MegaChips A Member of the Financial Accounting Standards Foundation

Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended March 31, 2013

May 8, 2013

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Scheduled date of the Ordinary General Meeting of Shareholders: June 21, 2013
Scheduled date of payment of dividends: May 31, 2013
Scheduled date of filing of securities report: June 21, 2013
Supplementary documents for financial results: Yes
Financial results briefing: Yes (for institutional investors and analysts)

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2013
(From April 1, 2012 to March 31, 2013)

(1) Consolidated operating results (%: Year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2013	53,623	51.6	3,962	30.6	4,120	26.3	4,044	90.1
Year ended March 31, 2012	35,366	-2.5	3,033	-0.7	3,262	-1.7	2,127	-7.0

(Note) Comprehensive income: ¥4,208 million (―%) for the first three quarters of the year ended March 31, 2013
¥287 million (-86.3%) for the first three quarters of the year ended March 31, 2012

	Net income per share	Net income per share (fully diluted)	Ratio of profit to shareholders' equity for the year	Ratio of ordinary income to total assets	Ratio of operating income to sales
	Yen	Yen	%	%	%
Year ended March 31, 2013	170.23	―	15.4	11.2	7.4
Year ended March 31, 2012	88.80	―	8.4	11.2	8.6

(Reference): Gain or loss on equity method investment: ¥― million yen for the year ended March 31, 2013
¥― million yen for the year ended March 31, 2012

(2) Consolidated financial condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2013	44,075	27,595	62.6	1,181.89
Year ended March 31, 2012	29,247	24,977	85.4	1,042.70

(Reference) Shareholders' equity: Year ended March 31, 2013: ¥27,595 million
Year ended March 31, 2012: ¥24,977 million

(3) Consolidated cash flow condition

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2013	6,748	-9,672	5,496	10,431
Year ended March 31, 2012	1,032	-430	-760	7,228

2. Dividends

	Dividend per share					Aggregate dividends (annual)	Dividend propensity (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2012	–	–	–	27.00	27.00	646	30.4	2.6
Year ended March 31, 2013	–	–	–	34.00	34.00	793	20.0	3.1
Year ending March 31, 2014 (forecast)				–	–		–	

With respect to dividends for the fiscal year ending March 2013, as stated in the basic principles concerning the distribution of profits, (ii) (refer to page 4 of the Accompanying Materials), the aggregate amount of dividends has been determined to be approximately 30% of the amount calculated by deducting a ¥1,406 million gain on negative goodwill (income on a consolidated basis) associated with making Kawasaki Microelectronics, Inc. the Company's subsidiary, as a special factor related to accounting and the settlement of accounts, from consolidated net income. Since a specific dividend forecast for the fiscal year ending March 2014 has yet to be decided, "–" is shown for the annual dividend forecast.

3. Forecast of Consolidated Operating Results
(From April 1, 2013 to March 31, 2014)

(Percentages denote the rate of increase or decrease from the previous year in "Full-year" and from the same quarter of the previous year in "Six-month period ending September 30, 2013.")

	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, 2013	30,000	21.4	1,100	-53.6	1,100	-53.0	2,900	4.5	124.20
Full-year	63,000	17.5	4,000	0.9	4,000	-2.9	4,800	18.7	205.58

* Notes

(1) Changes in key subsidiaries during the term
(changes in specific subsidiaries resulting in changes in the scope of consolidation): Yes
New: 2 companies (Kawasaki Microelectronics, Inc., Kawasaki Microelectronics Holdings (USA), Inc.)
Exception: 1 company (Kawasaki Microelectronics Holdings (USA), Inc.)

(2) 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: Yes
3) Changes in accounting estimates: Yes
4) Restatement: None

(3) Number of shares outstanding (common stock)
1) Number of outstanding shares at the end of the period (including treasury stock)
Year ended March 31, 2013 24,038,400 shares
Year ended March 31, 2012 24,038,400 shares
2) Number of shares of treasury stock at the end of the period
Year ended March 31, 2013 689,486 shares
Year ended March 31, 2012 84,020 shares
3) Average number of shares outstanding during the period (or the cumulative consolidated accounting period as of the end of the term)
Year ended March 31, 2013 23,757,542 shares
Year ended March 31, 2012 23,961,314 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2013
(From April 1, 2012 to March 31, 2013)

(1) Non-consolidated operating results (%: Year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2013	38,991	10.2	3,306	8.9	3,308	5.0	2,092	8.7
Year ended March 31, 2012	35,366	-2.5	3,037	-0.7	3,151	4.6	1,925	13.1

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Year ended March 31, 2013	88.08	–
Year ended March 31, 2012	80.37	–

(2) Non-consolidated financial condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2013	35,127	24,128	68.7	1,033.37
Year ended March 31, 2012	27,804	23,633	85.0	986.62

(Reference) Shareholders' equity: Year ended March 31, 2013: ¥24,128 million
Year ended March 31, 2012: ¥23,633 million

* Statement Relating to the Execution Status for Audit Procedures
This financial summary falls outside the scope of audit procedures based on the stipulations of the Financial Instruments and Exchange Act. The audit procedures for financial statements based on the stipulations of said Act were not completed at the time this financial summary was disclosed.
* 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 financial results)
Supplementary documents for financial results will be presented on the Company's website immediately after disclosure of the summary of consolidated financial results.

