

Brief Statement of Accounts (Japanese Accounting Standards) for the First Quarter of the Year Ending March 31, 2011 (Consolidated)

July 30, 2010

Company Name: MegaChips Corporation

Code number: 6875

Representative: Yukihiro Ukai, President and Representative Director

Contact Person: Masayuki Fujii, Director, Officer and General Manager of the Finance & Accounting Office

Listed exchange: TSE

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

TEL: +81-6-6399-2884

Scheduled date for submission of quarterly report: August 6, 2010

Scheduled date of start of payment of dividends: —

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors)

(Amounts less than one million yen are omitted)

1. Consolidated operating results for the first quarter of the year ending March 31, 2011

(from April 1, 2010 to June 30, 2010)

(1) Consolidated operating results (accumulated)

(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, 2011	5,844	(34.4)	483	(23.6)	473	(23.1)	305	(34.5)
First quarter of the year ended March 31, 2010	8,907	(9.1)	632	(15.4)	615	(16.5)	466	13.4

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
First quarter of the year ending March 31, 2011	12.57	—
First quarter of the year ended March 31, 2010	19.24	19.20

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First quarter of the year ending March 31, 2011	27,511	24,633	89.5	1,014.06
Year ended March 31, 2010	26,612	24,439	91.8	1,006.08

(Reference) Shareholders' equity: As of the first quarter of the year ending March 31, 2011: 24,633 million yen

As of March 31, 2010: 24,439 million yen

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2010	—	—	—	27.00	27.00
Year ending March 31, 2011	—	—	—	—	—
Year ending March 31, 2011 (forecast)	—	—	—	—	—

(Note 1) Revisions made to the forecast dividends at the end of the current term: None

(Note 2) 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, 2010 to March 31, 2011)

(Figures in % indicate change from the corresponding period of the year ended March 31, 2010)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	15,200	(31.9)	1,100	(53.6)	1,100	(52.2)	700	(52.0)	28.82
Annual	35,000	(9.1)	3,100	2.1	3,100	(0.1)	2,150	0.4	88.51

(Note) Revision made to forecasts of operating results at the end of the current term: None

4. Others (For details, please refer to “Other information” on page 3 of the accompanying materials.)

(1) Changes in key subsidiaries during the term: None

(Note) Any changes in specific subsidiaries accompanied by a change in the scope of consolidation during the quarter under review

(2) Adoption of convenient accounting method and uniquely adopted accounting method: Yes

(Note) Adoption of simplified accounting methods or accounting methods unique to the preparation of quarterly consolidated financial statements

(3) Changes in accounting policies and processing and representation methods:

1) Changes due to revised accounting standards: Yes

2) Changes for reasons other than that described above: None

(Note) Any changes in the policies, procedures, or presentation method of the accounting methods for the preparation of quarterly consolidated financial statements included in “Changes in the basis for preparing quarterly consolidated financial statements”

(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, 2011 24,353,900 shares

Year ended March 31, 2010 24,353,900 shares

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

First quarter of the year ending March 31, 2011 61,937 shares

Year ended March 31, 2010 61,937 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, 2011 24,291,963 shares

First quarter of the year ended March 31, 2010 24,235,664 shares

* Status of a 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.

* Statement regarding the proper use of financial forecasts and other special remarks

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.

Accompanying Materials

Accompanying Materials – Contents

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1. Qualitative information on consolidated operating results, etc. for the first quarter of the year ending March 31, 2011

(1) Qualitative information on consolidated operating results

The first quarter of the year ending March 31, 2011 saw evidence of some improvements in corporate profits. Nonetheless, progress towards an economic recovery remained slow and uncertain circumstances persisted as capital spending continued to be weak and the employment situation remained severe.

In the electronic machinery and equipment industry, in which the MegaChips Group operates, demand for electronic components such as semiconductors and consumer electronic equipment improved. The market for the overall electronic machinery and equipment industry picked up slightly in comparison to the same period in the year ended March 31, 2010.

In these challenging circumstances, the Group focused its efforts on developing and selling products in the LSI business and the systems business. It also sought to expand its businesses by staying in close contact with customers and providing solutions best geared to their needs, based on its compression and decompression technologies for images, audio and music, as well as its unique communications technologies.

