MegaChips

A Member of the Financial Accounting Standards Foundation

Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended March 31, 2012

May 9, 2012

MegaChips Corporation
Listed exchange: TSE
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Scheduled date of the Ordinary General Meeting of Shareholders: June 26, 2012
Scheduled date of payment of dividends: June 5, 2012
Scheduled date of filing of securities report: June 26, 2012
Supplementary documents for financial results: Yes
Quarterly results briefing: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2012

(From April 1, 2011 to March 31, 2012) (Figures are rounded down to the nearest one million yen.)

(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, 2012	35,366	(2.5)	3,033	(0.7)	3,262	(1.7)	2,127	(7.0)
Year ended March 31, 2011	36,259	(5.8)	3,055	0.7	3,320	7.1	2,288	6.9

(Note) Comprehensive income: 287 million yen (-86.3%) for the year ended March 31, 2012
2,100 million yen (-54.5%) for the year ended March 31, 2011

	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, 2012	88.80	−	8.4	11.2	8.6
Year ended March 31, 2011	94.64	−	9.2	11.9	8.4

(Reference): Gain or loss on equity method investment: − million yen for the year ended March 31, 2012
− million yen for the year ended March 31, 2011

(2) Consolidated financial condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2012	29,247	24,977	85.4	1,042.70
Year ended March 31, 2011	29,203	25,453	87.2	1,060.19

(Reference) Shareholders' equity: Year ended March 31, 2012: ¥24,977 million
Year ended March 31, 2011: ¥25,453 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, 2012	1,032	(430)	(760)	7,228
Year ended March 31, 2011	1,761	381	(1,080)	7,503

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, 2011	−	−	−	29.00	29.00	696	30.6	2.8
Year ended March 31, 2012	−	−	−	27.00	27.00	646	30.4	2.6
Year ending March 31, 2013 (forecast)				–	–		–	

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, 2012 to March 31, 2013)

(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, 2012.")

	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, 2012	21,000	57.6	1,350	29.4	1,250	18.8	760	(0.3)	31.73
Full-year	49,000	38.5	4,100	35.1	4,000	22.6	2,500	17.5	104.37

As announced in the "Notice Concerning a Basic Agreement regarding MegaChips' Share Purchases" on April 20, 2012, the Company has decided to purchase all the shares of Kawasaki Microelectronics, Inc., a wholly owned subsidiary of JFE Holdings, Inc. The Company is currently working on procedures to turn Kawasaki Microelectronics, Inc. into its subsidiary. The impact of the acquisition on operating results is currently under review and is not included in the aforementioned forecast. The Company plans to announce its projected consolidated operating results for the fiscal year ending March 31, 2013, which would include the impact of the acquisition, as soon as they are defined.

4. Others

(1) Changes in key subsidiaries during the term (changes in specific subsidiaries resulting in changes in the scope of consolidation): None

(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: None
3) Changes in accounting estimates: None
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, 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
Year ended 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)
Year ended March 31, 2012 23,961,314 shares Year ended March 31, 2011 24,180,846 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2012
(From April 1, 2011 to March 31, 2012)

(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, 2012	35,366	(2.5)	3,037	(0.7)	3,151	4.6	1,925	13.1
Year ended March 31, 2011	36,259	(5.8)	3,058	0.8	3,013	2.7	1,702	(9.2)

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Year ended March 31, 2012	80.37	–
Year ended March 31, 2011	70.40	–

(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, 2012	27,804	23,633	85.0	986.62
Year ended March 31, 2011	26,251	22,541	85.9	938.91

(Reference) Shareholders' equity: Year ended March 31, 2012: ¥23,633 million
Year ended March 31, 2011: ¥22,541 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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Accompanying Materials – Contents

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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 gradually recovered from the recession that followed the Great East Japan Earthquake. However, the pace of the recovery was sluggish, as capital spending remained weak and employment conditions remained severe. The future outlook was also uncertain, given negative factors that could hamper future economic growth, including concerns about a slowdown in overseas economies, the appreciation of the yen, and the effects of deflation.

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

Under these challenging conditions, the Group's business has centered on its unique image, audio and music compression and decompression technology. It also focused on communications and other technologies based on its strength of providing a wide range of creative solutions from LSIs to systems products.

