

**Brief Statement of Accounts (Japanese Accounting Standards)
for the First Quarter of the Year Ending March 31, 2013 (Consolidated)**

July 27, 2012

MegaChips Corporation

Code number: 6875

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

Listed exchange: TSE

Representative: Akira Takata, President and Representative Director

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Scheduled date for submission of quarterly report: August 9, 2012

Scheduled date of start of payment of dividends: –

Supplementary documents for quarterly results: Yes

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

(Amounts less than one million yen are omitted)

1. Consolidated operating results for the first quarter of the year ending March 31, 2013

(From April 1, 2012 to June 30, 2012)

(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 quarter of the year ending March 31, 2013	6,567	20.7	396	16.0	406	15.6	236	(28.1)
First quarter of the year ended March 31, 2012	5,440	(6.9)	341	(29.3)	351	(25.6)	329	7.8

(Note) Comprehensive income: 316 million yen (701.0%) for the first quarter of the year ending March 31, 2013
39 million yen (-95.3%) for the first quarter of the year ended March 31, 2012

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
First quarter of the year ending March 31, 2013	9.87	–
First quarter of the year ended March 31, 2012	13.72	–

(2) Consolidated financial condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First quarter of the year ending March 31, 2013	37,736	24,646	65.3	1,028.91
Year ended March 31, 2012	29,247	24,977	85.4	1,042.70

(Reference) Shareholders' equity: As of the first quarter of the year ending March 31, 2013: ¥24,646 million
Year ended March 31, 2012: ¥24,977 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, 2012	–	–	–	27.00	27.00
Year ending March 31, 2013	–	–	–	–	–
Year ending March 31, 2013 (forecast)	–	–	–	–	–

(Note) Revisions to dividend forecasts 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. (However, this excludes special factors related to the settlement of accounts.) Since the concrete dividend forecast is yet to be decided, “–” is shown for the annual dividend forecast. Regarding dividend policy, please refer to page 4 of the Accompanying Materials to the Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2012, released on May 9, 2012.

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 period 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	26,000	95.1	1,450	39.0	1,350	28.3	2,400	214.9	100.19
Full-year	64,000	81.0	4,000	31.8	3,900	19.5	4,100	92.7	171.16

(Note) Revisions to operating results forecasts published most recently: Yes

* Notes

(1) Changes in key subsidiaries during the term

(changes in specific subsidiaries resulting in changes in the scope of consolidation):

New: — Exception: — None

(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 (Notes).

(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: Yes
- 3) Changes in accounting estimates: Yes
- 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 quarter of the year ending March 31, 2013 24,038,400 shares

Year ended March 31, 2012 24,038,400 shares

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

First quarter of the year ending March 31, 2013 84,020 shares

Year ended March 31, 2012 84,020 shares

3) Average number of shares outstanding during the period (or the cumulative consolidated accounting period as of the end of the term)

First quarter of the year ending March 31, 2013 23,954,380 shares

First quarter of the year ended March 31, 2012 23,982,270 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 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 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 for the First Quarter of the Year ending March 31, 2013

(1) Qualitative information on consolidated operating results

During the first quarter of the consolidated fiscal year under review, the economy remained in a difficult situation. However, the economy shifted into a gradual uptrend, reflecting such factors as movement toward the recovery in corporate earnings against the backdrop of disaster reconstruction demand and a gradual rise in consumer spending. On the other hand, fears of a slowdown in the overseas economy against the backdrop of the European financial crisis and other concerns mean that the risk of an economic downturn remains.

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 first quarter of the fiscal year under review amounted to ¥6,567 million (up 20.7% year on year). Consolidated operating income stood at ¥396 million (rising 16.0%). Consolidated ordinary income came to ¥406 million (up 15.6%). Consolidated net income was ¥236 million (a decline of 28.1%), partly due to the posting of a gain on sales of investment securities of ¥197 million as an extraordinary income during the same period of the previous fiscal year.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first quarter of the fiscal year under review were ¥37,736 million (an increase of ¥8,488 million from the previous fiscal year). Major items compared to the previous fiscal year were a ¥12,071 million increase in cash and deposits offsetting a ¥4,459 million decrease in notes and accounts receivable-trade.

Total liabilities were ¥13,089 million (an increase of ¥8,818 million over the same period). Major items compared to the previous fiscal year were an increase in notes and accounts payable-trade of ¥528 million and an increase in short-term loans payable of ¥8,500 million.

The main factor for an increase in cash and deposits and an increase in short-term loans payable is the borrowing of ¥8,500 million as a fund for acquiring a subsidiary.