In particular, with the digitalization of media, including images, audio and music, the enhancement of the performance of LSIs using advanced semiconductor technology, the upgrading of the infrastructure for wired and wireless high-speed communication networks, and the diversification of digital broadcasting such as high-definition broadcasting, the Group has broadened its appeal in the information and communications sector. In this growth area, the Group has developed and sold high-end, application-specific memories, system LSIs, electronic parts mounted with its system LSIs and customer-specific system products for transmitting and recording digital images, particularly for use in the security and monitoring arena for games, amusements, digital single-lens reflex cameras and high-definition audio visual (AV) devices.

However, with the business environment surrounding the Company more severe than anticipated, net sales for the first quarter of the year under review amounted to 5,844 million yen (down 34.4% from the same period of the year ended March 31, 2010) on a consolidated basis. Operating income stood at 483 million yen (down 23.6%), and ordinary income reached 473 million yen (down 23.1%). Net income was 305 million yen (down 34.5%). The significant decrease in net income for the first quarter of the year under review compared to the same period of the year ended March 31, 2010 was attributable to a refund of income taxes of 110 million yen recorded in the first quarter of the year ended March 31, 2010.

Operating results by segment are as follows:

In the LSI business, demand for the leading products, namely LSIs for storing game software (custom memories), declined. In contrast, demand for image-processing LSIs for digital single-lens reflex cameras was strong, but needs for LSIs for high-definition AV recording declined and sales growth slowed.

As a result, net sales for the LSI business were 5,178 million yen and segment operating income reached 557 million yen. The operating income margin was 10.8%, primarily thanks to LSI products with strong profitability.

In the systems business, net sales were 665 million yen and the segment operating loss was 73 million yen, given reduced demand for customer-specific digital image monitoring systems for security and monitoring applications.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first quarter of the year ending March 31, 2011 amounted to 27,511 million yen (up 899 million yen from the end of the year ended March 31, 2010), mainly reflecting increased cash and deposits (up 3,154 million yen), increased investment securities (up 438 million yen) and decreased trade notes and trade accounts receivable (down 2,574 million yen) compared with the end of the year ended March 31, 2010.

Total liabilities were 2,878 million yen (up 705 million yen), mainly reflecting an increase in income taxes payable (up 182 million yen) and in trade notes and trade accounts payable (up 151 million yen) from the end of the year ended March 31, 2010.

Net assets were 24,633 million yen (up 193 million yen). As a result, the shareholders' equity ratio reached 89.5% (down 2.3 points).

Cash and cash equivalents ("net cash") at the end of the first quarter of the year ending March 31, 2011, amounted to 9,740 million yen, up 3,254 million yen from the end of the year ended March 31, 2010 (compared with a decline of 6,457 million yen in the same period of the year ended March 31, 2010). The status of cash flows at the end of the

first quarter of the year ending March 31, 2011 was as follows:

Net cash provided by operating activities was 3,726 million yen (compared with net cash used of 3,749 million yen in the same period of the year ended March 31, 2010), mainly reflecting net income before taxes of 505 million yen (down 15.6% year on year) and decreased trade notes and trade accounts receivable (down 2,574 million yen).

Net cash provided by investment activities was 127 million yen (27 million yen used in the same period of the year ended March 31, 2010), principally reflecting proceeds from the withdrawal of time deposit income of 100 million yen. 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 3,853 million yen (compared with 3,777 million yen of net cash used in the same period of the year ended March 31, 2010)

Net cash used in financing activities was 610 million yen (compared with net cash used of 2,687 million yen in the same period of the year ended March 31, 2010), principally a reflection of 610 million yen in cash dividends paid.

(3) Qualitative information on consolidated business outlook

No revisions have been made to the Company's business forecasts for the fiscal year ending March 31, 2011, which were announced on May 11, 2010.

2. Other information

(1) Summary of changes in key subsidiaries

None

(2) Summary of convenient accounting method and uniquely adopted accounting method:

1) Method of inventory valuation

The Company calculates inventories at the end of the first quarter of the year ending March 31, 2011 by omitting physical inventories and calculating inventories reasonably based on the amount of physical inventories for the year ended March 31, 2010. The Company estimates the net realizable values and reduces the book values of only those inventories that will clearly reduce in profitability.

