

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

January 30, 2015

MegaChips Corporation

Code number: 6875

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Scheduled date for submission of quarterly report: February 12, 2015

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 three quarters of the year ending March 31, 2015

(From April 1, 2014 to December 31, 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 three quarters of the year ending March 31, 2015	50,807	8.7	4,122	6.1	3,125	-20.7	1,552	-68.3
First three quarters of the year ended March 31, 2014	46,721	14.2	3,885	3.3	3,940	2.4	4,902	32.1

(Note) Comprehensive income: ¥2,447 million (-53.0%) for the first three quarters of the year ending March 31, 2015

¥5,204 million (46.5%) for the first three quarters of the year ending March 31, 2014

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
First three quarters of the year ending March 31, 2015	68.87	–
First three quarters of the year ended March 31, 2014	209.96	–

(2) Consolidated financial condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First three quarters of the year ending March 31, 2015	85,679	32,469	37.6	1,441.30
Year ended March 31, 2014	44,867	31,816	70.9	1,362.64

(Reference) Shareholders' equity: As of the first three quarters of the year ending March 31, 2015: ¥32,211 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)

(Figures in % indicate change from the corresponding period of the year ended March 31, 2015)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
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: No

* 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 three quarters 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 three quarters 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 three quarters of the year ending March 31, 2015 22,539,407 shares

First three quarters of the year ended March 31, 2014 23,348,979 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 – Contents

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

(1) Explanation of consolidated operating results

During the consolidated cumulative third quarter under review, the economy continued to stay on a modest recovery trend. However, consumer spending and production activities partially slowed down, and corporate earnings remained at a standstill and resulted some weakness in the Japanese economy. Downside risks still remained, including concerns about 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 increased, resulting in a rise in demand for certain industrial electronic equipment such as electronics application equipment. Consequently, the entire electronic machinery and equipment market grew on a year-on-year basis.

The MegaChips Group is operating with a focus on applications, systems planning, and the provision of solutions through its new source of strength, namely its stable support system. This system covers all aspects, from product planning to supply, such as upstream logical design, downstream physical design, manufacturing operations, and quality assurance.

In addition, the Group has traditionally offered diverse LSI products and original solutions based on unique technologies for compressing and decompressing images, audio and music and telecommunications, which make up its expertise.

The Group develops and sells LSIs, such as memory for specific applications, system LSIs, and electronic components that are equipped with the Group's own LSIs, for major customers both inside and outside of 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 promotes the development and sale of system devices and equipment on which its system LSIs are mounted, centering on the recording and transmission of digital video.

In overseas bases, the Group has established and improved systems and has been exploring new markets and acquiring customers, attaching importance to the development of technologies and solutions that are required by local customers.

During the consolidated cumulative third quarter under review, the Company acquired SiTime Corporation (hereinafter "SiTime"), which is the top-ranking manufacturer of MEMS timing devices, making SiTime a wholly owned subsidiary. Subsequently, in the growth equipment market, the Company will keep actively promoting the development of business targeting the global customer.

During the consolidated cumulative third quarter under review, the demand of LSIs for digital cameras rose due to the increase of the number of mounting models, and the demand for LSIs for office equipment and telecommunications remained steady. Also, as the exchanges have experienced depreciation of the Yen against the US and the Taiwanese dollars, the consolidated net sales stood at ¥50,807 million (up 8.7% year-on-year) and the consolidated operating income amounted to ¥4,122 million (up 6.1%). The foreign exchange loss of ¥943 million was occurred mainly due to the sales profit adjustments increased by foreign exchange gain and resulted the consolidated ordinary income of ¥3,125 million (down 20.7%), the quarterly net income of ¥1,552 million (down 68.3%) and the quarterly net income of ¥1,552 million (down 68.3%). The net income for the consolidated cumulative third quarter of the previous fiscal year was inflated due to the adjustment of a tax amount (income of ¥2,374 million) resulting from the recording of deferred tax assets associated with a merger.

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 three quarters of the fiscal year under review amounted to ¥85,679 million (up ¥40,811 million from the previous fiscal year). Comparing major asset items with the previous fiscal year, notes and accounts receivable - trade increased by ¥11,224 million, inventories by ¥1,222 million, and long-term prepaid expenses by ¥1,264 million, respectively. In addition, goodwill increased by ¥19,580 million reflecting a business transfer and the acquisition of SiTime, and Technology Asset by ¥7,025 million, while the other category under total investments and other assets declined by ¥1,174 million.

Total liabilities amounted to ¥53,209 million (up ¥40,157 million). Comparing major liability items with the previous fiscal year, notes and accounts payable - trade rose by ¥1,662 million, short-term loans payable by ¥32,502 million reflecting short-term loans used for working capital and the acquisition of SiTime, other current liabilities by ¥3,781 million and deferred tax liability (non-current) by ¥2,880 million, while long-term loans payable declined by ¥1,416 million.

Total net assets stood at ¥32,469 million (up 653 million). As a result, the shareholders' equity ratio declined 33.3 percentage points from the previous year, to 37.6%.