Total net assets were ¥24,646 million (a decrease of ¥330 million over the same period). As a result, the shareholders' equity ratio was 65.3% (a decrease of 20.1 percentage points over the same period).

Cash and cash equivalents ("net cash") reached ¥19,299 million for the first quarter of the consolidated fiscal year under review, increased ¥12,071 million from the previous consolidated fiscal year (compared with a rise of ¥980 million in the same period of the previous consolidated fiscal year). The status of cash flows for the first quarter of the consolidated fiscal year under review was as follows:

Net cash provided by operating activities was ¥5,091 million (compared with net cash of ¥1,619 million such activities provided in the same period of the previous fiscal year). Major factors that contributed to the net cash balance were net income before taxes of ¥406 million (down 26.1% from the same period last year), a decrease of ¥4,459 million in notes and accounts receivable-trade and an increase of ¥512 million in notes and accounts payable-trade.

Net cash used in investment activities was ¥1,057 million (compared with net cash such activities provided of ¥80 million in the same period of the previous fiscal year). Major factors that contributed to the net cash balance were outlays for loans of ¥550 million and the purchase of long-term prepaid expenses of ¥380 million. As a result, free cash flow, which is the sum of net cash provided by or used in operating activities and net cash provided by or used in investment activities, resulted in a net cash

acquisition of ¥4,034 million (compared to a net cash acquisition of ¥1,699 million in the same period of the previous fiscal year). Net cash provided by financing activities was ¥7,885 million (compared with net cash such activities used of ¥730 million in the same period of the previous fiscal year). Major factors contributing to the net cash balance were a ¥8,500 million increase in short-term loans payable offsetting a net cash disbursement of ¥614 million in cash dividend payments.

(3) Qualitative information on consolidated business outlook

As announced in the Notice of Agreement on Share Purchases by MegaChips, released on June 27, 2012, on July 1, 2012, the Company acquired all of the shares outstanding of Kawasaki Microelectronics, Inc. (head office: Mihama-ku, Chiba-shi, Chiba Prefecture, President and CEO: Yukio Yamauchi), which had been a wholly-owned subsidiary of JFE Holdings, Inc. (Tokyo Stock Exchange First Section: 5411). Please refer to the Notice of Revision to Forecasts, released today, regarding the revisions to the consolidated business results forecasts for the first half of the fiscal year ending March 31, 2013 and for the full fiscal year ending March 31, 2013 due to the acquisition.

2. Matters Relating to Summary Information (Notes)

(1) Adoption of unique accounting method to the preparation of quarterly consolidated financial statements

Calculation of tax expenses

Tax expenses are calculated based on a logical estimate of the effective tax rate after applying tax effect accounting to net income before tax for the consolidated fiscal year and then multiplying net income before tax for the quarter by the estimated effective tax rate.

(2) Changes in accounting policies and changes or restatement of accounting estimates

Change in method of depreciation

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

This has had no impact on the profit or loss in the first quarter of the consolidated fiscal year under review.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

	FY 2011 (As of March 31, 2012)	Q1 FY 2012 (As of June 30, 2012)
Assets		
Current assets:		
Cash and deposits	7,228,018	19,299,330
Notes and accounts receivable—trade	15,636,678	11,176,820
Merchandise and finished goods	402,195	541,381
Work in process	919,501	650,819
Raw materials and supplies	374,437	571,294
Deferred tax assets	381,961	381,961
Other	492,898	965,127
Allowance for doubtful accounts	(1,094)	(820)
Total current assets	25,434,598	33,585,914
Noncurrent assets:		
Property, plant and equipment		
Buildings and accompanying facilities	227,437	227,437
Accumulated depreciation	(192,875)	(206,496)
Buildings and accompanying facilities, net	34,562	20,941
Other	410,059	391,931
Accumulated depreciation	(360,790)	(349,791)
Other, net	49,268	42,139
Total property, plant and equipment	83,830	63,081
Intangible assets		
Other	57,825	52,545
Total intangible assets	57,825	52,545
Investments and other assets		
Investment securities	2,270,232	2,178,849
Long-term prepaid expenses	976,627	1,298,983
Deferred tax assets	97,647	119,014
Other	327,030	437,921
Total investment and other assets	3,671,538	4,034,769
Total noncurrent assets	3,813,194	4,150,395
Total assets	29,247,792	37,736,310

(Thousand yen)