2) Method of calculating depreciation and amortization of noncurrent assets

The Company calculates the depreciation and amortization of the assets for the period for which the declining balance method is adopted on a pro-rata basis, based on the depreciation and amortization for the consolidated fiscal year.

3) Calculation of tax expenses

The Company calculates its tax expenses by multiplying a reasonably estimated effective tax rate after deferred tax accounting for net income before taxes for the year ending March 31, 2011, including the term under review, by the net income before taxes for the term. Income tax adjustments are included in the "income taxes."

(3) Summary of changes in accounting policies, procedures and presentation methods:

1) Changes in matters related to accounting standards

(Application of accounting standard for asset retirement obligations)

Effective from the first quarter of the year ending March 31, 2011, the Company applied the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No.18, issued on March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No.21, issued on March 31, 2008.)

As a result of this change, operating income and ordinary income each decreased by 19 thousand yen, and income before taxes decreased by 1,236 thousand yen. The change in the asset retirement obligation amount resulting from the application of this accounting standard, etc. was 1,284 thousand yen.

The impact of this change on segment information is minor.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	Q1 FY 2010 (As of June 30, 2010)	FY 2009 (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	9,740,479	6,585,643
Notes and accounts receivable–trade	9,301,318	11,875,538
Merchandise and finished goods	236,091	366,934
Work in process	566,689	370,274
Raw materials and supplies	209,922	209,022
Deferred tax assets	219,755	219,755
Other	343,765	377,574
Allowance for doubtful accounts	(652)	(832)
Total current assets	20,617,370	20,003,911
Noncurrent assets		
Property, plant and equipment		
Buildings and accompanying facilities	229,595	240,576
Accumulated depreciation	(157,633)	(162,329)
Buildings and accompanying facilities, net	71,961	78,247
Other	354,975	354,216
Accumulated depreciation	(300,346)	(292,039)
Other, net	54,629	62,176
Total property, plant and equipment	126,591	140,423
Intangible assets		
Other	73,825	75,135
Total intangible assets	73,825	75,135
Investment and other assets		
Investment securities	5,050,103	4,611,444
Long-term prepaid expenses	1,212,760	1,405,084
Deferred tax assets	161,589	74,754
Other	272,156	304,178
Allowance for doubtful accounts	(2,717)	(2,717)
Total investment and other assets	6,693,891	6,392,744
Total noncurrent assets	6,894,308	6,608,303
Total assets	27,511,678	26,612,215

	Q1 FY 2010 (As of June 30, 2010)	FY 2009 (As of March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	1,587,361	1,435,794
Income taxes payable	227,040	44,771
Provision	164,463	257,562
Asset retirement obligations	1,287	–
Other	859,896	396,349
Total current liabilities	2,840,048	2,134,478
Noncurrent liabilities		
Other	38,032	38,032
Total noncurrent liabilities	38,032	38,032
Total liabilities	2,878,081	2,172,511
Net assets		
Shareholders' equity		
Capital stock	6,181,300	6,181,300
Capital surplus	11,030,012	11,380,544
Retained earnings	(91,585)	(91,585)
Treasury stock	21,960,040	22,310,572
Total shareholders' equity	4,840,313	4,840,313
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,944,050	2,451,726
Foreign currency translation adjustment	(270,494)	(322,594)
Total valuation and translation adjustments	2,673,556	2,129,131
Total net assets	24,633,596	24,439,703
Total liabilities and net assets	27,511,678	26,612,215

(2) Consolidated Statements of Income
(Consolidated First quarter)

(Unit: thousand yen)

