

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

October 28, 2011

### MegaChips Corporation

Code number: 6875

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Scheduled date for submission of quarterly report: November 11, 2011

Scheduled date of start of payment of dividends: –

Supplementary documents for quarterly results: Yes

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

(Amounts less than one million yen are omitted)

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

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

(1) Consolidated operating results (Figures in % refer to change from the same period a year earlier)

|  | Net sales   |        | Operating income |        | Ordinary income |        | Net income  |        |
|--|-------------|--------|------------------|--------|-----------------|--------|-------------|--------|
|  | Million yen | %      | Million yen      | %      | Million yen     | %      | Million yen | %      |
| First half of the year ending March 31, 2012 | 13,325      | (16.6) | 1,043            | (30.6) | 1,052           | (28.3) | 762         | (27.2) |
| First half of the year ended March 31, 2011  | 15,970      | (28.5) | 1,503            | (36.6) | 1,466           | (36.2) | 1,046       | (28.2) |

(Note) Comprehensive income: 109 million yen (-90.1%) for the first half of the year ending March 31, 2012  
1,098 million yen (-%) for the first half of the year ended March 31, 2011

|  | Net income per share | Net income per share (fully diluted) |
|--|----------------------|--------------------------------------|
|  | Yen                  | Yen                                  |
| First half of the year ending March 31, 2012 | 31.79                | –                                    |
| First half of the year ended March 31, 2011  | 43.08                | –                                    |

### (2) Consolidated financial condition

|  | Total assets | Net assets  | Shareholders' equity ratio | Net assets per share |
|--|--------------|-------------|----------------------------|----------------------|
|  | Million yen  | Million yen | %                          | Yen                  |
| First half of the year ending March 31, 2012 | 29,416       | 24,798      | 84.3                       | 1,035.25             |
| Year ended March 31, 2011                    | 29,203       | 25,453      | 87.2                       | 1,060.19             |

(Reference) Shareholders' equity: As of the first half of the year ending March 31, 2012: ¥24,798 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 dividends 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: Yes

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 half 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 half 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 half of the year ending March 31, 2012 23,968,249 shares

First half of the year ended March 31, 2011 24,291,939 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 Half of the Year Ending March 31, 2012

### (1) Qualitative information on consolidated operating results

During the first half of the consolidated fiscal year under review, the Japanese economy gradually recovered from the slump 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 focused on developing and selling products and on expanding its areas of operation by offering optimal solutions to customers' needs, based on its compression and decompression technologies for images, audio, and music, as well as original technologies in communications.

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

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

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

Consolidated net sales for the first half of the fiscal year under review amounted to ¥13,325 million (down 16.6 % year on year). Consolidated operating income stood at ¥1,043 million (down 30.6%). Consolidated ordinary income came to ¥1,052 million (down 28.3%). Consolidated net income was ¥762 million (down 27.2%), with a gain on sales of investment securities of ¥213 million.

### (2) Qualitative information on consolidated financial position

Total assets for the first half of the consolidated fiscal year under review amounted to ¥29,416 million (up ¥213 million from the previous consolidated fiscal year). The main factors attributable to this increase were an increase of ¥4,693 million in cash and deposits from the previous consolidated fiscal year, offsetting declines of ¥4,179 million in trade notes and trade accounts receivable and ¥810 million in investment securities from the previous consolidated fiscal year.

Total liabilities were ¥4,618 million (up ¥868 million from the previous consolidated fiscal year). This result mainly reflected factors such as an increase in trade notes and trade accounts payable of ¥1,189 million, and a decline in income taxes payable of ¥366 million from the previous consolidated fiscal year.

Total net assets stood at ¥24,798 million (down ¥654 million from the previous consolidated fiscal year). As a result, the shareholders' equity ratio came to 84.3% (down 2.9 percentage points from the previous consolidated fiscal year).

Cash and cash equivalents ("net cash") reached ¥12,196 million for the first half of the consolidated fiscal year under review, increasing ¥4,693 million from the previous consolidated fiscal year (compared with a rise of ¥3,543 million in the same period of the previous consolidated fiscal year). The status of cash flows for the first half of the consolidated fiscal year under review was as follows:

Net cash provided by operating activities was ¥5,454 million (compared with net cash provided of ¥3,872 million in the same period of the previous consolidated fiscal year). This mainly reflected net income before taxes of ¥1,266 million (down 24.4% year on year), a decline of ¥4,179 million in trade notes and trade accounts receivable, and a rise of ¥1,251 million in trade notes and trade accounts payable, offsetting a rise of ¥434 million in inventories.

Net cash used in investment activities was ¥2 million (compared with ¥371 million provided in the same period of the previous consolidated fiscal year). This was mainly attributable to income from sales of investment securities of ¥335 million, which was offset by a purchase of long-term prepaid expenses of ¥298 million and a purchase of intangible assets of ¥34 million. As a result, free cash flow, which is the sum of the net cash provided by operating activities and net cash used in investment activities, resulted in cash provided of ¥5,451 million (compared with ¥4,244 million of net cash provided in the same period of the previous consolidated fiscal year).