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1. Operating Results

(1) Analysis of operating results

(i) General financial results condition

During the consolidated fiscal year under review, the Japanese economy entered a recessionary phase with few positive movements, as corporate earnings weakened in consequence of decelerating overseas economies among other negative factors. However, with an improvement in the export environment and positive effects from new economic policies and financial measures taken after the change in government, the economy had started to recover by the end of the fiscal year, even though certain economic conditions remained sluggish. Despite this progress, a potential downturn in the overseas economy and other factors remain as downside economic risks.

In the electronic machinery and equipment industry, in which MegaChips Group operates, although growth for certain industrial electronics equipment grew year on year, demand for electronic components such as semiconductors and consumer electronic equipment decreased and the overall market for electronic machinery and equipment continued to contract on a year-on-year basis.

Under these challenging conditions, the Company acquired all issued shares of Kawasaki Microelectronics, Inc. ("Kawasaki Micro") from JFE Holdings, Inc. on July 1, 2012 and commenced business activities as the Group from the second quarter of this consolidated fiscal year. The Group is striving to build a close collaborative structure by mobilizing the capabilities of both companies to establish the ability to provide comprehensive solutions that offer customers powerful support, consistently and broadly, from the development of algorithms and architectures, to wafer manufacturing, assembly, and test processes. A description of the Group's businesses follows.

The Company manages operations by focusing on its strength in providing a broad array of products and ingenious technical solutions, from LSIs to system devices based on its own technologies such as compression and decompression for image, audio and music, and telecommunications. The Company develops and sells varied products such as memory for specific-use applications, system LSIs, electronic devices that contain its LSIs, and digital image transmission and recording system products, mainly for the areas of amusement, digital cameras, energy saving, and security monitoring.

Kawasaki Micro, a consolidated subsidiary, develops and sells products centering on customer-specific LSIs for leading customers in Japan and overseas in liquid crystal panels, office equipment, optical communications, and home networking equipment.

Consolidated net sales for the fiscal year under review reached ¥53,623 million (up 51.6% year on year), reflecting the contribution of new products and the consolidation effect from the second quarter of Kawasaki Micro, which sells LSIs for liquid crystal panels and office equipment, although demand for LSIs for storing game software (custom memories), a mainstay product, declined. Consolidated operating income stood at ¥3,962 million (rising 30.6%). Consolidated ordinary income came to ¥4,120 million (rising 26.3%). Consolidated net income was ¥4,044 million (an increase of 90.1%) due to the posting of a gain on negative goodwill of ¥1,406 million associated with making Kawasaki Micro the Company's subsidiary.

(ii) Prospect for operating results in general for the next fiscal year

In the next fiscal year, with an improvement in the export environment and the effects of economic and financial measures, as well as a recovery in the U.S. economy among other supportive factors, it is expected that corporate earnings will improve and the economy will stage a gradual recovery. However, risk factors that could negatively impact on the economy, such as an economic slump in the overseas economy on the back of the reemergence of fiscal and financial problems in Europe, are also likely to continue to persist.

In the electronic machinery and equipment industry, in which the MegaChips Group operates, the overall market environment is likely to remain challenging, with the expectation that demand in the industrial electronics equipment and electronic components markets will remain unchanged year on year, despite the expected growth in demand in the market for certain consumer electronic equipment, such as smartphones and tablets.

Looking at social trends, communications and broadcasting are digitizing and diversifying at a rapid pace, which indicates a move toward an even more advanced information society. In addition, initiatives aimed at conserving the global environment, namely, achieving symbiosis with nature, a low-carbon lifestyle and greater recycling, are likely to continue.

In this environment, the Company undertook an absorption-type merger with Kawasaki Micro and started operation as a new MegaChips on April 1, 2013. Based on the concept of integrating LSIs and systems knowledge, the MegaChips Group will strive to bolster its market competitiveness and achieve further growth as a global company that will continually create new applications and provide the necessary system solutions. To achieve these goals, the Group will focus on three initiatives, namely strengthening the foundation of the mainstay consumer market business, developing new markets in growth industries, including the environment, energy, automobile and infrastructure industries, and strengthening the overseas operation bases and developing new overseas markets. With these initiatives, the Group will strive to expand earnings opportunities.