	Q1 FY 2009 (From April 1, 2009 to June 30, 2009)	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)
Net sales	8,907,087	5,844,557
Cost of sales	7,349,164	4,552,042
Gross profit	1,557,923	1,292,514
Selling, general and administrative expenses	925,293	808,885
Operating income	632,629	483,629
Non-operating income		
Interest income	1,304	814
Income from disqualification of unclaimed dividends	1,935	3,530
Miscellaneous income	432	595
Total non-operating income	3,673	4,940
Non-operating expenses		
Interest expenses	14,170	–
Foreign exchange losses	6,901	15,482
Miscellaneous loss	–	16
Total non-operating expenses	21,072	15,498
Ordinary income	615,230	473,071
Extraordinary income		
Gain on sales of investment securities	–	36,780
Total extraordinary income	–	36,780
Extraordinary loss		
Loss on retirement of noncurrent assets	–	3,092
Loss on valuation of investment securities	16,324	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	1,217
Total extraordinary loss	16,324	4,310
Net income before taxes	598,905	505,541
Income taxes	243,038	200,191
Refund of income taxes for prior periods	(110,416)	–
Total income taxes	132,622	200,191
Income before minority interests	–	305,350
Net income	466,282	305,350

(3) Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Q1 FY 2009 (From April 1, 2009 to June 30, 2009)	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)
Net cash provided by (used in) operating activities		
Net income before taxes	598,905	505,541
Depreciation and amortization	38,330	31,526
Amortization of long-term prepaid expenses	234,982	202,538
Increase (decrease) in provision for bonuses	(145,564)	(99,514)
Increase (decrease) in provision for directors' bonuses	26,475	20,475
Interest expenses	14,170	–
Loss (gain) on sales of investment securities	–	(36,780)
Loss (gain) on valuation of investment securities	16,324	–
Decrease (increase) in notes and accounts receivable– trade	(3,777,293)	2,574,219
Decrease (increase) in inventories	326,560	(66,472)
Increase (decrease) in notes and accounts payable– trade	584,589	151,566
Decrease (increase) in other current assets	(29,579)	10,813
Increase (decrease) in other current liabilities	263,884	443,846
Other	9,763	(9,048)
Subtotal	(1,838,450)	3,728,712
Interest and dividends income received	1,393	814
Interest expenses paid	(41,081)	–
Income taxes paid	(1,871,501)	(3,029)
Net cash provided by (used in) operating activities	(3,749,640)	3,726,497
Net cash provided by (used in) investment activities		
Proceeds from withdrawal of time deposits	–	100,000
Purchase of property, plant and equipment	(16,204)	(3,400)
Purchase of intangible assets	(29,328)	(28,952)
Proceeds from sales of investment securities	121,440	39,780
Purchase of long-term prepaid expenses	(108,400)	(11,996)
Other	5,060	32,021
Net cash provided by (used in) investment activities	(27,432)	127,452
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,000,000)	–
Proceeds from disposal of treasury stock	57,675	–
Cash dividends paid	(745,518)	(610,156)
Net cash provided by (used in) financing activities	(2,687,843)	(610,156)
Effect of exchange rate change on cash and cash equivalents	7,106	11,042
Net increase (decrease) in cash and cash equivalents	(6,457,810)	3,254,835
Cash and cash equivalents at beginning of term	14,265,936	6,485,643
Cash and cash equivalents at end of term	7,808,125	9,740,479

(4) Note on Going Concern Assumptions
None

(5) Segment Information

[Business segment information]

First quarter of the year ended March 31, 2010 (From April 1, 2009 to June 30, 2009)

(Unit: thousand yen)

	LSI Business	Systems Business	Total	Elimination or Corporate	Consolidated
Net sales					
(1) External customers	8,148,235	758,852	8,907,087	–	8,907,087
(2) Inter-segment	–	–	–	–	–
Total	8,148,235	758,852	8,907,087	–	8,907,087
Operating income (loss)	755,203	(116,300)	638,903	(6,273)	632,629

(Note) 1. The business segments are determined in accordance with the Company's internal business management policy.

2. Main products of each segment

(1) LSI Business: LSI for storing game software, LSI for home-use video game machines, LSI for digital camera image processing, LSI for image / audio processing for one-segment broadcasting, LSI for OFDM demodulation for one-segment broadcasting

(2) Systems Business: Image transmission servers, digital video recorders, display controllers, image camera systems for equipment security, security controller terminals, surveillance cameras

[Geographic segment information]

First quarter of the year ended March 31, 2010 (from April 1, 2009 to June 30, 2009)

Geographic segment information has been omitted, as net sales in Japan make up over 90% of the total net sales of all segments.