The Group's sphere of activity has been expanding given the rapid progress made in diversifying and enhancing the performance of digital equipment, which has been spurred by the digitization of media, including video, audio and music; enhanced LSI performance using advanced semiconductor technology; improvement in high-speed cable and radio communication networks; and the diversification of digital broadcasting. In response, the Group has developed and marketed a variety of products, including high-performance, application-specific memories; system LSIs; electronic parts mounted with system LSIs; and systems for transmitting and recording digital images for use in applications including games, digital cameras, and security and monitoring systems.

Further, improved demand for digital image monitoring systems for security and monitoring, in addition to that for the Group's core product, LSIs for storing game software (custom memories), contributed to the Group's results. As a result, consolidated net sales for the fiscal year under review amounted to ¥35,366 million (down 2.5% year on year). Consolidated operating income stood at ¥3,033 million (falling 0.7%). Consolidated ordinary income came to ¥3,262 million (a decline of 1.7%). Consolidated net income was ¥2,127 million (down 7.0%).

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

The economy will likely resume its recovery trend in the next fiscal year, with an anticipated rebound in corporate earnings on the back of public works projects, stimulus measures and a recovery in the U.S. economy. However, the economic outlook remains uncertain as the Japanese economy still faces downside risks, such as the fiscal crisis in Europe and the surge in prices of resources.

Challenging market conditions are likely to continue for the electronic machinery and equipment industry, in which the MegaChips Group operates. However, the electronic machinery and equipment market is expected to remain generally unchanged, given the expected growth in demand for certain electronic components due to their increasing use in automobiles and the strengthening demand in 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, based on the concept of merging knowledge of LSI and systems, the Company will strengthen its business foundation that consists of existing customers by maximizing the use of its unique technologies. The Company will implement initiatives to develop core technologies that will provide it with a competitive edge in the future. Moreover, the Company will work on assisting a number of corporate customers in creating their businesses and expanding earnings opportunities. The Company will realize this by strengthening its capabilities to provide a total solutions service for the customer, which would involve supporting a customer's operation in a comprehensive manner from development to manufacturing, assembling and reliability evaluation.

In businesses, such as games, digital cameras, industrial equipment and eco-friendly energy, the Company will focus on developing and selling system LSIs that meet the requirements of the individual customer in a bid to expand LSI sales to major customers. Further, the Company will aggressively work on developing and commercializing applicable products that use system LSIs, such as boards and modules, to strengthen its product lineup and step up its supply capabilities.

In the security business, the Company will work on improving profits by commercializing 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.

Moreover, as a future initiative, the Company is mulling over a system aimed at realizing a global business and plans to set up bases for developing key technologies that are essential to establishing an overseas customer base.

In the fiscal year ending March 31, 2013, the Company forecasts consolidated net sales of ¥49,000 million (up 38.5% from the fiscal year under review), consolidated operating income of ¥4,100 million (rising 35.1%), consolidated ordinary income of ¥4,000 million (an increase of 22.6%) and consolidated net income of ¥2,500 million (up 17.5%).

As announced in the "Notice Concerning the Basic Agreement regarding MegaChips' Share Purchases" on April 20, 2012, the Company has decided to purchase all the shares of Kawasaki Microelectronics, Inc., a wholly owned subsidiary of JFE Holdings, Inc. The Company is currently working on procedures to turn Kawasaki Microelectronics, Inc. into its subsidiary. The impact of the acquisition on operating results is currently under review and is not included in the aforementioned forecast. The Company plans to announce its projected consolidated operating results for the fiscal year ending March 31, 2013, which would include the impact of the acquisition, as soon as they are defined.

For the summary of the conclusion of the basic agreement regarding the acquisition the relevant shares, please refer to the Accompanying Materials, 3. Consolidated Financial Statements, (7) Documented matters (Material subsequent events).