In businesses such as amusement, digital cameras, office equipment, liquid crystal panels and energy saving, with the aim of expanding LSI sales to major customers, the Company will focus on developing and selling system LSIs that meet the requirements of individual customers, boards and modules that use system LSIs, and IP licenses.

In the security business, the Company will work on improving profits by expanding sales of next-generation image monitoring systems and focusing on developing new business models, with priority given to the development of systems equipment especially designed for use by specific customers.

In overseas bases, the Company will promote localization and focus on developing overseas customers with the priority placed on developing and improving the structure of each base so that it can fulfill its missions, while developing the technologies and solutions that customers need.

In the fiscal year ending March 31, 2014, the Company forecasts consolidated net sales of ¥63,000 million (up 17.5% from the fiscal year under review), consolidated operating income of ¥4,000 million (rising 0.9%), consolidated ordinary income of ¥4,000 million (a decrease of 2.9%) and consolidated net income of ¥4,800 million (up 18.7%).

(2) Analysis of the financial position

(i) Changes in the financial position (consolidated)

Total assets for the consolidated fiscal year under review amounted to ¥44,075 million (up ¥14,827 million from the end of the previous consolidated fiscal year). Major items that contributed to this increase were increases in cash and deposits of ¥3,203 million, deferred tax assets (noncurrent assets) of ¥2,863 million, the total amount of merchandise and finished goods, products in process and inventories, including raw materials, of ¥2,005 million, and notes and accounts receivable−trade of ¥1,241 million.

Total liabilities were ¥16,479 million (up ¥12,208 million from the end of the previous consolidated fiscal year). Major items that contributed this increase were increases in long-term loans payable of ¥4,250 million, current portion of long-term loans payable of ¥2,833 million, and notes and accounts payable−trade of ¥1,190 million.

Total net assets stood at ¥27,595 million (up ¥2,618 million from the end of the previous consolidated fiscal year). The principal items that contributed to this increase were increases in retained earnings of ¥3,397 million and treasury stock of ¥943 million. As a result, the shareholders' equity ratio at the end of the consolidated fiscal year came to 62.6% (down 22.8 percentage points from the end of the previous fiscal year).

(ii) Cash flow status

Cash and cash equivalents ("net cash") reached ¥10,431 million at the end of the consolidated fiscal year under review, increasing ¥3,203 million from the previous consolidated fiscal year (compared with a fall of ¥275 million in the same period of the previous consolidated fiscal year). The status of cash flows at the end of the fiscal year under review was as follows:

Net cash provided by operating activities was ¥6,748 million (compared with net cash of ¥1,032 million provided by such activities in the same period of the previous consolidated fiscal year). The major factors that contributed to these inflows were net income before taxes of ¥5,436 million (up 57.1% from the same period last year) and a decrease of ¥2,573 million in notes and accounts receivable–trade, as well as the posting of a gain on negative goodwill of ¥1,406 million and a tax payment of ¥1,550 million.

Net cash used in investment activities was ¥9,672 million (compared with net cash of ¥430 million used in such activities in the same period of the previous fiscal year). Major factors that contributed to these outflows were the purchase of investments in subsidiaries resulting in a change in the scope of consolidation of ¥6,752 million and the purchase of long-term prepaid expenses of ¥1,208 million. As a result, free cash flow, which is the sum of net cash provided by or used in operating activities and net cash provided by or used in investment activities, resulted in a net cash used of ¥2,924 million (compared to net cash provided of ¥601 million in the same period of the previous fiscal year).

Net cash provided by financing activities was ¥5,496 million (compared to a net cash used of ¥760 million in the same period of the previous fiscal year). Major factors contributing to these inflows were proceeds from long-term loans payable of ¥8,500 million, as well as the repayment of long-term loans payable of ¥1,416 million and the purchase of treasury stock of ¥943 million.

The following table shows the trends of the indices of cash flows for the Group.

	Year ended March 31, 2010 (from April 1, 2009 to March 31, 2010)	Year ended March 31, 2011 (from April 1, 2010 to March 31, 2011)	Year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)	Year ended March 31, 2013 (from April 1, 2012 to March 31, 2013)
Shareholders' equity ratio (%)	91.8	87.2	85.4	62.6
Shareholders' equity ratio on a market value basis (%)	128.1	122.2	134.6	79.5
Ratio of interest-bearing debt to cash-flow (%)	—	—	—	105.0
Interest coverage ratio	—	—	759.6	134.5

(Notes) 1. Each of the indices is calculated as follows:
Shareholders' equity ratio: Shareholders' equity/Total assets
Shareholders' equity ratio on a market value basis: Aggregate market value of listed stock/Total assets
Ratio of interest-bearing debt to cash-flow: Interest-bearing debt/Cash provided by operating activities
Interest coverage ratio: Cash provided by operating activities/Interest payments
2. Each of the indices is calculated based on financial data on a consolidated basis.
3. The aggregate market value of listed stock is calculated based on the closing stock price at the end of each fiscal year multiplied by the total number of shares issued as of the end of each fiscal year.
4. Interest-bearing debt covers all debt with interest being paid which is stated in the balance sheet.