Net cash used in financing activities was ¥758 million (compared with net cash used of ¥647 million in the same period of the previous consolidated fiscal year), principally a reflection of ¥691 million in cash dividends paid.

(3) Qualitative information on consolidated business outlook

Please refer to the “Notice of Differences Between Interim Forecasts and Actual Interim Results and Revisions to Full-Year Forecasts,” announced today, for details about differences between the earnings forecasts dated May 10, 2011 for the first half of the fiscal year ending March 2012 and the actual results for the same period, and revisions to the full-year forecasts for the fiscal year ending March 2012.

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<br>(As of March 31, 2011) | HI FY 2011<br>(As of September 30, 2011) |
|--|-----------------------------------|--|
| <b>Assets</b>                              |                                   |  |
| Current assets:                            |                                   |  |
| Cash and deposits                          | 7,503,256                         | 12,196,328                               |
| Notes and accounts receivable—trade        | 15,159,821                        | 10,980,085                               |
| Merchandise and finished goods             | 282,662                           | 291,614                                  |
| Work in process                            | 250,519                           | 618,125                                  |
| Raw materials and supplies                 | 104,544                           | 162,180                                  |
| Deferred tax assets                        | 273,434                           | 273,434                                  |
| Other                                      | 172,545                           | 267,505                                  |
| Allowance for doubtful accounts            | (1,061)                           | (768)                                    |
| Total current assets                       | 23,745,723                        | 24,788,504                               |
| Noncurrent assets:                         |                                   |  |
| Property, plant and equipment              |                                   |  |
| Buildings and accompanying facilities      | 215,065                           | 227,437                                  |
| Accumulated depreciation                   | (156,802)                         | (162,677)                                |
| Buildings and accompanying facilities, net | 58,262                            | 64,760                                   |
| Other                                      | 382,975                           | 386,182                                  |
| Accumulated depreciation                   | (332,788)                         | (345,536)                                |
| Other, net                                 | 50,186                            | 40,646                                   |
| Total property, plant and equipment        | 108,449                           | 105,407                                  |
| Intangible assets                          |                                   |  |
| Other                                      | 63,639                            | 51,218                                   |
| Total intangible assets                    | 63,639                            | 51,218                                   |
| Investments and other assets               |                                   |  |
| Investment securities                      | 4,187,223                         | 3,376,930                                |
| Long-term prepaid expenses                 | 665,808                           | 632,840                                  |
| Deferred tax assets                        | 186,008                           | 215,967                                  |
| Other                                      | 249,082                           | 248,632                                  |
| Allowance for doubtful accounts            | (2,675)                           | (2,675)                                  |
| Total investment and other assets          | 5,285,446                         | 4,471,695                                |
| Total noncurrent assets                    | 5,457,535                         | 4,628,321                                |
| Total assets                               | 29,203,259                        | 29,416,826                               |

(Thousand yen)

|   | FY 2010<br>(As of March 31, 2011) | H1 FY 2011<br>(As of September 30, 2011) |
|---|-----------------------------------|--|
| Liabilities   |                                   |  |
| Current liabilities:                                  |                                   |  |
| Notes and accounts payable–trade                      | 1,987,687                         | 3,177,580                                |
| Income taxes payable                                  | 889,591                           | 523,287                                  |
| Provision   | 332,068                           | 545,001                                  |
| Other   | 496,232                           | 333,150                                  |
| Total current liabilities                             | 3,705,579                         | 4,579,020                                |
| Noncurrent liabilities:                               |                                   |  |
| Other   | 44,346                            | 39,025                                   |
| Total noncurrent liabilities                          | 44,346                            | 39,025                                   |
| Total liabilities                                     | 3,749,926                         | 4,618,045                                |
| Net assets  |                                   |  |
| Shareholders' equity                                  |                                   |  |
| Capital stock   | 4,840,313                         | 4,840,313                                |
| Capital surplus                                       | 6,181,300                         | 6,181,300                                |
| Retained earnings                                     | 12,536,142                        | 12,601,957                               |
| Treasury stock  | (45,385)                          | (112,777)                                |
| Total shareholders' equity                            | 23,512,370                        | 23,510,793                               |
| Other accumulated comprehensive income                |                                   |  |
| Valuation difference on available-for-sale securities | 2,326,955                         | 1,668,342                                |
| Foreign currency translation adjustment               | (385,993)                         | (380,354)                                |
| Total other accumulated comprehensive income          | 1,940,962                         | 1,287,987                                |
| Total net assets                                      | 25,453,332                        | 24,798,780                               |
| Total liabilities and net assets                      | 29,203,259                        | 29,416,826                               |

