

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

October 26, 2012

**MegaChips Corporation**

Code number: 6875

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Scheduled date for submission of quarterly report: November 8, 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 half of the year ending March 31, 2013**

(From April 1, 2012 to September 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 half of the year ending March 31, 2013	24,718	85.5	2,371	127.3	2,338	122.2	2,774	264.1
First half of the year ended March 31, 2012	13,325	(16.6)	1,043	(30.6)	1,052	(28.3)	762	(27.2)

(Note) Comprehensive income: ¥2,368 million (–%) for the first half of the year ending March 31, 2013  
¥109 million (-90.1%) for the first half of the year ended March 31, 2012

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
First half of the year ending March 31, 2013	115.98	–
First half of the year ended March 31, 2012	31.79	–

**(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, 2013	47,276	26,200	55.4	1,107.90
Year ended March 31, 2012	29,247	24,977	85.4	1,042.70

(Reference) Shareholders' equity: As of the first half of the year ending March 31, 2013: ¥26,200 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 made to the forecasts dividend 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)

(Figures in % indicate change from the corresponding period of the year ended March 31, 2012)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	64,000	81.0	4,000	31.8	3,900	19.5	3,700	73.9	156.45

(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): Yes

New: 2 companies (Kawasaki Microelectronics, Inc., Kawasaki Microelectronics Holdings (USA), Inc.)

Exception: –

(Note) For details, please refer to the Accompanying Materials, page 3, 2. Matters Relating to Summary Information (Notes).

(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

(Note) For details, please refer to the Accompanying Materials, page 3, 2. Matters Relating to Summary Information (Notes).

(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, 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 half of the year ending March 31, 2013 389,420 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 half of the year ending March 31, 2013 23,920,168 shares

First half of the year ended March 31, 2012 23,968,249 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 Half of the Year Ending March 31, 2013

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

During the first half of the consolidated fiscal year under review, the Japanese economy saw its recovery reach a temporary standstill, as observed in weak consumer spending and signs of a leveling off in corporate earnings, albeit improving, against the backdrop of decelerating overseas economies. Amid expectations of the economic recovery, downside risks still remained, such as fears of a slowdown in overseas economies on the back of the European financial and fiscal crises.

In the electronic machinery and equipment industry, in which MegaChips Group operates, although demand for certain industrial electronics equipment grew year on year, however, 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 Company acquired all shares outstanding in Kawasaki Microelectronics, Inc. (“Kawasaki Micro”) from JFE Holdings, Inc. on July 1, 2012 and commenced business activities as the Group from the second quarter of the consolidated fiscal year under review. The Company and Kawasaki Micro are striving to create synergies and bolster strategies to establish a strong position as a fabless manufacturer able to provide comprehensive solutions that support customers powerfully, consistently, and broadly, from the upstream of the application to the development of algorithms and architectures, wafer manufacturing, assembly, and test processes, by combining the capabilities of the both companies. The businesses that the companies are promoting are as follows.

The Company operates with strength in providing a broad array of ingenious technical solutions from LSIs to system devices based on its own technologies such as image, audio and music compression, and decompression technologies and telecommunications. The Company develops and sells products in varied forms such as high-performance memory for specific-use applications, system LSIs, electronic devices that contain its LSIs, and digital image transmission and recording system products mainly for areas such as game amusement, digital cameras, energy saving, and security monitoring.

Kawasaki Micro, the consolidated subsidiary, engages in the technology development, product design and manufacturing (outsourcing) of customer-specific advanced LSIs worldwide. It sells products mainly for liquid crystal panels as well as for areas such as office equipment, optical communications, and home networks.

Consolidated net sales for the first half of the fiscal year under review amounted to ¥24,718 million (up 85.5% year on year), reflecting firm demand for LSIs for sorting game software (custom memories), the Company’s core product, and the incorporation from the second quarter of the results of Kawasaki Micro, which sells LSIs for liquid crystal panels and office equipment. Consolidated operating income stood at ¥2,371 million (rising 127.3%). Consolidated ordinary income came to ¥2,338 million (up 122.2%). Consolidated net income was ¥2,774 million (an increase of 264.1%) due to the posting of a gain on negative goodwill of ¥1,406 million associated with making Kawasaki Micro the Company’s subsidiary.

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

Total assets for the first half of the consolidated fiscal year under review amounted to ¥47,276 million (up ¥18,028 million from the previous consolidated fiscal year). Major items compared to the previous fiscal year were increases in cash and deposits by ¥1,956 million, notes and accounts receivable–trade by ¥5,938 million, inventories by ¥2,560 million and deferred tax assets (noncurrent assets) by ¥2,879 million.

Total liabilities were ¥21,076 million (up ¥16,805 million from the previous consolidated fiscal year). Major items compared to the previous fiscal year were increases in notes and accounts payable–trade by ¥5,098 million, current portion of long-term loans payable by ¥2,833 million and long-term loans payable by ¥5,666 million.