(3) Basic principles concerning the distribution of profits and the dividends for the fiscal year under review and the next fiscal year

The Company regards the appropriate distribution of profits to its shareholders as an important management issue, and is working to distribute profits in line with earnings. Its basic policy is as follows:

(i) Aiming at sustainable improvements in its corporate value, the Company will allocate funds to fundamental research to create innovative new technologies, the development of unique products, the achievement of a suitable business portfolio, and the securing of competent human resources to achieve medium-to long-term growth. It will also maintain the internal reserves required to maintain a sound financial position that can withstand variations in the business environment.

(ii) The distribution of retained earnings shall be determined by taking into consideration such factors as the consolidated operating results, financial circumstances, and investment plans, but in principle the amount to be distributed shall be either a dividend payout ratio of about 30% or about 2% of the consolidated dividend on equity (DOE), whichever is greater. (However, this amount may, following due consideration, be increased or decreased in cases where there are special factors affecting the financial results.) Specifically, the annual dividend to be distributed per share shall be determined as either (a) or (b) below, whichever is greater.

a. Calculate the aggregate amount of dividends as an amount equivalent to about 30% of the consolidated net income, and divide this amount by the number of shares that have been issued at the end of the period, minus the number of shares held by the Company at the end of the period.
b. Calculate the aggregate amount of dividends as an amount equivalent to about 2% of the consolidated dividend on equity (DOE), and divide this amount by the number of shares that have been issued at the end of the period, minus the number of shares held by the Company at the end of the period.

(iii) The Company shall endeavor to return profits to shareholders by acquiring its own shares expeditiously, taking into consideration such as market conditions, movements of stock prices, and the Company's financial circumstances in order to improve the efficiency of capital.

In accordance with this basic policy, the Company has decided to distribute dividends as follows:

(i) In accordance with the Articles of Incorporation approved at the 16th Ordinary General Meeting of Shareholders held on June 23, 2006 and Article 459(1) of the Companies Act, decisions regarding the distribution of dividends shall be made via a resolution by the Board of Directors, without requiring a resolution by a General Meeting of Shareholders, unless otherwise stipulated by law.

(ii) Dividends shall be distributed once every year to those Shareholders or Registered Pledgees of Shares listed or registered in the final shareholder registry as March 31 of every year. However, dividends may be distributed by prescribing a different record date, following a resolution by the Board of Directors in accordance with the Companies Act and the Articles of Incorporation.

With respect to the distribution of retained earnings for the fiscal year under review, the Company decided to pay an annual dividend of ¥34 per share as an ordinary dividend (¥27 for the previous period) to shareholders as of March 31, 2013. As for the calculation of dividends, as stated in the basic principles concerning the distribution of profits, (ii) above, the aggregate amount of dividends has been determined to be approximately 30% of the amount calculated by deducting a ¥1,406 million gain on negative goodwill (income on a consolidated basis) associated with making Kawasaki Micro the Company's subsidiary, a special factor related to accounting and the settlement of accounts, from consolidated net income. The annual dividend per share for the next fiscal year is still undecided, but the Company intends to distribute dividends in accordance with the above policy.

During the course of the fiscal year under review, the Company, following a Board of Directors resolution, acquired a total of 605,400shares of treasury stock equal to an aggregate value of ¥943 million from the capital markets.

2. Business Policy

(1) Basic management policy

The MegaChips Group has conducted its business based on its technological development capabilities as a unique R&D-oriented, fabless manufacturer since its foundation in 1990. It has followed a philosophy of expanding its business through "Innovation," coexisting with customers through "Trust" and continuing to contribute to society through "Creation."

The Group's competitive edge derives from its capability to maintain its uniqueness through "specialization" in the market associated with digital images, audio and communications, growth products, the "concentration" of business resources on research and development activities in order to provide customers with cutting-edge products and technologies, and the promotion of the technological platform business founded on technologies associated with images, audio and communications and the Company's competitive advantage in its ability to develop these technologies.

Under this philosophy, with its corporate aspiration to become a "global enterprise that continues providing systems solutions in addition to the creation of new applications," the MegaChips Group will develop a range of products, such as system LSIs, and electronic devices, including boards and modules, and system devices that utilize system LSIs by leveraging its strength in providing total solutions, and will take the lead in bringing these products to market. The Group is striving to increase its value and achieve sustainable growth, and has a basic policy of distributing returns to its investors in accordance with its operating results.