	FY 2011 (As of March 31, 2012)	Q1 FY 2012 (As of June 30, 2012)
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	2,252,925	2,781,459
Short-term loans payable	-	8,500,000
Income taxes payable	699,230	250,462
Provision for loss on construction contracts	388,193	391,747
Other provision	301,147	157,268
Other	590,140	969,364
Total current liabilities	4,231,635	13,050,301
Noncurrent liabilities:		
Other	39,025	39,025
Total noncurrent liabilities	39,025	39,025
Total liabilities	4,270,660	13,089,327
Net assets		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,181,300
Retained earnings	13,967,586	13,557,324
Treasury stock	(112,777)	(112,777)
Total shareholders' equity	24,876,422	24,466,161
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	708,021	547,497
Foreign currency translation adjustment	(607,313)	(366,675)
Total other accumulated comprehensive income	100,708	180,822
Total net assets	24,977,131	24,646,983
Total liabilities and net assets	29,247,792	37,736,310

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

(Thousand yen)

	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)	Q1 FY 2012 (From April 1, 2012 to June 30, 2012)
Net sales	5,440,123	6,567,154
Cost of sales	4,186,548	5,192,743
Gross profit	1,253,575	1,374,411
Selling, general and administrative expenses	911,875	978,178
Operating income	341,700	396,232
Non-operating income		
Interest income	936	1,742
Dividends income	450	825
Reversal of dividends payable	10,137	7,807
Miscellaneous income	383	726
Total non-operating income	11,908	11,101
Non-operating expenses		
Interest expenses	–	530
Foreign exchange losses	1,300	43
Miscellaneous loss	377	77
Total non-operating expenses	1,677	651
Ordinary income	351,930	406,682
Extraordinary income		
Gain on sales of investment securities	197,881	–
Total extraordinary income	197,881	–
Extraordinary loss		
Loss on retirement of noncurrent assets	31	386
Total extraordinary loss	31	386
Net income before taxes	549,780	406,296
Income taxes	220,746	169,789
Income before minority interests	329,033	236,506
Net income	329,033	236,506
Income before minority interests	329,033	236,506
Other comprehensive income		
Valuation difference on available-for-sale securities	(315,445)	(160,524)
Foreign currency translation adjustment	25,937	240,637
Total other comprehensive income	(289,507)	80,113
Comprehensive income	39,526	316,620
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	39,526	316,620
Comprehensive income attributable to minority interests	–	–

(3) Consolidated statements of cash flows

(Thousand yen)

	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)	Q1 FY 2012 (From April 1, 2012 to June 30, 2012)
Net cash provided by (used in) operating activities		
Net income before taxes	549,780	406,296
Depreciation and amortization	21,270	37,331
Amortization of long-term prepaid expenses	159,488	18,289
Increase (decrease) in provision for bonuses	(150,048)	(177,479)
Increase (decrease) in provision for directors' bonuses	27,501	33,600
Increase (decrease) in provision for loss on construction contracts	1,132	3,554
Interest and dividends income	(1,386)	(2,567)
Loss (gain) on sales of investment securities	(197,881)	–
Decrease (increase) in notes and accounts receivable–trade	2,497,383	4,459,857
Decrease (increase) in inventories	(14,531)	(67,360)
Increase (decrease) in notes and accounts payable–trade	(807,002)	512,163
Decrease (increase) in other current assets	36,942	84,093
Increase (decrease) in other current liabilities	329,383	398,622
Other	(8,389)	(6,516)
Subtotal	2,443,644	5,699,884
Interest and dividends income received	1,483	2,775
Income taxes paid	(826,118)	(611,413)
Net cash provided by (used in) operating activities	1,619,009	5,091,245
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(1,526)	(9,037)
Purchase of intangible assets	(22,695)	(12,623)
Proceeds from sales of investment securities	312,869	–
Purchase of long-term prepaid expenses	(211,109)	(380,952)
Payments of loans receivable	–	(550,000)
Other	2,999	(104,590)
Net cash provided by (used in) investment activities	80,536	(1,057,203)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	–	8,500,000
Purchase of treasury stock	(67,392)	–
Cash dividends paid	(663,460)	(614,339)
Net cash provided by (used in) financing activities	(730,852)	7,885,660
Effect of exchange rate change on cash and cash equivalents	12,117	151,609
Net increase (decrease) in cash and cash equivalents	980,811	12,071,311
Cash and cash equivalents at beginning of period	7,503,256	7,228,018
Cash and cash equivalents at end of period	8,484,067	19,299,330

(4) Note on going concern assumptions

None

(5) Notes to significant changes in shareholders' equity

First quarter of the year ended 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.

