

FOR IMMEDIATE RELEASE

July 27, 2012

Name of Company: MegaChips Corporation  
Representative: Akira Takata  
President and Representative Director  
(Code No. 6875, TSE)

### Notice of Conclusion of Basic Agreement to Merge with Consolidated Subsidiary

MegaChips Corporation announces that a meeting of its Board of Directors held today has resolved to conclude a basic agreement to merge with the Company's wholly owned, consolidated subsidiary, Kawasaki Microelectronics, Inc. (hereinafter Kawasaki Micro), effective April 1, 2013 (scheduled) as follows.

As this is expected to be an absorption-type merger with a wholly owned subsidiary, some disclosure items have been omitted.

#### 1. Purpose of the Merger

The Company and Kawasaki Micro have been operating within the same group since July 2012, concentrating their capabilities to enhance the Group's strategies and expand its business even further as a fabless maker capable of providing comprehensive solutions. In doing so, the Group will seek to respond to the immediate issues and future market needs of domestic and overseas clients, offering consistent and powerful support, handling development from the algorithm and architecture stage to wafer manufacturing, assembly, and testing, in an electronics field marked by rapid technological advancement.

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 applying limited management resources appropriately and effectively, the Company will strengthen its product development capabilities and improve management efficiency by cutting costs, to further enhance shareholder value and corporate value.

#### 2. Summary of the Merger

##### (1) 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 Micro, 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.

##### (2) Type of merger

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

##### (3) Details of allocations involved with the merger

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

- (4) Disposition of warrants or bonds with warrants attached of the merged company  
Kawasaki Micro has not issued warrants or bonds with warrants attached.

### 3. Outline of the Parties to the Merger (as of March 31, 2012)

	(Surviving company)	(Merged company)
(1) Name	MegaChips Corporation	Kawasaki Microelectronics, Inc.
(2) Address	4-1-6 Miyahara, Yodagawa-ku, Osaka	1-3 Nakase, Mihama-ku, Chiba
(3) Name and title of representative	Akira Takata President and Representative Director	Yukio Yamauchi President, & CEO
(4) Business details	Design, development, manufacture (outsourced) and sales of system LSIs, and electronic parts and system devices using the Company's system LSIs	Design, manufacture and sales of semiconductor integrated circuits
(5) Capital	4,840 million yen	5,046 million yen
(6) Date established	April 4, 1990	July 2, 2001
(7) Shares outstanding	24,038,400 shares	15,039,600 shares
(8) Fiscal year end	March	March
(9) Major shareholders and ownership	Japan Trustee Services Bank, Ltd. (trust account) 7.77% The Master Trust Bank of Japan, Ltd. (trust account) 6.24% Shindo Corporation 5.16% Shindo and Associates Co., Ltd. 5.16% Japan Trustee Services Bank, Ltd. (trust account 9) 4.54%	MegaChips Corporation 100% (as of July 1, 2012)
(10) Financial condition and business performance in the most recent fiscal year (March 2012)		
	MegaChips	Kawasaki Micro
Consolidated net assets	24,977 million yen	9,632 million yen
Consolidated total assets	29,247 million yen	15,179 million yen
Consolidated net assets per share	1,042.70 yen	640.46 yen
Consolidated net sales	35,366 million yen	21,413 million yen
Consolidated operating income	3,033 million yen	1,714 million yen
Consolidated ordinary income	3,262 million yen	1,535 million yen
Consolidated net income	2,127 million yen	23 million yen
Consolidated net income per share	88.80 yen	1.53 yen

### 4. 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).

As the Company announced on June 29, 2012, the 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.

### 5. Forecasts

The date of the merger is scheduled for next fiscal year so the merger will have no impact on consolidated business performance for the year ending March 2013.

Because Kawasaki Micro became a consolidated subsidiary of the Company from the second quarter of the current fiscal year, revisions have been made to consolidated forecasts for the year ending March 2013. Please refer to the Notice of Revision to Forecasts released today.