(2) Targeted management indices

As targeted management indices, the MegaChips Group shall continue to place emphasis on consolidated return on equity (ROE), consolidated return on assets (ROA) and consolidated cash flows. In addition, the Group has defined "operating income per employee" as an index of operating efficiency, and shall work to increase this index, as well as continuing to work to increase the ratio of operating income to sales on a consolidated basis.

(3) Medium- to long-term management strategy and issues to be addressed

The MegaChips Group has developed original LSIs and system products and offered them to its customers in the image, audio, and communications fields with "contribution to human safety and security, realization of affluent lifestyles, and conservation of the global environment" as its mission.

In recent years, information technology products have been rapidly improving in function and diversifying in the advanced information society. In step with these changes, requests from manufacturing customers are becoming increasingly sophisticated and diverse.

In supplying its customers with a broad range of original solutions, which larger companies cannot provide, the MegaChips Group seeks to contribute to creating an affluent society in the future, where people can enjoy high levels of contentment. The Group plans to offer these solutions by accurately identifying ongoing social changes, taking advantage of its position as an R&D-oriented fabless manufacturer, generating value that has never existed and applying its sophisticated technological capabilities.

Based on this thinking, the MegaChips Group has adopted the following medium- and long-term management strategies to drive its businesses forward.

(i) Strengthen the foundation of the mainstay consumer market business.

In the mainstay consumer market business, in which the MegaChips Group excels, based on the trust it has built with customers through the concept of integrating LSI and systems knowledge, the Group will maintain a long-term business relationship as its main business foundation by enhancing its flexible and versatile technological and developmental capabilities for products from system LSIs to boards and modules, and providing solutions that meet customers' requirements.

Moreover, to develop new customers with whom the Group will be able to establish a long-term relationship, the Group will strive to strengthen its consumer market business in office equipment and other sectors.

(ii) Develop new businesses in the domestic growth industries to establish businesses that will be mainstay operations in the future.

The Group will target a technology-integrated market in industries that are considered to be growing and that require a variety of advanced technologies, such as the environmental, energy, automobile and infrastructure sectors. In this market, the Group will seek to develop new businesses that contribute to a range of customers' businesses and become its mainstay operations in the future, based on its superior competitiveness by providing total solutions that combine applications, networks, software and LSIs.

(iii) Establish and improve the structure of overseas bases and, by employing unique strategies, develop overseas markets that will contribute to the Group's growth in the future.

To continue to grow for a sustained period in a severe business environment, it is essential to enter the overseas market. In addition, to promote the localization of its overseas bases, the MegaChips Group will act to establish and refine a structure in which each overseas base can fulfill its mission, and develop businesses in the overseas market that will contribute to the Group's growth in the future.

In developing overseas customers, the Group will target customers with whom the Group can effectively use its bases. Based on a relationship of trust with customers, it will strive to accurately understand the solutions that customers require, and will present business proposals by focusing on developing technologies and solutions that can meet these requirements.

To help create an affluent society, as explained above, the MegaChips Group will win customer trust by speedily addressing market changes with innovation and continuing to supply optimal solutions to customer problems. The Group will seek to develop attractive solutions through the integration of LSI knowledge and the knowledge of different sectors, and will contribute to safety, security, affluent lifestyles, and the global environment through sustained activities to generate new value in response to constantly changing market needs.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

	Previous consolidated fiscal year (ended March 31, 2012)	Consolidated fiscal year under review (ended March 31, 2013)
Assets		
Current assets:		
Cash and deposits	7,228,018	10,431,546
Notes and accounts receivable−trade	15,636,678	16,877,890
Merchandise and finished goods	402,195	1,298,176
Work in process	919,501	1,510,267
Raw materials and supplies	374,437	892,883
Deferred tax assets	381,961	1,343,077
Other	492,898	734,991
Allowance for doubtful accounts	(1,094)	(924)
Total current assets	25,434,598	33,087,908
Noncurrent assets:		
Property, plant and equipment		
Buildings	227,437	3,853,526
Accumulated depreciation	(192,875)	(2,794,865)
Buildings, net	34,562	1,058,661
Land	–	289,638
Other	410,059	6,572,651
Accumulated depreciation	(360,790)	(6,027,057)
Other, net	49,268	545,593
Total property, plant and equipment	83,830	1,893,893
Intangible assets		
Other	57,825	689,330
Total intangible assets	57,825	689,330
Investments and other assets		
Investment securities	2,270,232	2,440,619
Long-term prepaid expenses	976,627	1,754,537
Deferred tax assets	97,647	2,961,178
Other	327,030	1,247,542
Total investment and other assets	3,671,538	8,403,876
Total noncurrent assets	3,813,194	10,987,100
Total assets	29,247,792	44,075,009