(2) Analysis of the financial position

(i) Changes in the financial position (consolidated)

Assets for the Group totaled ¥29,247 million at the end of the fiscal year under review (up ¥44 million from the end of the previous fiscal year). Major factors that contributed to the year-on-year increase were a decline of ¥1,916 million in investment securities, which was offset by a ¥1,058-million gain in inventory, including total merchandise and finished goods, products in process and raw materials; ¥476 million in trade notes and trade accounts receivable; and long-term prepaid expenses of ¥310 million.

Total liabilities for the Group were ¥4,270 million (up ¥520 million). This result reflected increases in the provision for losses on construction contracts of ¥338 million and trade notes and trade accounts payable of ¥265 million from the end of the fiscal year ended March 31, 2011.

Total net assets for the Group stood at ¥24,977 million at the end of the fiscal year under review (down ¥476 million). The principal factors that contributed to the year-on-year decline were a ¥1,431-million gain in retained earnings and a drop of ¥1,618 million due to changes in the valuation of negotiable securities. As a result, the shareholders' equity ratio came to 85.4% at the end of the fiscal year under review (down 1.8 percentage points from the end of the previous fiscal year).

(ii) Cash flow status

Cash and cash equivalents ("net cash") for the Group reached ¥7,228 million at the end of the fiscal year ended March 31, 2012 (down ¥275 million from the end of the previous fiscal year when the Group posted a year-on-year net cash increase of ¥1,017 million). The status of cash flows at the end of the fiscal year under review was as follows:

Net cash provided by operating activities was ¥1,032 million (compared with net cash of ¥1,761 million provided by such activities in the previous fiscal year). Major factors that contributed to the net cash balance were pretax net income of ¥3,460 million (down 0.8% from the previous fiscal year), which was offset by an income tax payment of ¥1,474 million and an increase in inventories of ¥1,058 million.

Net cash used in investment activities amounted to ¥430 million (compared with net cash of ¥381 million such activities provided in the previous fiscal year). The net cash disbursement was mainly attributable to a purchase of long-term prepaid expenses of ¥566 million, which offset ¥313 million in income from sales of investment securities. 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 net cash acquisition of ¥601 million (compared with net cash acquisition of ¥2,142 million in the previous fiscal year).

Net cash used in financing activities was ¥760 million (compared with net cash of ¥1,080 million used in such activities in the previous fiscal year). The key factor behind the net cash disbursement was ¥692 million in cash dividend payments.

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

	Year ended March 31, 2009 (from April 1, 2008 to March 31, 2009)	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)
Shareholders' equity ratio (%)	62.1	91.8	87.2	85.4
Shareholders' equity ratio on a market value basis (%)	116.4	128.1	122.2	134.6
Ratio of interest-bearing debt to cash-flow (%)	63.9	–	–	–
Interest coverage ratio	117.1	–	–	759.6

(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

Senior management of 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. The basic policy is as follows:

(i) To maintain the internal reserves required to maintain a healthy financial position that can withstand variations in the business environment and to make investments for the medium- to long-term growth of the Company (such as investments in human resources, investments to accelerate the achievement of a suitable business portfolio, and investments to develop original products and undertake the basic research for creating innovative new technology as a high-tech fabless company dedicated to research and development), aiming to continuously improve our corporate value.

(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.

In accordance with the above policy, with respect to distributing retained earnings for the fiscal year under review, the Company decided to pay an annual dividend of ¥27 per share as an ordinary dividend (¥29 for the previous period) to shareholders as of March 31, 2012. 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 54,000 shares of treasury stock equal to an aggregate value of ¥67 million from the capital markets.

2. Business Policy

(1) Basic management policy

The Company 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." This notion of competition derives from four main sources: "specialization" in products for growing markets associated with digital images, audio and communications; "concentration" of business resources on research and development activities in order to provide customers with cutting-edge products and technologies; a technological platform founded on technologies associated with images, audio and communications and the Company's competitive advantage in its ability to develop these technologies; and the Company's "uniqueness" in developing businesses that provide optimal solutions to customers under the concept of merging knowledge of LSI and systems.

Under this philosophy, the Company has pursued a basic policy of distributing returns to its investors by working on increasing its value and showing consistent growth by taking the lead in providing unique products, such as system LSIs; electronic devices, including boards and modules; and system devices that utilize these system LSIs. To this end, the Company also utilizes its strength in providing total solutions to support customers' operations in a comprehensive manner from development to manufacturing, assembling and reliability evaluation.

