

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

January 31, 2012

MegaChips Corporation

Code number: 6875

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Scheduled date for submission of quarterly report: February 10, 2012

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 three quarters of the year ending March 31, 2012

(From April 1, 2011 to December 31, 2011)

(1) Consolidated operating result

(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 three quarters of the year ending March 31, 2012	29,248	15.6	3,107	33.7	3,370	30.4	2,212	13.7
First three quarters of the year ended March 31, 2011	25,298	(21.3)	2,324	(21.6)	2,584	(15.1)	1,944	(7.1)

(Note) Comprehensive income: 155 million yen (-89.3%) for the first three quarters of the year ending March 31, 2012
1,446 million yen (–%) for the first three quarters of the year ended March 31, 2011

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
First three quarters of the year ending March 31, 2012	92.31	–
First three quarters of the year ended March 31, 2011	80.24	–

(2) Consolidated financial condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First three quarters of the year ending March 31, 2012	31,840	24,844	78.0	1,037.18
Year ended March 31, 2011	29,203	25,453	87.2	1,060.19

(Reference) Shareholders' equity: As of the first three quarters of the year ending March 31, 2012: ¥24,844 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 made to the forecast 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. 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)

(Figures in % indicate change from the corresponding period of the year ended March 31, 2011)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	33,500	(7.6)	2,600	(14.9)	2,800	(15.7)	2,000	(12.6)	83.49

(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): None

New: —

Exception: —

- (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 (Others).

- (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 three quarters 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 three quarters 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 three quarters of the year ending March 31, 2012 23,963,609 shares

First three quarters of the year ended March 31, 2011 24,237,290 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, etc. for the First Three Quarters of the Year Ending March 31, 2012

(1) Qualitative information on consolidated operating results

During the first three quarters of the consolidated fiscal year under review, the Japanese economy gradually recovered from the recession that followed in the wake of the Great East Japan Earthquake. However, the outlook appears increasingly uncertain, reflecting negative factors that could hamper future economic growth, including concerns about a slowdown in the overseas economy, the appreciation of the yen, and the effects of deflation.

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 is expanding its business based upon its unique image, audio, and music compression and decompression technology and its communications and other technologies with its strength in the provision of a wide range of creative solutions from LSIs to system products, and a focus on product development and sales activity.

In the digital equipment market in particular, with the digitalization of media, including video, audio and music, the enhancement of the performance of LSIs using advanced semiconductor technology, improvements in high-speed cable and radio communication networks, and the diversification of digital broadcasting and other changes in the social environment, the progress toward more diverse products with enhanced performance is expanding the market where the Group is active.

In response to these changes, the Group has aggressively developed a variety of high-performance, application-specific memories, system LSIs, electronic parts mounted with its system LSIs and systems for transmitting and recording digital images for use in games, amusements, digital single-lens reflex cameras, security and monitoring systems and other applications and conducted sales operations.

Further, the operating environment has shifted to improved demand not only for the Group's core product, LSIs for storing game software (custom memories), but also for digital image monitoring systems for security and monitoring applications.

Consolidated net sales for the first three quarters of the fiscal year under review amounted to ¥29,248 million (up 15.6 % year on year). Consolidated operating income stood at ¥3,107 million (up 33.7%). Consolidated ordinary income came to ¥3,370 million (up 30.4%). Consolidated net income was ¥2,212 million (up 13.7%).

(2) Qualitative information on consolidated financial position

Total assets at the end of the first three quarters of the consolidated fiscal year under review amounted to ¥31,840 million (up ¥2,637 million from the previous consolidated fiscal year). The main factor for this increase was an increase of ¥7,258 million in trade notes and trade accounts receivable from the previous consolidated fiscal year, offsetting declines of ¥3,511 million in cash and deposits and ¥2,068 million in investment securities from the previous consolidated fiscal year.

Total liabilities were ¥6,995 million (up ¥3,245 million from the previous consolidated fiscal year). The major changes compared to the end of the previous consolidated fiscal year were a ¥1,059 million increase in notes and accounts payable—trade and a ¥2,000 million increase in short-term loans payable.

Total net assets stood at ¥24,844 million (down ¥608 million from the previous consolidated fiscal year). As a result, the shareholders' equity ratio came to 78.0% (down 9.1 percentage points from the previous consolidated fiscal year).

