

**Brief Statement of Accounts (Japanese Accounting Standards)  
for the First Quarter of the Year Ending March 31, 2015 (Consolidated)**

August 1, 2014

**MegaChips Corporation** Listed exchange: TSE  
 Code number: 6875 <http://www.megachips.co.jp/>  
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 Scheduled date for submission of quarterly report: August 8, 2014  
 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, 2015**

(From April 1, 2014 to June 30, 2014)

**(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, 2015	13,325	-1.9	415	-58.9	406	-64.7	123	-95.7
First quarter of the year ended March 31, 2014	13,589	106.9	1,011	155.2	1,151	183.1	2,889	–

(Note) Comprehensive income: -77 million yen (–%) for the first quarter of the year ending March 31, 2015  
 3,174 million yen (902.5%) for the first quarter of the year ending March 31, 2014

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
First quarter of the year ending March 31, 2015	5.37	–
First quarter of the year ended March 31, 2014	123.76	–

**(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, 2015	43,315	29,906	68.5	1,328.09
Year ended March 31, 2014	44,867	31,816	70.9	1,362.64

(Reference) Shareholders' equity: As of the first quarter of the year ending March 31, 2015: ¥29,681 million  
 Year ended March 31, 2014: ¥31,816 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, 2014	–	–	–	34.00	34.00
Year ending March 31, 2015	–	–	–	–	–
Year ending March 31, 2015 (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, 2014, released on May 9, 2014.

### 3. Forecast of consolidated operating results (from April 1, 2014 to March 31, 2015)

(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, 2013.")

	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, 2014	31,500	0.5	1,000	-59.8	900	-65.6	400	-89.5	17.13
Full-year	63,000	7.7	3,200	-23.3	3,100	-27.5	1,700	-64.0	72.81

(Note) Revisions to operating results forecasts published most recently: None

#### \* Notes

##### (1) Changes in key subsidiaries during the term

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

New: 1 company (Modiotek Co., Ltd.)

Exception: -

(Note) For details, please refer to the Accompanying Materials, Page 4, 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 4, 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: None

3) Changes in accounting estimates: None

4) Restatement: None

##### (4) Number of shares outstanding (common stock)

###### 1) Number of outstanding shares at the end of the period (including treasury stock)

First quarter of the year ending March 31, 2015 24,038,400 shares

Year ended March 31, 2014 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, 2015 1,689,450 shares

Year ended March 31, 2014 689,450 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, 2015 22,924,508 shares

First quarter of the year ended March 31, 2014 23,348,976 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.

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## 1. Qualitative Information on the Consolidated Operating Results for the First Quarter of the Year Ending March 31, 2015

### (1) Explanation of consolidated operating results

During the first quarter of the fiscal year under review, movements in consumer spending and production activities were weak, in reaction to the last-minute rise in demand ahead of the increase in consumption tax. However, capital investment was increased and corporate earnings improved. The economy has continued to follow a modest recovery trend, but downside risk is still present, including concern regarding a slowdown in the overseas economy.

In the electronic machinery and equipment industry, in which the MegaChips Group operates, demand for electronic parts and devices were increased, resulting in a rise in demand for certain industrial electronic equipment such as computer and information terminals. As a result, the entire electronic machinery and equipment market grew year-on-year basis.

The MegaChips Group is pursuing the businesses described below by focusing on applications, systems planning, and the provision of solutions, using its stable support system, which covers upstream logical design, downstream physical design, manufacturing operations and quality assurance for product planning and supply as its new source of strength, in addition to offering diverse LSI products and original solutions based on unique technologies for compressing and decompressing images, audio and music and telecommunications that comprise its expertise.

The Group is developing and selling LSIs, such as memory for specific-use applications, system LSIs, and electronic components mounting the Group's own LSIs, for leading customers both inside and outside Japan, mainly in the areas of amusement, digital cameras, office machines, liquid crystal panels, and home networking equipment.

In the field of security monitoring, the Group is promoting the development and sale of the system devices and equipment on which its system LSIs are mounted, centering on the transmission and recording of digital video.

In overseas units, the Group established and improved systems and has been exploiting new markets and customers, attaching importance to the development of technologies and solutions as required by local customers.

During the first quarter of the fiscal year under review, demand for LSIs for game software (custom memory) declined, however, demand for LSIs for digital camera and office equipment remained firm, and the new digital video monitoring system used for security and monitoring contributed to sales. As a result, consolidated net sales remained at the same level as the previous year, standing at ¥13,325 million (down 1.9% year on year). The Company made active investments to build up its overseas customer bases. Accordingly, there was an increase in research and development expenses and costs required to reinforce and establish overseas units. As a result, consolidated operating income amounted to ¥415 million (down 58.9%), and consolidated ordinary income was ¥406 million (down 64.7%). Quarterly net income stood at ¥123 million (down 95.7%). The quarterly net income for the first quarter of the previous fiscal year was inflated due to the adjustment of the tax amount (income of ¥2,374 million) because deferred tax assets were recorded.