First quarter of the year ending March 31, 2013

None

(6) Material subsequent events

1. Acquisition of the shares of Kawasaki Microelectronics, Inc.

With the aim of strengthening its strategy and expanding its business, the Company purchased all of the shares outstanding of Kawasaki Microelectronics, Inc. based on a share purchase agreement concluded with JFE Holdings, Inc. on June 27, 2012. As a result of this, Kawasaki Microelectronics, Inc. is a special subsidiary of the Company.

a. Date of share acquisition

July 1, 2012

b. Name of counterparty in acquisition transaction

JFE Holdings, Inc.

c. Acquired company name, address, name and title of representative, capital and business details

Company name	Kawasaki Microelectronics, Inc.
Address	1-3 Nakase, Mihama-ku, Chiba
Name and title of representative	Yukio Yamauchi, President & CEO
Capital	5,046 million yen (as of March 31, 2012)
Business details	Design, manufacture and sale of semiconductor integrated circuits

d. Number of shares acquired, acquisition cost and post-acquisition ownership

Number of shares acquired	15,039,600 (Number of voting rights: 150,396)
Acquisition cost	8.5 billion yen
Post-acquisition ownership	100%

e. Funding of payment and method of payment

The payment was funded by bank borrowing and payment was made by bank transfer.

2. Conclusion of basic agreement to merge with Kawasaki Microelectronics, Inc

The Company, at a Board of Directors meeting held on July 27, 2012, resolved to merge with Kawasaki Microelectronics, Inc., which became the Company's consolidated subsidiary on July 1, 2012, effective April 1, 2013 (scheduled) and, on the same day, concluded a basic agreement.

a. Purpose of the Merger

The Company and Kawasaki Microelectronics, Inc., have been advancing their businesses within the same group since July 2012. The companies are harnessing their capabilities to execute their strategies and grow as fabless makers capable of providing total solutions that respond to domestic and overseas clients' immediate problems and future market needs. Specifically, they seek to offer consistent and powerful support and to handle development from the algorithm and architecture stage to wafer manufacturing, assembly, and testing, in the electronics field during an age of rapid technological innovation. With both companies adopting a common mission and targets as a reborn MegaChips under a single corporate philosophy, vision, management policy, and management strategy, and by applying limited management resources appropriately and most effectively, the Company will strengthen its product development capabilities and improve management efficiency by cutting costs, to further enhance shareholder value and corporate value.

b. Schedule

Resolution by Board of Directors	July 27, 2012
Conclusion of basic agreement	July 27, 2012
Conclusion of merger contract	About November 2012 (scheduled)
Date of merger (effective date)	April 1, 2013 (scheduled)

(Note) The Company, under the provisions for a simplified merger as stipulated in the Companies Act, Article 796, Paragraph 3 and, further, Kawasaki Microelectronics, Inc., under the provisions for a simplified merger as stipulated by the Companies Act Article 784, Paragraph 1, plan to omit a resolution of a general meeting of shareholders regarding approval of the merger contract.

c. Type of merger

The Company will be the surviving company and Kawasaki Microelectronics, Inc. will be absorbed in an absorption-type merger.

d. Details of allocations involved with the merger

The Company owns all of the shares issued by Kawasaki Microelectronics, Inc. so there are no plans to issue new shares, to increase capital or to pay delivered money due to merger because of this merger.

e. Disposition of warrants or bonds with warrants attached of the merged company

Kawasaki Microelectronics, Inc. has not issued warrants or bonds with warrants attached.

f. Outline of the company to be merged

Company name	Kawasaki Microelectronics, Inc.
Address	1-3 Nakase, Mihama-ku, Chiba
Name and title of representative	Yukio Yamauchi, President & CEO
Capital	5,046 million yen (as of March 31, 2012)
Business details	Design, manufacture and sale of semiconductor integrated circuits
Date established	July 2, 2001
Shares outstanding	15,039,600
Fiscal year end	March
Major shareholders and ownership	MegaChips Corporation 100% (as of July 1, 2012)
Financial condition and business performance in the most recent fiscal year (March 2012)	
Consolidated net assets	9,632 million yen
Consolidated total assets	15,179 million yen
Consolidated net assets per share	640.46 yen
Consolidated net sales	21,413 million yen
Consolidated operating income	1,714 million yen
Consolidated ordinary income	1,535 million yen
Consolidated net income	23 million yen
Consolidated net income per share	1.53 yen

f. Conditions following the merger

There are no changes planned in the name, address, representative, business details, capital, or fiscal year end for the surviving company (MegaChips Corporation).

The Company's head office will move in August 2012 and the address at the time of the merger is expected to be 1-1-1 Miyahara, Yodogawa-ku, Osaka.