Cash and cash equivalents (hereinafter “net cash”) at the end of the first three quarters of the fiscal year under review increased ¥277 million from the previous fiscal year, to ¥10,718 million (compared with a decline of ¥1,511 million in the same period of the previous fiscal year). The status of cash flows for the consolidated cumulative third quarter under review is as shown below.

Net cash used in operating activities amounted to ¥4,165 million (compared with net cash of ¥3,618 million used in the same period of the previous fiscal year). This was chiefly attributable to quarterly net income before taxes of ¥3,076 million (down 26.3% year-on-year), the amortization of ¥811 million long-term prepaid expenses and decreases by ¥684 million in inventories and increases by ¥956 million in notes and accounts payable – trade, while notes and accounts receivable – trade rose by ¥10,519 million.

Net cash used in investment activities totaled ¥24,438 million (compared with net cash of ¥502 million used in the same period of the previous fiscal year). This was mainly attributable to an expenditure of ¥958 million for the purchase of long-term prepaid expenses, an expenditure of ¥1,220 million for loans, an expenditure of ¥19,496 million for the acquisition of subsidiaries’ shares, which required a change in the scope of consolidation due to the acquisition of SiTime, etc., and an expenditure of ¥1,145 million for a business transfer.

As a result, free cash flow – 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 used of ¥28,604 million (compared with ¥4,121 million in net cash used in the same period of the previous fiscal year).

Net cash provided by financing activities stood at ¥28,324 million (compared with net cash of ¥2,085 million provided in the same period of the previous fiscal year). This was chiefly attributable to an increase by ¥32,502 million in short-term loans payable reflecting short-term loans used for working capital and the acquisition of SiTime, while recording an expenditure of ¥2,124 million for repayments of long-term loans payable, and an expenditure of ¥1,262 million for the purchase of treasury shares.

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

There is no change in the forecast of consolidated operating results for the fiscal year ending March 2015, which is stated in the Brief Statements of Accounts (Japanese Accounting Standards) for the First Half of the Fiscal Year Ending March 31, 2015 (Consolidation), which were published on October 31, 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 the capital of Modiotek Co., Ltd. Modiotek Co., Ltd., and its three subsidiaries were therefore included in the scope of consolidation in and after the first quarter of the fiscal year under review.

In addition, Modiotek Co., Ltd., a consolidated subsidiary of the Company, acquired stocks of Magic Pixel Inc., and thus this company was included in the scope of consolidation in and after the second quarter of the fiscal year under review.

The Company acquired all of the shares of SiTime Corporation in the third quarter of the fiscal year under review and, therefore, this company was 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)	Q3 FY 2014 (As of December 31, 2014)
Assets		
Current assets:		
Cash and deposits	10,474,476	10,869,260
Notes and accounts receivable - trade	14,890,803	26,115,020
Merchandise and finished goods	1,907,826	2,104,190
Work in process	1,599,656	2,559,009
Raw materials and supplies	701,870	768,921
Deferred tax assets	1,711,641	1,738,568
Other	1,303,290	1,057,073
Allowance for doubtful accounts	-1,059	-1,788
Total current assets	32,588,504	45,210,255
Non-current assets:		
Property, plant and equipment		
Buildings	3,854,822	3,929,851
Accumulated depreciation	-2,807,798	-2,892,506
Buildings, net	1,047,023	1,037,344
Other	6,841,511	7,740,583
Accumulated depreciation	-6,014,380	-6,532,348
Other, net	827,131	1,208,234
Total property, plant and equipment	1,874,155	2,245,579
Intangible assets		
Goodwill	—	19,580,734
Technology asset	—	7,025,654
Other	649,081	1,736,359
Total intangible assets	649,081	28,342,748
Investments and other assets		
Investment securities	1,669,007	1,708,148
Long-term prepaid expenses	1,806,942	3,071,304
Deferred tax assets	3,539,214	3,535,257
Other	2,740,818	1,565,828
Total investment and other assets	9,755,983	9,880,539
Total non-current assets	12,279,220	40,468,866
Total assets	44,867,725	85,679,121

(Thousand yen)

	FY 2013 (As of March 31, 2014)	Q3 FY 2014 (As of December 31, 2014)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	4,154,275	5,816,372
Short-term loans payable	—	32,502,750
Current portion of long-term loans payable	2,833,332	2,125,003
Income taxes payable	141,461	1,283,872
Provision for bonuses	660,892	368,711
Provision for loss on construction contracts	462,728	299,907
Other provision	—	93,681
Deferred tax liability	2,212	240,725
Other	2,377,038	6,158,734
Total current liabilities	10,631,940	48,889,757
Non-current liabilities:		
Long-term loans payable	1,416,670	—
Deferred tax liability	17,866	2,898,280
Other	985,138	1,421,084
Total non-current liabilities	2,419,675	4,319,365
Total liabilities	13,051,615	53,209,122
Net assets		
Shareholders' equity:		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,181,300
Retained earnings	21,296,923	22,055,329
Treasury shares	-1,055,975	-2,318,962
Total shareholders' equity	31,262,561	30,757,980
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	-145,716	-120,156
Foreign currency translation adjustment	699,263	1,573,825
Total other accumulated comprehensive income	553,547	1,453,668
Minority interests	—	258,350
Total net assets	31,816,109	32,469,999
Total liabilities and net assets	44,867,725	85,679,121