Cash and cash equivalents ("net cash") reached ¥3,992 million at the end of the third quarter of the consolidated fiscal year under review, decreasing ¥3,511 million from the previous consolidated fiscal year (compared with a fall of ¥1,726 million in the same period of the previous consolidated fiscal year). The status of cash flows for the first three quarters of the consolidated fiscal year under review was as follows:

Net cash used in operating activities was ¥4,373 million (compared with net cash used of ¥1,037 million in the same period of the previous consolidated fiscal year). This was largely due to an increase in notes and accounts receivable—trade of ¥7,258 million and ¥1,473 million of income taxes paid which outweighed net income before income taxes of ¥3,565 million (up 22.2% year on year) and a ¥1,067 million increase in notes and accounts payable—trade.

Net cash used in investment activities was ¥220 million (compared with ¥464 million provided in the same period of the previous consolidated fiscal year). This was mainly attributable to income from sales of investment securities of ¥306 million, which was offset by a purchase of long-term prepaid expenses of ¥380 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 used of ¥4,593 million (compared with ¥572 million of net cash used in the same period of the year ended March 31, 2011.)

Net cash provided by financing activities was ¥1,240 million (compared with net cash used of ¥1,079 million in the same period of the previous consolidated fiscal year). This largely reflects cash dividends paid of ¥692 million which was offset by a ¥2,000 million increase in short-term loans payable.

(3) Qualitative information on consolidated business outlook

The results forecast for the fiscal year ending March 31, 2012 announced on October 28, 2011 has 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 consolidated accounting period.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

	FY 2010 (As of March 31, 2011)	Q3 FY 2011 (As of December 31, 2011)
Assets		
Current assets:		
Cash and deposits	7,503,256	3,992,126
Notes and accounts receivable—trade	15,159,821	22,417,979
Merchandise and finished goods	282,662	155,794
Work in process	250,519	740,469
Raw materials and supplies	104,544	381,625
Deferred tax assets	273,434	255,465
Other	172,545	376,264
Allowance for doubtful accounts	(1,061)	(1,569)
Total current assets	23,745,723	28,318,156
Noncurrent assets:		
Property, plant and equipment		
Buildings and accompanying facilities	215,065	227,437
Accumulated depreciation	(156,802)	(179,145)
Buildings and accompanying facilities, net	58,262	48,292
Other	382,975	401,452
Accumulated depreciation	(332,788)	(350,256)
Other, net	50,186	51,195
Total property, plant and equipment	108,449	99,488
Intangible assets		
Other	63,639	60,585
Total intangible assets	63,639	60,585
Investments and other assets		
Investment securities	4,187,223	2,118,855
Long-term prepaid expenses	665,808	705,421
Deferred tax assets	186,008	211,251
Other	249,082	329,461
Allowance for doubtful accounts	(2,675)	(2,675)
Total investment and other assets	5,285,446	3,362,314
Total noncurrent assets	5,457,535	3,522,387
Total assets	29,203,259	31,840,543

(Thousand yen)

	FY 2010 (As of March 31, 2011)	Q3 FY 2011 (As of December 31, 2011)
Liabilities		
Current liabilities:		
Notes and accounts payable–trade	1,987,687	3,047,114
Short-term loans payable	–	2,000,000
Income taxes payable	889,591	717,152
Provision for loss on construction contracts	49,251	404,957
Other provision	282,817	229,086
Other	496,232	558,237
Total current liabilities	3,705,579	6,956,546
Noncurrent liabilities:		
Other	44,346	39,025
Total noncurrent liabilities	44,346	39,025
Total liabilities	3,749,926	6,995,571
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	14,052,049
Treasury stock	(45,385)	(112,777)
Total shareholders' equity	23,512,370	24,960,885
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	2,326,955	557,653
Foreign currency translation adjustment	(385,993)	(673,566)
Total other accumulated comprehensive income	1,940,962	(115,913)
Total net assets	25,453,332	24,844,972
Total liabilities and net assets	29,203,259	31,840,543

(2) Consolidated statements of income and statements of comprehensive income
(Consolidated first three quarters)

(Thousand yen)