(2) Targeted management indices

As targeted management indices, the Company shall continue to place emphasis on consolidated return on equity (ROE), consolidated return on assets (ROA) and consolidated cash flows. In addition, the Company 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 Company 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.

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

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

(i) Develop businesses that will become the pillars of its business portfolio. This is to be done through implementing initiatives to create new businesses in the eco-energy and industrial equipment sectors, in addition to strengthening the foundation of its "customer-oriented business" in the consumer sector in which the Company has been operating

In the "customer-oriented business," in which it traditionally excels, the Company will work on improving its capabilities to respond to requirements of specific customers. It will also continue to strengthen its business foundation by enhancing its technological and developmental capabilities through a wide range of solutions, mainly to the consumer sector, from system LSIs to boards, modules and system devices.

Moreover, as an initiative for new businesses, the Company will work on the eco-energy and industrial equipment sectors by providing highly competitive solutions to a number of customers by utilizing proprietary technologies, and will turn these new endeavors into its mainstay businesses in the future. Through these new businesses, the Company believes that it will be able to help a range of customers create new businesses, as it will provide customers a platform to utilize the Company's unique technologies as a base to create value-added products and services.

(ii) Work on initiatives to develop basic technologies, which will give the Company a competitive edge in five years' time, as part of a plan to create new businesses from a medium- to long-term perspective

To develop new businesses and make them a part of its sound business portfolio in the future, it is essential for the Company to acquire superior technological capabilities that excel those provided by competitors and basic technologies that will become the core of the Company's competitiveness.

For this reason, by allocating human resources to the development of basic technologies that will become the core of the Company's competitiveness from a medium- to long-term perspective, the Company will aim to improve its strength in planning and development in order to apply basic technologies to product strategies. Moreover, the Company will implement initiatives to generate synergies by possessing both technologies and expertise, and creating new businesses for the future.

(iii) Strengthen total solution capabilities to provide support in a comprehensive manner from designing and development to manufacturing, assembling and the testing process of wafers

The Company has traditionally excelled in areas including higher-layer development applications, algorithm and architecture based on its core image, audio and communications technologies. It has expanded operations by developing products that utilize its unique technologies, including system LSIs, related software, and system devices that contained its own LSIs.

However, amid the recent rapid technological innovation in the electronics sector, manufacturers are required to show an extensive range of capabilities to respond to various requirements for development, manufacturing and even quality guarantees from customers and the market in both Japan and overseas. In response, the Company will work on strengthening its total solutions capabilities in order to steadily provide support in a comprehensive manner from development requirements from the algorithm and architecture stages to the manufacturing, assembling and the testing process of wafers.

(iv) Establish a structure for developing global operations

It has become essential to develop the business in the global market to maintain growth in the constantly challenging business environment. In response, the Company will establish overseas bases that would be used to develop key technologies in an effort to establish overseas customer bases. It will also strive to set up a structure to develop overseas operations in the future by actively working on global alliances and recruiting global human resources.

To help realize an affluent future society, as explained above, the Company will win customer trust by speedily addressing market changes with "innovation" and continuing to supply optimal solutions to customer problems. The Company will seek to develop attractive solutions through a combination of system knowledge and LSI knowledge, and will contribute to safety, security, affluent lifestyles, and the global environment through ceaseless activities to generate new value in response to constantly changing market needs.

3. Consolidated Financial Statement

(1) Consolidated Balance Sheet

(Thousand yen)