(Thousand yen)

	Previous consolidated fiscal year (ended March 31, 2012)	Consolidated fiscal year under review (ended March 31, 2013)
Liabilities		
Current liabilities:		
Notes and accounts payable−trade	2,252,925	3,443,211
Current portion of long-term loans payable	–	2,833,332
Income taxes payable	699,230	529,310
Provision for bonuses	301,147	633,554
Provision for loss on construction contracts	388,193	759,978
Asset retirement obligations	12,372	–
Other	577,767	2,897,931
Total current liabilities	4,231,635	11,097,317
Noncurrent liabilities:		
Long-term loans payable	–	4,250,002
Other	39,025	1,131,944
Total noncurrent liabilities	39,025	5,381,946
Total liabilities	4,270,660	16,479,263
Net assets		
Shareholders’ equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,181,300
Retained earnings	13,967,586	17,364,960
Treasury stock	(112,777)	(1,056,030)
Total shareholders’ equity	24,876,422	27,330,543
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	708,021	267,293
Foreign currency translation adjustment	(607,313)	(2,091)
Total other accumulated comprehensive income	100,708	265,201
Total net assets	24,977,131	27,595,745
Total liabilities and net assets	29,247,792	44,075,009

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

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Consolidated fiscal year under review (From April 1, 2012 to March 31, 2013)
Net sales	35,366,733	53,623,174
Cost of sales	28,687,521	40,568,191
Gross profit	6,679,211	13,054,982
Selling, general and administrative expenses	3,645,267	9,092,541
Operating income	3,033,943	3,962,441
Non-operating income		
Interest income	5,414	8,475
Dividends income	248,727	69,835
Gain on investments in partnership	–	228
Foreign exchange gains	–	115,845
Miscellaneous income	50,819	37,024
Total non-operating income	304,961	231,410
Non-operating expenses		
Interest expenses	1,358	55,677
Loss on investments in partnership	7,437	741
Taxes and dues	35,519	–
Litigation expenses	30,000	–
Loss on insurance cancellation	–	12,353
Foreign exchange losses	1,340	—
Miscellaneous loss	584	5,055
Total non-operating expenses	76,240	73,828
Ordinary income	3,262,664	4,120,023
Extraordinary income		
Gain on sales of noncurrent assets	–	129
Gain on sales of investment securities	199,292	–
Gain on negative goodwill	–	1,406,607
Total extraordinary income	199,292	1,406,736
Extraordinary loss		
Loss on sales of noncurrent assets	–	2,100
Loss on retirement of noncurrent assets	142	5,089
Loss on valuation of investment securities	1,235	–
Head office transfer cost	–	46,382
Loss on revision of retirement benefit plan	–	37,176
Total extraordinary loss	1,377	90,749
Net income before taxes	3,460,579	5,436,011
Income taxes-current	1,288,561	1,304,995
Income taxes-deferred	44,330	86,873
Total income taxes	1,332,892	1,391,868
Income before minority interests	2,127,687	4,044,142
Net income	2,127,687	4,044,142

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Consolidated fiscal year under review (From April 1, 2012 to March 31, 2013)
Income before minority interests	2,127,687	4,044,142
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,618,933)	(440,728)
Foreign currency translation adjustment	(221,319)	605,221
Total other comprehensive income	(1,840,253)	164,492
Comprehensive income	287,433	4,208,635
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	287,433	4,208,635
Comprehensive income attributable to minority interests	–	–

(3) Consolidated statements of changes in net assets

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Consolidated fiscal year under review (From April 1, 2012 to March 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of the period	4,840,313	4,840,313
Balance at the end of the period	4,840,313	4,840,313
Capital surplus		
Balance at the beginning of the period	6,181,300	6,181,300
Balance at the end of the period	6,181,300	6,181,300
Retained earnings		
Balance at the beginning of the period	12,536,142	13,967,586
Changes of items during the period		
Dividends from surplus	(696,243)	(646,768)
Net income	2,127,687	4,044,142
Total changes of items during the period	1,431,443	3,397,374
Balance at the end of the period	13,967,586	17,364,960
Treasury stock		
Balance at the beginning of the period	(45,385)	(112,777)
Changes of items during the period		
Purchase of treasury stock	(67,392)	(943,253)
Total changes of items during the period	(67,392)	(943,253)
Balance at the end of the period	(112,777)	(1,056,030)
Total shareholders' equity		
Balance at the beginning of the period	23,512,370	24,876,422
Changes of items during the period		
Dividends from surplus	(696,243)	(646,768)
Net income	2,127,687	4,044,142
Purchase of treasury stock	(67,392)	(943,253)
Total changes of items during the period	1,364,051	2,454,121
Balance at the end of the period	24,876,422	27,330,543
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of the period	2,326,955	708,021
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,618,933)	(440,728)
Total changes of items during the period	(1,618,933)	(440,728)
Balance at the end of the period	708,021	267,293
Foreign currency translation adjustment		
Balance at the beginning of the period	(385,993)	(607,313)
Changes of items during the period		
Net changes of items other than shareholders' equity	(221,319)	605,221
Total changes of items during the period	(221,319)	605,221
Balance at the end of the period	(607,313)	(2,091)