[Overseas sales]

First quarter of the year ended March 31, 2010 (from April 1, 2009 to June 30, 2009)

Overseas sales information has been omitted, as overseas sales make up less than 10% of consolidated net sales.

[Segment information]

(i) Overview of reported segments

The reported segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

The Company conducts its business activities by establishing multiple business divisions depending on the types of products. Therefore, the Company creates segments by product based on business divisions. These segments are consolidated into segments with similar product characteristics, manufacturing processes, targeted markets, and marketing methods. The Company has two reported segments, the LSI business and the systems business.

In the LSI business, the Company develops, manufactures, and sells products including customer-specific system LSI used for certain devices in the digital home appliance field and electronic devices mounted with its system LSI. The Company employs a build-to-order system as its selling method and manufacturing is outsourced.

In the systems business, the Company develops, manufactures, and sells products including customer-specific video surveillance systems used in the field of security. The Company employs a build-to-order system as its selling method and manufacturing is outsourced.

(ii) Information on net sales and profits or losses by reported segment

First quarter of the year ending March 31, 2011 (from April 1, 2010 to June 30, 2010)

(Unit: thousand yen)

	Reported segments		Total	Adjustment (Note 1)	Amount recorded in consolidated statements of income (Note 2)
	LSI Business	Systems Business			
Net sales					
(1) External customers	5,178,755	665,801	5,844,557	–	5,844,557
(2) Inter-segment	–	–	–	–	–
Total	5,178,755	665,801	5,844,557	–	5,844,557
Segment profits (losses)	557,660	(73,967)	483,693	(63)	483,629

(Note) 1. Corporate expenses included in the adjustment amount of segment profits but not allocated to each reported segment were 63 thousand yen and mainly consist of general, selling administrative expenses not attributable to reported segments.

2. Segment profits are adjusted with operating income in the consolidated financial statements.

(Additional Information)

The Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17 on March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 on March 21, 2008) were applied from the first quarter under review.

(6) Notes to Significant Changes in Shareholders' Equity

First quarter of the year ending March 31, 2011 (from April 1, 2010 to June 30, 2010)

None

4. Supplementary information

(1) Production, Orders Received, and Sales

(i) Production

Production output by segment for the first quarter of the year ending March 31, 2011 is as follows:

Segment name	Production output (thousand yen)	Compared to same period in previous fiscal year (%)
LSI Business	5,078,795	–
Systems Business	478,075	–
Total	5,556,870	–

(Note) 1. The amounts are based on selling prices.

2. The above figures do not include consumption tax, etc.

3. The majority of production output in the LSI business is related to the purchasing of products from outsourcees.

(ii) Merchandise purchasing

There was no purchasing of merchandise during the first quarter of the year ending March 31, 2011.

(iii) Orders Received

The status of orders received by segment for the first quarter of the year ending March 31, 2011 is as follows:

Segment name	Orders received (thousand yen)	Compared to same period in previous fiscal year (%)	Order backlog (thousand yen)	Compared to same period in previous fiscal year (%)
LSI Business	5,082,218	–	201,032	–
Systems Business	661,470	–	218,414	–
Total	5,743,689	–	419,446	–

(Note) The above figures do not include consumption tax, etc.

(iv) Sales Performance

Sales by segment for the first quarter of the year ending March 31, 2011 are as follows:

Segment name	Sales (thousand yen)	Compared to same period in previous fiscal year (%)
LSI Business	5,178,755	–
Systems Business	665,801	–
Total	5,844,557	–

(Note) 1. The above figures do not include consumption tax, etc.

2. Inter-segment transactions are offset.

3. Sales by major counterparties and the ratio of sales by major counterparties to total sales are shown below. Figures for Secom Co., Ltd. for the first quarter of the year ended March 31, 2010 are omitted as the percentage to total sales is less than 10 percent.

Counterparty	Q1 FY 2009 (From April 1, 2009 to June 30, 2009)		Q1 FY 2010 (From April 1, 2010 to June 30, 2010)	
	Amount (thousand yen)	Percentage (%)	Amount (thousand yen)	Percentage (%)
Nintendo Co., Ltd.	7,440,212	83.5	4,676,490	80.0
Secom Co., Ltd.	–	–	650,542	11.1