	Previous consolidated fiscal year (ended March 31, 2011)	Consolidated fiscal year under review (ended March 31, 2012)
Assets		
Current assets:		
Cash and deposits	7,503,256	7,228,018
Notes and accounts receivable−trade	15,159,821	15,636,678
Merchandise and finished goods	282,662	402,195
Work in process	250,519	919,501
Raw materials and supplies	104,544	374,437
Deferred tax assets	273,434	381,961
Other	172,545	492,898
Allowance for doubtful accounts	(1,061)	(1,094)
Total current assets	23,745,723	25,434,598
Noncurrent assets:		
Property, plant and equipment		
Buildings and accompanying facilities	215,065	227,437
Accumulated depreciation	(156,802)	(192,875)
Buildings and accompanying facilities, net	58,262	34,562
Other	382,975	410,059
Accumulated depreciation	(332,788)	(360,790)
Other, net	50,186	49,268
Total property, plant and equipment	108,449	83,830
Intangible assets		
Other	63,639	57,825
Total intangible assets	63,639	57,825
Investments and other assets		
Investment securities	4,187,223	2,270,232
Long-term prepaid expenses	665,808	976,627
Deferred tax assets	186,008	97,647
Other	249,082	327,030
Allowance for doubtful accounts	(2,675)	–
Total investment and other assets	5,285,446	3,671,538
Total noncurrent assets	5,457,535	3,813,194
Total assets	29,203,259	29,247,792

(Thousand yen)

	Previous consolidated fiscal year (ended March 31, 2011)	Consolidated fiscal year under review (ended March 31, 2012)
Liabilities		
Current liabilities:		
Notes and accounts payable−trade	1,987,687	2,252,925
Income taxes payable	889,591	699,230
Provision for bonuses	282,817	301,147
Provision for loss on construction contracts	49,251	388,193
Asset retirement obligations	–	12,372
Other	496,232	577,767
Total current liabilities	3,705,579	4,231,635
Noncurrent liabilities:		
Other	44,346	39,025
Total noncurrent liabilities	44,346	39,025
Total liabilities	3,749,926	4,270,660
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	13,967,586
Treasury stock	(45,385)	(112,777)
Total shareholders' equity	23,512,370	24,876,422
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	2,326,955	708,021
Foreign currency translation adjustment	(385,993)	(607,313)
Total other accumulated comprehensive income	1,940,962	100,708
Total net assets	25,453,332	24,977,131
Total liabilities and net assets	29,203,259	29,247,792

(2) Consolidated Statements of Income and Statements of Comprehensive Income

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Net sales	36,259,447	35,366,733
Cost of sales	29,731,376	28,687,521
Gross profit	6,528,071	6,679,211
Selling, general and administrative expenses	3,472,933	3,645,267
Operating income	3,055,137	3,033,943
Non-operating income		
Interest income	3,298	5,414
Dividends income	278,556	248,727
Interest on refund of income taxes and other	6,277	–
Miscellaneous income	36,258	50,819
Total non-operating income	324,391	304,961
Non-operating expenses		
Interest expenses	–	1,358
Loss on investments in partnership	18,874	7,437
Taxes and dues	–	35,519
Litigation expenses	–	30,000
Foreign exchange losses	39,583	1,340
Miscellaneous loss	398	584
Total non-operating expenses	58,857	76,240
Ordinary income	3,320,671	3,262,664
Extraordinary income		
Gain on sales of investment securities	371,050	199,292
Total extraordinary income	371,050	199,292
Extraordinary loss		
Loss on retirement of noncurrent assets	7,738	142
Loss on valuation of investment securities	–	1,235
Loss on liquidation of business	193,253	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,217	–
Total extraordinary loss	202,208	1,377
Net income before taxes	3,489,513	3,460,579
Income taxes-current	1,266,954	1,288,561
Income taxes-deferred	(65,879)	44,330
Total income taxes	1,201,075	1,332,892
Income before minority interests	2,288,438	2,127,687
Net income	2,288,438	2,127,687
Income before minority interests	2,288,438	2,127,687
Other comprehensive income		
Valuation difference on available-for-sale securities	(124,770)	(1,618,933)
Foreign currency translation adjustment	(63,398)	(221,319)
Total other comprehensive income	(188,169)	(1,840,253)
Comprehensive income	2,100,269	287,433
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,100,269	287,433
Comprehensive income attributable to minority interests	–	–