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Consolidated fiscal year under review (From April 1, 2012 to March 31, 2013)
Total other accumulated comprehensive income		
Balance at the beginning of the period	1,940,962	100,708
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,840,253)	164,492
Total changes of items during the period	(1,840,253)	164,492
Balance at the end of the period	100,708	265,201
Total net assets		
Balance at the beginning of the period	25,453,332	24,977,131
Changes of items during the period		
Dividends from surplus	(696,243)	(646,768)
Net income	2,127,687	4,044,142
Purchase of treasury stock	(67,392)	(943,253)
Net changes of items other than shareholders' equity	(1,840,253)	164,492
Total changes of items during the period	(476,201)	2,618,614
Balance at the end of the period	24,977,131	27,595,745

(4) Consolidated statements of cash flows

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Consolidated fiscal year under review (From April 1, 2012 to March 31, 2013)
Net cash provided by (used in) operating activities		
Net income before taxes	3,460,579	5,436,011
Depreciation and amortization	139,509	566,617
Gain on negative goodwill	–	(1,406,607)
Amortization of long-term prepaid expenses	330,078	634,054
Increase (decrease) in allowance for doubtful accounts	(2,642)	(170)
Increase (decrease) in provision for bonuses	18,330	184,640
Increase (decrease) in provision for loss on construction contracts	338,942	(35,816)
Interest and dividends income	(254,141)	(78,311)
Interest expenses	1,358	55,677
Loss (gain) on investments in partnership	7,437	512
Foreign exchange losses (gains)	1,922	(195,163)
Loss on retirement of noncurrent assets	142	5,089
Loss (gain) on sales of investment securities	(199,292)	–
Loss (gain) on valuation of investment securities	1,235	–
Decrease (increase) in notes and accounts receivable−trade	(474,181)	2,573,627
Decrease (increase) in inventories	(1,058,408)	766,084
Increase (decrease) in notes and accounts payable−trade	217,770	(180,602)
Decrease (increase) in other current assets	(292,724)	427,399
Increase (decrease) in other current liabilities	27,682	(473,037)
Other	(9,865)	(9,729)
Subtotal	2,253,733	8,270,275
Interest and dividends income received	254,087	78,449
Interest expenses paid	(1,358)	(50,186)
Income taxes paid	(1,474,290)	(1,550,056)
Income taxes refund	–	198
Net cash provided by (used in) operating activities	1,032,171	6,748,681
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(25,254)	(588,725)
Purchase of intangible assets	(73,545)	(152,187)
Proceeds from sales of investment securities	313,869	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(6,752,303)
Payments of loans receivable	–	(573,120)
Collection of loans receivable	1,665	2,280
Purchase of long-term prepaid expenses	(566,985)	(1,208,086)
Payments for guarantee deposits	(81,147)	(112,755)
Proceeds from collection of guarantee deposits	523	179,566
Other	–	(467,634)
Net cash provided by (used in) investment activities	(430,875)	(9,672,965)
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)
Purchase of treasury stock	(67,392)	(943,253)
Cash dividends paid	(692,661)	(643,313)
Net cash provided by (used in) financing activities	(760,053)	5,496,767

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Consolidated fiscal year under review (From April 1, 2012 to March 31, 2013)
Effect of exchange rate change on cash and cash equivalents	(116,480)	631,043
Net increase (decrease) in cash and cash equivalents	(275,237)	3,203,527
Cash and cash equivalents at beginning of period	7,503,256	7,228,018
Cash and cash equivalents at end of period	7,228,018	10,431,546

(5) Notes relating to consolidated financial statements

(Note on going concern assumptions)

None

(Changes in accounting policies)

(Change in method of depreciation)

In accordance with revisions to the Corporation Tax Act, from the consolidated fiscal year under review, the method of depreciation for property, plant and equipment acquired on or after April 1, 2012 was changed based upon the revised Corporation Tax Act.

This has had a minor impact on the profit or loss in the consolidated fiscal year under review.

(Changes in presentation methods)

(Matters related to the consolidated balance sheet)

Buildings and accompanying facilities of the head office that were presented as “Buildings and accompanying facilities” in the consolidated balance sheet for the previous fiscal year have been included in “Buildings” from the fiscal year under review, because the Company acquired buildings following the inclusion of Kawasaki Microelectronics, Inc. in its subsidiaries. To reflect these changes in the presentation method, the Company reclassified the consolidated financial statements for the previous fiscal year.