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

(Thousand yen)

|  | H1 FY 2010<br>(From April 1, 2010<br>to September 30, 2010) | H1 FY 2011<br>(From April 1, 2011<br>to September 30, 2011) |
|--|---|---|
| Net sales  | 15,970,578  | 13,325,508  |
| Cost of sales  | 12,818,459  | 10,544,329  |
| Gross profit   | 3,152,119   | 2,781,179   |
| Selling, general and administrative expenses   | 1,648,687   | 1,737,959   |
| Operating income   | 1,503,431   | 1,043,219   |
| Non-operating income   |   |   |
| Interest income  | 1,758   | 2,495   |
| Dividends income   | –   | 450   |
| Interest on refund of income taxes and other   | 6,277   | –   |
| Reversal of dividends payable  | 3,530   | 10,137  |
| Miscellaneous income   | 605   | 609   |
| Total non-operating income   | 12,172  | 13,692  |
| Non-operating expenses   |   |   |
| Foreign exchange losses  | 38,754  | 1,932   |
| Loss on investments in partnership   | 9,947   | 2,430   |
| Miscellaneous loss   | 104   | 411   |
| Total non-operating expenses   | 48,806  | 4,774   |
| Ordinary income  | 1,466,798   | 1,052,137   |
| Extraordinary income   |   |   |
| Gain on sales of investment securities   | 212,755   | 213,963   |
| Total extraordinary income   | 212,755   | 213,963   |
| Extraordinary loss   |   |   |
| Loss on retirement of noncurrent assets  | 3,237   | 45  |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 1,217   | –   |
| Total extraordinary loss   | 4,455   | 45  |
| Net income before taxes  | 1,675,098   | 1,266,055   |
| Income taxes   | 628,628   | 503,998   |
| Income before minority interests   | 1,046,469   | 762,057   |
| Net income   | 1,046,469   | 762,057   |
| Income before minority interests   | 1,046,469   | 762,057   |
| Other comprehensive income   |   |   |
| Valuation difference on available-for-sale securities                                  | 153,466   | (658,613)   |
| Foreign currency translation adjustment  | (101,437)   | 5,638   |
| Total other comprehensive income   | 52,028  | (652,974)   |
| Comprehensive income   | 1,098,498   | 109,083   |
| Comprehensive income attributable to   |   |   |
| Comprehensive income attributable to owners of the parent                              | 1,098,498   | 109,083   |
| Comprehensive income attributable to minority interests                                | –   | –   |

## (3) Consolidated statements of cash flows

(Thousand yen)

|   | H1 FY 2010<br>(From April 1, 2010<br>to September 30, 2010) | H1 FY 2011<br>(From April 1, 2011<br>to September 30, 2011) |
|---|---|---|
| Net cash provided by (used in) operating activities                 |   |   |
| Net income before taxes   | 1,675,098   | 1,266,055   |
| Depreciation and amortization                                       | 60,169  | 55,461  |
| Amortization of long-term prepaid expenses                          | 410,867   | 285,650   |
| Increase (decrease) in provision for bonuses                        | 25,890  | (38,790)  |
| Increase (decrease) in provision for directors' bonuses             | 40,950  | 55,002  |
| Increase (decrease) in provision for loss on construction contracts | 26,415  | 196,721   |
| Interest and dividends income                                       | (1,758)   | (2,945)   |
| Loss (gain) on sales of investment securities                       | (212,755)   | (213,963)   |
| Decrease (increase) in notes and accounts receivable-trade          | (1,603,423)   | 4,179,736   |
| Decrease (increase) in inventories                                  | (457,399)   | (434,193)   |
| Increase (decrease) in notes and accounts payable-trade             | 3,549,416   | 1,251,639   |
| Decrease (increase) in other current assets                         | 12,764  | (80,389)  |
| Increase (decrease) in other current liabilities                    | 108,119   | (197,064)   |
| Other   | 34,928  | (4,319)   |
| Subtotal  | 3,669,282   | 6,318,600   |
| Interest and dividends income received                              | 1,650   | 3,041   |
| Income taxes paid   | (32,675)  | (867,459)   |
| Income taxes refund   | 234,510   | –   |
| Net cash provided by (used in) operating activities                 | 3,872,767   | 5,454,183   |
| Net cash provided by (used in) investment activities                |   |   |
| Proceeds from withdrawal of time deposits                           | 100,000   | –   |
| Purchase of property, plant and equipment                           | (6,495)   | (6,239)   |
| Purchase of intangible assets                                       | (40,812)  | (34,927)  |
| Proceeds from sales of investment securities                        | 327,170   | 335,610   |
| Purchase of long-term prepaid expenses                              | (41,204)  | (298,925)   |
| Other   | 33,270  | 2,115   |
| Net cash provided by (used in) investment activities                | 371,929   | (2,367)   |
| Net cash provided by (used in) financing activities                 |   |   |
| Purchase of treasury stock  | (69)  | (67,392)  |
| Cash dividends paid   | (647,149)   | (691,077)   |
| Net cash provided by (used in) financing activities                 | (647,219)   | (758,469)   |
| Effect of exchange rate change on cash and cash equivalents         | (53,613)  | (274)   |
| Net increase (decrease) in cash and cash equivalents                | 3,543,864   | 4,693,071   |
| Cash and cash equivalents at beginning of period                    | 6,485,643   | 7,503,256   |
| Cash and cash equivalents at end of period                          | 10,029,508  | 12,196,328  |

(4) Note on going concern assumptions

None

(5) Notes to significant changes in shareholders' equity

First half of the year ended March 31, 2011

None

First half 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.