(3) Consolidated Statements of Changes in Net Assets

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
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	11,380,544	12,536,142
Changes of items during the period		
Dividends from surplus	(655,883)	(696,243)
Net income	2,288,438	2,127,687
Retirement of treasury stock	(476,957)	–
Total changes of items during the period	1,155,597	1,431,443
Balance at the end of the period	12,536,142	13,967,586
Treasury stock		
Balance at the beginning of the period	(91,585)	(45,385)
Changes of items during the period		
Purchase of treasury stock	(430,757)	(67,392)
Retirement of treasury stock	476,957	–
Total changes of items during the period	46,200	(67,392)
Balance at the end of the period	(45,385)	(112,777)
Total shareholders' equity		
Balance at the beginning of the period	22,310,572	23,512,370
Changes of items during the period		
Dividends from surplus	(655,883)	(696,243)
Net income	2,288,438	2,127,687
Purchase of treasury stock	(430,757)	(67,392)
Retirement of treasury stock	–	–
Total changes of items during the period	1,201,797	1,364,051
Balance at the end of the period	23,512,370	24,876,422
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of the period	2,451,726	2,326,955
Changes of items during the period		
Net changes of items other than shareholders' equity	(124,770)	(1,618,933)
Total changes of items during the period	(124,770)	(1,618,933)
Balance at the end of the period	2,326,955	708,021
Foreign currency translation adjustment		
Balance at the beginning of the period	(322,594)	(385,993)
Changes of items during the period		
Net changes of items other than shareholders' equity	(63,398)	(221,319)
Total changes of items during the period	(63,398)	(221,319)
Balance at the end of the period	(385,993)	(607,313)

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Total other accumulated comprehensive income		
Balance at the beginning of the period	2,129,131	1,940,962
Changes of items during the period		
Net changes of items other than shareholders' equity	(188,169)	(1,840,253)
Total changes of items during the period	(188,169)	(1,840,253)
Balance at the end of the period	1,940,962	100,708
Total net assets		
Balance at the beginning of the period	24,439,703	25,453,332
Changes of items during the period		
Dividends from surplus	(655,883)	(696,243)
Net income	2,288,438	2,127,687
Purchase of treasury stock	(430,757)	(67,392)
Retirement of treasury stock	−	−
Net changes of items other than shareholders' equity	(188,169)	(1,840,253)
Total changes of items during the period	1,013,628	(476,201)
Balance at the end of the period	25,453,332	24,977,131

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Net cash provided by (used in) operating activities		
Net income before taxes	3,489,513	3,460,579
Depreciation and amortization	132,045	139,509
Amortization of long-term prepaid expenses	898,522	330,078
Increase (decrease) in allowance for doubtful accounts	186	(2,642)
Increase (decrease) in provision for bonuses	50,501	18,330
Increase (decrease) in provision for loss on construction contracts	24,005	338,942
Interest and dividends income	(281,855)	(254,141)
Interest expenses	−	1,358
Loss (gain) on investments in partnership	18,874	7,437
Loss on retirement of noncurrent assets	7,738	142
Loss (gain) on sales of investment securities	(371,050)	(199,292)
Loss (gain) on valuation of investment securities	−	1,235
Loss on liquidation of business	167,699	−
Decrease (increase) in notes and accounts receivable−trade	(3,284,240)	(474,181)
Decrease (increase) in inventories	308,504	(1,058,408)
Increase (decrease) in notes and accounts payable−trade	486,535	217,770
Decrease (increase) in other current assets	(140,459)	(292,724)
Increase (decrease) in other current liabilities	133,254	27,682
Other	24,894	(7,943)
Subtotal	1,664,668	2,253,733
Interest and dividends income received	281,682	254,087
Interest expenses paid	−	(1,358)
Income taxes paid	(419,756)	(1,474,290)
Income taxes refund	234,543	−
Net cash provided by (used in) operating activities	1,761,138	1,032,171
Net cash provided by (used in) investment activities		
Proceeds from withdrawal of time deposits	100,000	−
Purchase of property, plant and equipment	(33,388)	(25,254)
Purchase of intangible assets	(70,178)	(73,545)
Purchase of investment securities	(125,145)	−
Proceeds from sales of investment securities	620,546	313,869
Collection of loans receivable	3,996	1,665
Purchase of long-term prepaid expenses	(177,389)	(566,985)
Payments for guarantee deposits	(1,349)	(81,147)
Proceeds from collection of guarantee deposits	54,738	523
Other	9,682	−
Net cash provided by (used in) investment activities	381,510	(430,875)
Net cash provided by (used in) financing activities		
Purchase of treasury stock	(430,757)	(67,392)
Cash dividends paid	(649,480)	(692,661)
Net cash provided by (used in) financing activities	(1,080,238)	(760,053)
Effect of exchange rate change on cash and cash equivalents	(44,798)	(116,480)
Net increase (decrease) in cash and cash equivalents	1,017,612	(275,237)
Cash and cash equivalents at beginning of period	6,485,643	7,503,256
Cash and cash equivalents at end of period	7,503,256	7,228,018