	Q3 FY 2010 (From April 1, 2010 to December 31, 2010)	Q3 FY 2011 (From April 1, 2011 to December 31, 2011)
Net sales	25,298,299	29,248,760
Cost of sales	20,435,368	23,502,759
Gross profit	4,862,931	5,746,000
Selling, general and administrative expenses	2,538,392	2,638,520
Operating income	2,324,539	3,107,480
Non-operating income		
Interest income	2,184	3,761
Dividends income	267,157	243,480
Interest on refund of income taxes and other	6,277	—
Reversal of dividends payable	3,530	10,137
Miscellaneous income	31,289	39,541
Total non-operating income	310,439	296,921
Non-operating expenses		
Interest expenses	—	199
Loss on investments in partnership	9,947	2,430
Litigation expenses	—	30,000
Foreign exchange losses	40,084	1,238
Miscellaneous loss	367	479
Total non-operating expenses	50,398	34,349
Ordinary income	2,584,580	3,370,052
Extraordinary income		
Gain on sales of investment securities	343,479	195,854
Total extraordinary income	343,479	195,854
Extraordinary loss		
Loss on retirement of noncurrent assets	7,738	142
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,217	—
Total extraordinary loss	8,955	142
Net income before taxes	2,919,104	3,565,764
Income taxes	974,335	1,353,614
Income before minority interests	1,944,768	2,212,150
Net income	1,944,768	2,212,150
Income before minority interests	1,944,768	2,212,150
Other comprehensive income		
Valuation difference on available-for-sale securities	(341,752)	(1,769,302)
Foreign currency translation adjustment	(156,546)	(287,573)
Total other comprehensive income	(498,298)	(2,056,875)
Comprehensive income	1,446,469	155,274
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,446,469	155,274
Comprehensive income attributable to minority interests	—	—

(3) Consolidated statements of cash flows

(Thousand yen)

	Q3 FY 2010 (From April 1, 2010 to December 31, 2010)	Q3 FY 2011 (From April 1, 2011 to December 31, 2011)
Net cash provided by (used in) operating activities		
Net income before taxes	2,919,104	3,565,764
Depreciation and amortization	94,404	98,342
Amortization of long-term prepaid expenses	628,853	309,887
Increase (decrease) in provision for bonuses	(93,677)	(136,234)
Increase (decrease) in provision for directors' bonuses	61,425	82,503
Increase (decrease) in provision for loss on construction contracts	—	355,706
Interest and dividends income	(269,342)	(247,241)
Loss (gain) on sales of investment securities	(343,479)	(195,854)
Decrease (increase) in notes and accounts receivable—trade	(4,809,059)	(7,258,158)
Decrease (increase) in inventories	(222,031)	(640,162)
Increase (decrease) in notes and accounts payable—trade	698,066	1,067,383
Decrease (increase) in other current assets	(141,034)	(182,819)
Increase (decrease) in other current liabilities	211,023	37,148
Other	143,174	(3,814)
Subtotal	(1,122,571)	(3,147,550)
Interest and dividends income received	269,342	247,404
Income taxes paid	(418,309)	(1,473,074)
Income taxes refund	234,462	—
Net cash provided by (used in) operating activities	(1,037,075)	(4,373,220)
Net cash provided by (used in) investment activities		
Proceeds from withdrawal of time deposits	100,000	—
Purchase of property, plant and equipment	(32,985)	(9,840)
Purchase of intangible assets	(57,070)	(57,579)
Purchase of investment securities	(64,541)	—
Proceeds from sales of investment securities	564,002	306,305
Purchase of long-term prepaid expenses	(88,486)	(380,612)
Other	43,399	(78,714)
Net cash provided by (used in) investment activities	464,318	(220,440)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	—	2,000,000
Purchase of treasury stock	(430,757)	(67,392)
Cash dividends paid	(648,348)	(692,024)
Net cash provided by (used in) financing activities	(1,079,105)	1,240,583
Effect of exchange rate change on cash and cash equivalents	(74,641)	(158,052)
Net increase (decrease) in cash and cash equivalents	(1,726,503)	(3,511,129)
Cash and cash equivalents at beginning of period	6,485,643	7,503,256
Cash and cash equivalents at end of period	4,759,140	3,992,126

(4) Note on going concern assumptions

None

(5) Notes to significant changes in shareholders' equity

First three quarters of the year ended March 31, 2011

The Company acquired 283,500 treasury stocks on November 9, 2010 in accordance with a resolution on the acquisition of treasury stock (the Company's common stock) on November 8, 2010 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 ¥430,636,000.

Under a resolution for the retirement of treasury stock (the Company's common stock) adopted at a board of directors meeting held on November 19, 2010, 315,500 of treasury stocks retired on November 30, 2010. With the retirement, treasury stock and retained earnings each declined ¥476,957,000.

First three quarters 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.