As a result of these changes, ¥227,437,000 and ¥34,562,000 presented in “Buildings and accompanying facilities” and “Buildings and accompanying facilities, net” respectively in the consolidated balance sheet for the previous fiscal year have been reclassified to ¥227,437,000 in “Buildings” and ¥34,562,000 in “Buildings, net.”

(Matters related to consolidated statements of cash flows)

“Foreign exchange losses (gains)” that were included in “Other” of “Net cash provided by (used in) operating activities” in the consolidated statements of cash flows for the previous fiscal year have been independently presented from the fiscal year under review, because their financial significance has increased. To reflect these changes in the presentation method, the Company reclassified the consolidated financial statements for the previous fiscal year.

As a result of these changes, (¥7,943,000) presented in “Other” of “Net cash provided by (used in) operating activities” in the consolidated statements of cash flows for the previous fiscal year has been reclassified to ¥1,922,000 in “Foreign exchange losses (gains)” and (¥9,865,000) in “Other.”

(Segment information)

The MegaChips Group is mainly engaged in the design, development, manufacture (on an outsourcing basis) and sale of system LSIs, based on its basic image, audio and communications technologies, and electronic devices and system equipment that contain its system LSIs under the one business segment. As a result, the presentation of segment information has been omitted.

(Per share information)

(Unit: yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Consolidated fiscal year under review (From April 1, 2012 to March 31, 2013)
Net assets per share	1,042.70	1,181.89
Net income per share	88.80	170.23

(Notes) 1. Diluted net income per share has not been shown because there were no latent shares.
2. The following shows the basis of calculation of net income per share.

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Consolidated fiscal year under review (From April 1, 2012 to March 31, 2013)
Net income per share		
Net income (thousand yen)	2,127,687	4,044,142
Amount that does not belong to ordinary shareholders (thousand yen)	—	—
Net income related to common shares (thousand yen)	2,127,687	4,044,142
Average number of common shares during the period	23,961,314	23,757,542

(Material subsequent events)

(Transactions, etc. under common control)

The Company undertook an absorption-type merger with Kawasaki Microelectronics, Inc. ("Kawasaki Micro") on April 1, 2013 in accordance with a resolution made at the meeting of the Board of Directors held on November 16, 2012.

The outline of transactions and accounting methods adopted is as follows.

1. Outline of transactions

(1) Name and business of the combined company

Name of the company: Kawasaki Microelectronics, Inc.

Business details: Design, manufacture and sales of semiconductor integrated circuits

(2) Business combination date

April 1, 2013

(3) Form of reorganization

The Company becomes a surviving company and Kawasaki Micro becomes an absorbed company through this absorption-type merger. The Company has omitted a resolution made by the General Meeting of Shareholders pursuant to the provisions provided in Article 796, paragraph 3 of the Companies Act.

(4) Name of the company after the reorganization

MegaChips Corporation

(5) Other matters related to the outline of transactions

The electronics and semiconductor field is marked by rapid technological advancement, with previous business models having become obsolete. The industry has consequently reached a crossroads on a global level, resulting in significant changes to the environment surrounding the Company. Given this background, the Company and Kawasaki Micro have decided to combine their management resources to continue developing by responding flexibly to changes, while also ensuring co-existence and co-prosperity with customers and expanding their contributions to society.

With this merger, the Company will build a business portfolio that can respond to environmental changes and deliver continuous, stable profits, thereby preparing for global expansion centering on application and system planning and the provision of solutions.

2. Outline of accounting method adopted

The transactions were treated as transactions under common control pursuant to the “Accounting Standard for Business Combinations (ASBJ Statement No. 21 on December 26, 2008),” and the “Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestiture (ASBJ Guidance No. 10 on December 26, 2008).”

4. Other

Management reshuffles

(1) Candidates for director to be elected

Director	Kyoichi Kissei (currently General Manager of Production Management Division and General Manager of Domestic Business Section of Corporate Business Management Office)
Outside Director	Keiichiro Akahoshi (Former Vice President of OMRON Corporation)
Outside Director	Dang-Hsing Yiu (Present Senior Vice President of Macronix International Co., Ltd.)

(2) Director to be retired

Executive Vice President	Yoshimasa Hayashi (currently General Manager of Division No.3 and General Manager of New Business Section of Corporate Business Management Office)
Senior Managing Director	Yukio Yamauchi
Director	Tetsuo Furuichi (currently Head of Software R&D Laboratory)
Outside Director	Hiroyuki Mizuno
Outside Director	Kunihiro Yamada

(3) Scheduled date for assuming office: June 21, 2013