(5) Note on going concern assumptions

None

(6) Additional information

(Application of the Accounting Standard for Accounting Changes and Error Corrections)

The Company has applied the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24; December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24; December 4, 2009) as a result of accounting changes and error corrections executed from the beginning of the consolidated fiscal year under review.

(7) Documented matters

(Segment information)

Segment information

Consolidated fiscal year under review (April 1, 2011 through March 31, 2012)

(Matters related to changes in reported segments, etc.)

The Company has traditionally treated the LSI and the systems businesses as reported segments as part of its practice to establish reported segments by consolidating business segments, which were categorized by product based on business divisions in accordance with similarities in operations of each business segment. However, as the Company developed its businesses by focusing on providing a wide range of solutions to meet an increasingly sophisticated and diversified set of requirements from customers, the Company's method of providing products has diversified and the activities of the business divisions have shifted from focusing on types of products to projects.

In this environment, given that the business divisions are engaged in project-based operations that reach across various sections within a corporate structure, regardless of the type of product, the Company has changed the method of managing its business divisions based on product type to types of projects since the first quarter of the consolidated fiscal year under review.

As a result, in conducting its business, the Company has adopted a structure that analyzes sales situation by project type and makes decisions on the allocation of management resources and the evaluation of operating results from the Company's overall perspective. Consequently, after reviewing the existing reported segments, the Company has decided to treat LSI and the systems businesses – traditionally categorized by products based on business divisions – as one business segment starting from the consolidated fiscal year under review.

As a result, this report omits the segment information for the previous consolidated fiscal year and the consolidated fiscal year under review that was prepared based on the method using the change in reported segments.

(Per share information)

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Net assets per share	1,060.19 yen	1,042.70 yen
Net income per share	94.64 yen	88.80 yen

(Note) 1. Diluted net income per share has not been shown because there were no latent shares in the consolidated fiscal year under review, and there were no latent diluted shares in the previous consolidated fiscal year.

2. The following shows the basis of calculation of net income per share.

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Net income per share		
Net income (thousand yen)	2,288,438	2,127,687
Amount that does not belong to ordinary shareholders (thousand yen)	–	–
Net income related to common shares (thousand yen)	2,288,438	2,127,687
Average number of common shares during the period	24,180,846	23,961,314
Outline of latent shares without dilution effect not taken into account for calculation of diluted net income per share	1 type of stock acquisition rights (472 stock acquisition rights) (Note)	

(Notes) With respect to these stock subscription rights, 472 unexercised rights lost effect with the expiration of their exercise period on September 30, 2010.

(Material subsequent events)

The Company resolved at a meeting of its Board of Directors held on April 20, 2012 that it would conclude a basic agreement to purchase all the shares of Kawasaki Microelectronics, Inc., a wholly owned subsidiary of JFE Holdings, Inc. (First Section of the Tokyo Stock Exchange: 5411), making Kawasaki Microelectronics, Inc. the Company's subsidiary.

1. Purpose of Share Purchases

From the day of its establishment on April 4, 1990 in Suita-city of Osaka, MegaChips has concentrated its management resources on research and development. It is a fabless company that focuses on R&D and subcontracts the manufacturing of LSI products to leading semiconductor companies in Taiwan and Japan. MegaChips, the first of its kind as a fabless company in Japan, has expanded its operations in the electronics industry through the development and sales of LSI (large-scale integrated circuits) and associated software. The Company has even sold and developed system devices equipped with self-developed LSI, featuring top-class applications and algorithms, new concept architecture and creative technology. In particular, MegaChips is growing its business on the strength of developing customer- and application-specific products that improve the competitiveness of its customers' devices.