Total net assets stood at ¥26,200 million (up ¥1,223 million from the previous consolidated fiscal year). As a result, the shareholders’ equity ratio came to 55.4% (down 30.0 points from the previous consolidated fiscal year).

Cash and cash equivalents (“net cash”) reached ¥9,184 million for the first half of the consolidated fiscal year under review, increasing ¥1,956 million from the previous consolidated fiscal year (compared with a rise of ¥4,693 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 ¥3,055 million (compared with net cash provided of ¥5,454 million in the same period of the previous consolidated fiscal year). Major factors that contributed to the net cash balance were net income before taxes of ¥3,694 million (up 191.8% from the same period last year) and an increase of ¥3,751 million in notes and accounts payable – trade, an increase of ¥2,221 million in notes and accounts receivable – trade, and the posting of a gain on negative

goodwill of ¥1,406 million.

Net cash used in investment activities was ¥8,495 million (compared with net cash such activities used of ¥2 million in the same period of the previous fiscal year). Major factors that contributed to the net cash balance were the purchase of long-term prepaid expenses of ¥736 million and investments in subsidiaries resulting in a change in the scope of consolidation of ¥6,752 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 use of ¥5,439 million (compared to a net cash acquisition of ¥5,451 million in the same period of the previous fiscal year).

Net cash provided by financing activities was ¥7,358 million (compared with net cash such activities used of ¥758 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 long-term loans payable offsetting a net cash disbursement of ¥641 million in cash dividend payments.

(3) Qualitative information on consolidated business outlook

Please refer to the “Notice of Difference Between Results Forecasts and Actual Results for the First Half and Revision of Full-Year Results Forecasts,” announced today, for details about differences between the earnings forecasts dated July 27, 2012 for the first half of the fiscal year ending March 2013 and the actual results for the same period, and revisions to the full-year forecasts for the fiscal year ending March 2013.

2. Matters Relating to Summary Information (Notes)

(1) Changes in key subsidiaries during the term

Significant changes in the scope of consolidation

As the Company acquired all the shares outstanding in Kawasaki Microelectronics, Inc., four companies—Kawasaki Microelectronics, Inc. and its subsidiaries—are included in the scope of consolidation from the second quarter of the fiscal year under review.

(2) 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 for the Company and certain of its consolidated subsidiaries.

(3) 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 this consolidated fiscal year, 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 minor impact on the profit or loss in the first half of the consolidated fiscal year under review.

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheet

(Thousand yen)

	FY 2011 (As of March 31, 2012)	H1 FY 2012 (As of September 30, 2012)
<b>Assets</b>		
Current assets:		
Cash and deposits	7,228,018	9,184,541
Notes and accounts receivable—trade	15,636,678	21,575,360
Merchandise and finished goods	402,195	1,606,042
Work in process	919,501	1,594,362
Raw materials and supplies	374,437	1,056,273
Deferred tax assets	381,961	1,387,233
Other	492,898	533,844
Allowance for doubtful accounts	(1,094)	(1,245)
<b>Total current assets</b>	<b>25,434,598</b>	<b>36,936,412</b>
Noncurrent assets:		
Property, plant and equipment		
Buildings	227,437	3,796,491
Accumulated depreciation	(192,875)	(2,757,175)
Buildings, net	34,562	1,039,316
Other	410,059	6,761,199
Accumulated depreciation	(360,790)	(5,897,407)
Other, net	49,268	863,791
<b>Total property, plant and equipment</b>	<b>83,830</b>	<b>1,903,108</b>
Intangible assets		
Other	57,825	689,946
<b>Total intangible assets</b>	<b>57,825</b>	<b>689,946</b>
Investments and other assets		
Investment securities	2,270,232	2,222,179
Long-term prepaid expenses	976,627	1,929,005
Deferred tax assets	97,647	2,976,757
Other	327,030	619,290
<b>Total investment and other assets</b>	<b>3,671,538</b>	<b>7,747,231</b>
<b>Total noncurrent assets</b>	<b>3,813,194</b>	<b>10,340,286</b>
<b>Total assets</b>	<b>29,247,792</b>	<b>47,276,699</b>

(Thousand yen)

	FY 2011 (As of March 31, 2012)	H1 FY 2012 (As of September 30, 2012)
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable–trade	2,252,925	7,350,985
Current portion of long-term loans payable	–	2,833,332
Income taxes payable	699,230	742,705
Provision for bonuses	301,147	672,886
Provision for loss on construction contracts	388,193	711,975
Other provision	–	67,200
Other	590,140	1,544,599
Total current liabilities	4,231,635	13,923,683
Noncurrent liabilities:		
Long-term loans payable	–	5,666,668
Provision for retirement benefits	–	1,387,582
Other	39,025	98,135
Total noncurrent liabilities	39,025	7,152,386
Total liabilities	4,270,660	21,076,069
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,181,300
Retained earnings	13,967,586	16,096,701
Treasury stock	(112,777)	(612,771)
Total shareholders' equity	24,876,422	26,505,543
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	708,021	228,574
Foreign currency translation adjustment	(607,313)	(533,487)
Total other accumulated comprehensive income	100,708	(304,913)
Total net assets	24,977,131	26,200,630
Total liabilities and net assets	29,247,792	47,276,699

