash dividends paid	(641,733)	(788,541)
Net cash provided by (used in) financing activities	7,358,272	(2,205,111)
Effect of exchange rate change on cash and cash equivalents	37,824	324,609
Net increase (decrease) in cash and cash equivalents	1,956,522	(1,223,374)
Cash and cash equivalents at beginning of period	7,228,018	10,431,546
Cash and cash equivalents at end of period	9,184,541	9,208,171

(4) Notes relating to quarterly consolidated financial statements

Note on going concern assumptions

None

Notes to significant changes in shareholders' equity

First half of the year ended March 31, 2013 (from April 1, 2012 to September 30, 2012)

The Company acquired 305,400 treasury stocks from September 7, 2012 to September 13, 2012 in accordance with a resolution on the acquisition of treasury stock (the Company's common stock) on September 3, 2012 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 ¥499,994,000.

First half of the year ending March 31, 2014 (from April 1, 2013 to September 30, 2013)

None