Kawasaki Microelectronics, Inc., meanwhile, has its origins as the LSI department of the former Kawasaki Steel Corporation (current JFE Holdings, Inc.). It has focused on ASIC since the launch of its business and has been working actively to promote cell-based array products and standard cell for equipment in the areas of communications, images, information and office automation. It has grown to become the leading ASIC maker that supplies products to top companies in Japan and overseas. Kawasaki Microelectronics, Inc. currently does not own a factory; it is a fabless company like MegaChips and is the leading ASIC vendor that conducts everything from design to quality assurance, including wafer fabrication, assembly and testing. It is growing and strengthening its business through its subsidiary in the United States that serves as an R&D center for the development of essential future technologies, its branch in India that serves as a development center and its Taiwan branch as a support base for Taiwanese and Chinese customers.

MegaChips is determined to combine the two companies' capabilities to meet the future requirements of the market and address the challenges confronting domestic and international customers in the field of electronics, where technical innovation is rapid. The Company also seeks to strengthen its strategy and expand its business as a fabless company by providing strong support and total solutions from the algorithm and architecture development stages to wafer fabrication, assembly and testing processes.

2. Basic Agreement with JFE Holdings, Inc.

MegaChips plans to conclude a stock purchase agreement with JFE Holdings, Inc. at the end of May 2012 (scheduled) and acquire 100% ownership of Kawasaki Microelectronics, Inc.

3. Profile of Kawasaki Microelectronics, Inc.

(1) Name	Kawasaki Microelectronics, Inc.	
(2) Location	1-3, Nakase, Mihama-ku, Chiba-city	
(3) Representative	President & CEO Yukio Yamauchi	
(4) Principal business	Semiconductor integrated-circuit design, manufacture and sales	
(5) Capital	5,046 million yen	
(6) Established	July 2, 2001	
(7) Major shareholders and equity ratio	JFE Holdings, Inc. 100%	
(8) Relationships with MegaChips	Capital relationships	No relevant items
	Personal relationships	No relevant items
	Transactional relationships	No relevant items

(9) Company's consolidated operating results and financial position for the last three years			
Fiscal year	3/2009	3/2010	3/2011
Net assets	9,583 million yen	8,234 million yen	9,241 million yen
Total assets	20,862 million yen	21,281 million yen	19,364 million yen
Consolidated net assets per share	637.22 yen	547.49 yen	614.48 yen
Gross revenues	27,849 million yen	24,692 million yen	24,176 million yen
Group operating profit	-4,003 million yen	-317 million yen	1,857 million yen
Consolidated ordinary profit	-4,213 million yen	-911 million yen	1,694 million yen
Consolidated net income	-11,928 million yen	-1,423 million yen	1,389 million yen
Consolidated net income per share	-793.12 yen	-94.64 yen	92.35 yen
Dividend per share	0 yen	0 yen	0 yen

4. Number of Shares to be Acquired, Acquisition Cost and Status of Shares Held Before/After Acquisition

(1) Number of shares held before acquisition	0 shares (Number of voting rights: –) (Shareholding: –%)
(2) Number of shares to be acquired and acquisition cost	15,039,600 shares (Number of voting rights: 150,396 shares) (Ratio to issued shares: 100%) (Acquisition cost: 8.5 billion yen (schedule))
(3) Number of shares to be held after acquisition	15,039,600 shares (Number of voting rights: 150,396 shares) (Shareholding: 100%)

5. Schedule

(1) Resolution of the Board of Directors Meetings	April 20, 2012
(2) Stock transfer agreement date	End of May 2012 (schedule)
(3) Stock transfer date	End of June 2012 (schedule)

4. Other

Management reshuffles

Candidates for director to be elected (on June 26, 2012)

New Position	Name	Current Position
Director (President & CEO, Kawasaki Microelectronics, Inc.)	Yukio Yamauchi	President & CEO, Kawasaki Microelectronics, Inc.
Director and the General Manager of the Production Management Department	Tetsuo Hikawa	General Manager of the Production Management Department
Director and the General Manager of the Division No.2	Gen Sasaki	General Manager of the Division No.2