The Group has only one business segment, so a statement relating to segment information is not made.

### (2) Explanation of consolidated financial position

Total assets as of the end of the first quarter of the fiscal year under review amounted to ¥43,315 million (down ¥1,552 million from the previous fiscal year). Comparing major asset items with the previous fiscal year, long-term prepaid expenses increased by ¥1,132 million, while cash and deposits decreased by ¥565 million, notes and accounts receivable - trade by ¥966 million, and inventories by ¥1,010 million.

Total liabilities amounted to ¥13,409 million (up ¥357 million). Comparing major liability items with the previous fiscal year, other current liabilities rose by ¥923 million, while the provision for bonuses declined by ¥346 million.

Total net assets stood at ¥29,906 million (down ¥1,909 million from the previous year). As a result, the shareholders' equity ratio declined 2.4 percentage points from the previous year, to 68.5%.

Cash and cash equivalents ("net cash") at the end of the first quarter of the fiscal year under review decreased ¥565 million from the previous fiscal year, to ¥9,875 million (compared with an increase of ¥839 million in the same period of the previous fiscal year). The status of cash flows for the first quarter of the fiscal year under review is as shown below.

Net cash provided by operating activities amounted to ¥3,171 million (compared with net cash of ¥2,714 million provided in the same period of the previous fiscal year). This was chiefly attributable to quarterly net income before taxes of ¥407 million (down 64.0% year on year), a decrease in notes and accounts payable - trade of ¥975 million and inventories of ¥1,038 million, and a rise in other liabilities of ¥562 million.

Net cash used in investment activities was ¥925 million (compared with net cash of ¥655 million used in the same period of the previous fiscal year). This was mainly attributable to expenditure of ¥499 million for the acquisition of long-term prepaid expenses, and ¥311 million in other expenditure. 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 provided of ¥2,246 million yen (compared with ¥2,059 million in net cash provided in the same period of the previous fiscal year).

Net cash used in financing activities was ¥2,738 million (compared with net cash of ¥1,467 million used in the same period of the previous fiscal year). This was mostly attributable to expenditure of ¥708 million for the repayment of long-term loans, expenditure of ¥1,262 million for the acquisition of treasury stocks and cash dividend payments of ¥767 million.

(3) Explanation of information on future forecasts, such as consolidated operating results forecasts

There is no change in the forecast of consolidated results for the fiscal year ending March 2015, which is stated in the Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended March 31, 2014 as announced on May 9, 2014.

2. Matters Relating to Summary Information (Notes)

(1) Changes in key subsidiaries during the term

Changes in the scope of consolidation and equity method application

MegaChips Taiwan Corporation, a consolidated subsidiary of the company, accepted an increase in capital of Modiotek Co., Ltd. Modiotek Co., Ltd., and its three subsidiaries were therefore included in the scope of consolidation.

(2) 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.

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheet

(Thousand yen)

	FY 2013 (As of March 31, 2014)	Q1 FY 2014 (As of June 30, 2014)
<b>Assets</b>		
Current assets:		
Cash and deposits	10,474,476	9,909,315
Notes and accounts receivable - trade	14,890,803	13,924,494
Merchandise and finished goods	1,907,826	1,421,047
Work in process	1,599,656	1,298,777
Raw materials and supplies	701,870	478,703
Deferred tax assets	1,711,641	1,732,029
Other	1,303,290	1,160,165
Allowance for doubtful accounts	(1,059)	(984)
Total current assets	32,588,504	29,923,549
Non-current assets:		
Property, plant and equipment		
Buildings	3,854,822	3,868,597
Accumulated depreciation	(2,807,798)	(2,827,897)
Buildings, net	1,047,023	1,040,700
Other	6,841,511	6,953,973
Accumulated depreciation	(6,014,380)	(6,096,880)
Other, net	827,131	857,093
Total property, plant and equipment	1,874,155	1,897,794
Intangible assets		
Goodwill	-	129,112
Other	649,081	663,020
Total intangible assets	649,081	792,132
Investments and other assets		
Investment securities	1,669,007	1,556,183
Long-term prepaid expenses	1,806,942	2,939,293
Deferred tax assets	3,539,214	3,527,762
Other	2,740,818	2,678,995
Total investment and other assets	9,755,983	10,702,235
Total non-current assets	12,279,220	13,392,162
Total assets	44,867,725	43,315,711

(Thousand yen)