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

(Thousand yen)

	H1 FY 2011 (From April 1, 2011 to September 30, 2011)	H1 FY 2012 (From April 1, 2012 to September 30, 2012)
Net sales	13,325,508	24,718,959
Cost of sales	10,544,329	18,750,056
Gross profit	2,781,179	5,968,903
Selling, general and administrative expenses	1,737,959	3,597,623
Operating income	1,043,219	2,371,279
Non-operating income		
Interest income	2,495	3,674
Dividends income	450	825
Reversal of dividends payable	10,137	7,807
Miscellaneous income	609	7,549
Total non-operating income	13,692	19,857
Non-operating expenses		
Interest expenses	–	18,102
Loss on investments in partnership	2,430	2,371
Foreign exchange losses	1,932	29,642
Miscellaneous loss	411	2,874
Total non-operating expenses	4,774	52,990
Ordinary income	1,052,137	2,338,146
Extraordinary income		
Gain on sales of noncurrent assets	–	13
Gain on sales of investment securities	213,963	–
Gain on negative goodwill	–	1,406,607
Total extraordinary income	213,963	1,406,620
Extraordinary loss		
Loss on sales of noncurrent assets	–	83
Loss on retirement of noncurrent assets	45	4,240
Head office transfer cost	–	46,382
Total extraordinary loss	45	50,705
Net income before taxes	1,266,055	3,694,061
Income taxes	503,998	919,786
Income before minority interests	762,057	2,774,274
Net income	762,057	2,774,274
Income before minority interests	762,057	2,774,274
Other comprehensive income		
Valuation difference on available-for-sale securities	(658,613)	(479,447)
Foreign currency translation adjustment	5,638	73,825
Total other comprehensive income	(652,974)	(405,622)
Comprehensive income	109,083	2,368,652
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	109,083	2,368,652
Comprehensive income attributable to minority interests	–	–



## (3) Consolidated statements of cash flows

(Thousand yen)

	H1 FY 2011 (From April 1, 2011 to September 30, 2011)	H1 FY 2012 (From April 1, 2012 to September 30, 2012)
Net cash provided by (used in) operating activities		
Net income before taxes	1,266,055	3,694,061
Depreciation and amortization	55,461	210,601
Amortization of long-term prepaid expenses	285,650	167,997
Gain on negative goodwill	–	(1,406,607)
Increase (decrease) in provision for bonuses	(38,790)	223,972
Increase (decrease) in provision for loss on construction contracts	196,721	(83,819)
Interest and dividends income	(2,945)	(4,499)
Interest expenses	–	18,102
Loss (gain) on sales of investment securities	(213,963)	–
Decrease (increase) in notes and accounts receivable–trade	4,179,736	(2,221,806)
Decrease (increase) in inventories	(434,193)	(82,883)
Increase (decrease) in notes and accounts payable–trade	1,251,639	3,751,544
Decrease (increase) in other current assets	(80,389)	377,597
Increase (decrease) in other current liabilities	(197,064)	(832,915)
Other	50,682	78,150
Subtotal	6,318,600	3,889,493
Interest and dividends income received	3,041	4,705
Interest expenses paid	–	(10,472)
Income taxes paid	(867,459)	(828,164)
Net cash provided by (used in) operating activities	5,454,183	3,055,561
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(6,239)	(278,994)
Purchase of intangible assets	(34,927)	(57,690)
Proceeds from sales of investment securities	335,610	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(6,752,303)
Purchase of long-term prepaid expenses	(298,925)	(736,546)
Payments of loans receivable	–	(550,000)
Other	2,115	(119,600)
Net cash provided by (used in) investment activities	(2,367)	(8,495,135)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	–	8,500,000
Purchase of treasury stock	(67,392)	(499,994)
Cash dividends paid	(691,077)	(641,733)
Net cash provided by (used in) financing activities	(758,469)	7,358,272
Effect of exchange rate change on cash and cash equivalents	(274)	37,824
Net increase (decrease) in cash and cash equivalents	4,693,071	1,956,522
Cash and cash equivalents at beginning of period	7,503,256	7,228,018
Cash and cash equivalents at end of period	12,196,328	9,184,541

(4) Note on going concern assumptions

None

(5) Notes to significant changes in shareholders' equity

First half 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 half of the year ending March 31, 2013

The Company acquired 305,400 treasury stocks from September 7, 2012 to September 13, 2012 in accordance with a resolution on the acquisition of treasury stock (the Company's common stock) on September 3, 2012 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 ¥499,994,000.