	FY 2013 (As of March 31, 2014)	Q1 FY 2014 (As of June 30, 2014)
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable - trade	4,154,275	4,262,920
Current portion of long-term loans payable	2,833,332	2,833,332
Income taxes payable	141,461	284,300
Provision for bonuses	660,892	314,110
Provision for loss on construction contracts	462,728	414,153
Other provision	–	31,251
Other	2,379,251	3,303,020
Total current liabilities	10,631,940	11,443,088
Non-current liabilities:		
Long-term loans payable	1,416,670	708,337
Other	1,003,005	1,257,917
Total non-current liabilities	2,419,675	1,966,254
Total liabilities	13,051,615	13,409,342
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,181,300
Retained earnings	21,296,923	20,626,155
Treasury shares	(1,055,975)	(2,318,962)
Total shareholders' equity	31,262,561	29,328,806
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	(145,716)	(198,756)
Foreign currency translation adjustment	699,263	551,327
Total other accumulated comprehensive income	553,547	352,570
Minority interests	–	224,991
Total net assets	31,816,109	29,906,369
Total liabilities and net assets	44,867,725	43,315,711

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

(Thousand yen)

	Q1 FY 2013 (From April 1, 2013 to June 30, 2013)	Q1 FY 2014 (From April 1, 2014 to June 30, 2014)
Net sales	13,589,928	13,325,754
Cost of sales	10,099,868	9,806,730
Gross profit	3,490,059	3,519,023
Selling, general and administrative expenses	2,478,779	3,103,124
Operating income	1,011,280	415,899
Non-operating income		
Interest income	2,054	1,880
Dividends income	3,667	475
Gain on forfeiture of unclaimed dividends	6,306	4,297
Foreign exchange gains	150,311	—
Proceeds from miscellaneous income	5,344	6,655
Total non-operating income	167,683	13,308
Non-operating expenses		
Interest expenses	15,163	8,865
Foreign exchange losses	—	4,722
Miscellaneous loss	12,641	8,929
Total non-operating expenses	27,804	22,517
Ordinary income	1,151,159	406,690
Extraordinary income		
Gain on sales of non-current assets	—	509
Total extraordinary income	—	509
Extraordinary loss		
Loss on retirement of non-current assets	19,926	117
Total extraordinary loss	19,926	117
Net income before taxes	1,131,232	407,083
Income taxes	(1,758,523)	283,986
Income before minority interests	2,889,756	123,096
Net income	2,889,756	123,096
Income before minority interests	2,889,756	123,096
Other comprehensive income		
Valuation difference on available-for-sale securities	40,921	(53,040)
Foreign currency translation adjustment	243,440	(147,936)
Total other comprehensive income	284,362	(200,976)
Comprehensive income	3,174,118	(77,879)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,174,118	(77,879)
Comprehensive income attributable to minority interests	—	—

## (3) Consolidated statements of cash flows

(Thousand yen)

	Q1 FY 2013 (From April 1, 2013 to June 30, 2013)	Q1 FY 2014 (From April 1, 2014 to June 30, 2014)
Cash flows from operating activities		
Net income before taxes	1,131,232	407,083
Depreciation	150,257	142,791
Amortization of long-term prepaid expenses	238,755	256,866
Increase (decrease) in provision for bonuses	(325,283)	(346,782)
Increase (decrease) in provision for loss on construction contracts	(173,140)	(48,575)
Interest and dividend income	(5,721)	(2,355)
Interest expenses	15,163	8,865
Decrease (increase) in notes and accounts receivable - trade	1,605,342	975,240
Decrease (increase) in inventories	(102,262)	1,038,138
Increase (decrease) in notes and accounts payable - trade	1,185,036	121,232
Decrease (increase) in other assets	40,452	176,880
Increase (decrease) in other liabilities	(536,312)	562,355
Other	(34,806)	27,811
Subtotal	3,188,713	3,319,552
Interest and dividends income received	5,721	2,355
Interest expenses paid	(15,870)	(9,417)
Income taxes paid	(464,189)	(141,229)
Net cash provided by (used in) operating activities	2,714,375	3,171,260
Cash flows from investing activities		
Purchase of property, plant and equipment	(86,928)	(128,343)
Purchase of intangible assets	(59,893)	(68,311)
Purchase of long-term prepaid expenses	(213,561)	(499,731)
Payments of loans receivable	—	(3,770)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	86,622
Other	(294,827)	(311,506)
Net cash provided by (used in) investment activities	(655,211)	(925,041)
Cash flows from financing activities		
Repayments of long-term loans payable	(708,333)	(708,333)
Proceeds from disposal of treasury shares	95	—
Purchase of treasury shares	—	(1,262,987)
Cash dividends paid	(759,333)	(767,202)
Net cash provided by (used in) financing activities	(1,467,570)	(2,738,523)
Effect of exchange rate change on cash and cash equivalents	247,640	(73,039)
Net increase (decrease) in cash and cash equivalents	839,233	(565,344)
Cash and cash equivalents at beginning of period	10,431,546	10,440,669
Cash and cash equivalents at end of period	11,270,780	9,875,325

(4) Notes relating to quarterly consolidated financial statements

Note on going concern assumptions

None

Notes to significant changes in shareholders' equity

The Company acquired 1,000,000 treasury shares from May 14, 2014 to June 3, 2014 in accordance with a resolution on the acquisition of treasury shares (the Company's common stock) on May 13, 2014 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 shares increased by ¥1,262,987 thousand.