(2) Consolidated statements of income and statements of comprehensive income
(Consolidated first three quarters)

(Thousand yen)

	Q3 FY 2013 (From April 1, 2013 to December 31, 2013)	Q3 FY 2014 (From April 1, 2014 to December 31, 2014)
Net sales	46,721,532	50,807,177
Cost of sales	34,866,858	36,458,885
Gross profit	11,854,674	14,348,291
Selling, general and administrative expenses	7,969,391	10,225,364
Operating income	3,885,282	4,122,926
Non-operating income		
Interest income	6,400	7,666
Dividends income	7,930	475
Gain on investments in partnership	4,875	7,424
Gain on forfeiture of unclaimed dividends	6,306	4,297
Foreign exchange gains	76,417	—
Proceeds from miscellaneous income	8,523	17,625
Total non-operating income	110,453	37,488
Non-operating expenses		
Interest expenses	42,623	48,759
Borrowing fee	—	30,491
Foreign exchange losses	—	943,228
Miscellaneous loss	12,722	12,764
Total non-operating expenses	55,346	1,035,244
Ordinary income	3,940,389	3,125,171
Extraordinary income		
Gain on sales of non-current assets	—	509
Gain on sales of investment securities	588,519	—
Total extraordinary income	588,519	509
Extraordinary loss		
Loss on valuation of inventories	197,113	—
Loss on retirement of non-current assets	35,961	3,540
Loss on valuation of investment securities	120,070	17,402
Special retirement expenses	—	28,186
Total extraordinary loss	353,145	49,129
Net income before taxes	4,175,763	3,076,551
Income taxes	-726,517	1,547,585
Income before minority interests	4,902,281	1,528,965
Minority interests in loss	—	-23,305
Net income	4,902,281	1,552,270
Minority interests in loss	—	-23,305
Income before minority interests	4,902,281	1,528,965
Other comprehensive income		
Valuation difference on available-for-sale securities	-259,361	25,559
Foreign currency translation adjustment	561,533	892,621
Total other comprehensive income	302,172	918,181
Comprehensive income	5,204,453	2,447,147
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,204,453	2,452,392
Comprehensive income attributable to minority interests	—	-5,245

(3) Consolidated statements of cash flows

(Thousand yen)

	Q3 FY 2013 (From April 1, 2013 to December 31, 2013)	Q3 FY 2014 (From April 1, 2014 to December 31, 2014)
Cash flows from operating activities		
Net income before taxes	4,175,763	3,076,551
Depreciation	466,721	580,034
Amortization of goodwill	—	70,328
Amortization of long-term prepaid expenses	729,115	811,467
Increase (decrease) in provision for bonuses	-281,073	-292,181
Increase (decrease) in provision for loss on construction contracts	-127,255	-162,820
Interest and dividend income	-14,330	-8,141
Interest expenses	42,623	48,759
Loss (gain) on sales of investment securities	-588,519	—
Loss (gain) on valuation of investment securities	120,070	17,402
Decrease (increase) in notes and accounts receivable - trade	-6,834,485	-10,519,746
Decrease (increase) in inventories	98,841	684,141
Increase (decrease) in notes and accounts payable - trade	746,440	956,007
Decrease (increase) in other assets	199,319	342,280
Increase (decrease) in other liabilities	-1,087,393	360,877
Other	1,896	64,729
Subtotal	-2,352,264	-3,970,308
Interest and dividends income received	14,645	8,227
Interest expenses paid	-43,883	-43,199
Income taxes refund	318	286,812
Income taxes paid	-1,237,067	-447,431
Net cash provided by (used in) operating activities	-3,618,252	-4,165,899
Cash flows from investing activities		
Payments into time deposits	-35,162	-113,250
Purchase of property, plant and equipment	-259,142	-564,780
Purchase of intangible assets	-122,754	-453,200
Proceeds from sales of investment securities	1,043,034	—
Purchase of investment securities	-30,726	—
Purchase of long-term prepaid expenses	-496,214	-958,422
Payments of loans receivable	-98,590	-1,220,538
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	-19,496,537
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	86,622
Payments for transfer of business	—	-1,145,225
Other	-503,432	-573,497
Net cash provided by (used in) investment activities	-502,987	-24,438,830
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,000,000	32,502,750
Repayments of long-term loans payable	-2,124,999	-2,124,999
Proceeds from disposal of treasury shares	95	—
Purchase of treasury shares	-48	-1,262,987
Cash dividends paid	-789,360	-790,546
Net cash provided by (used in) financing activities	2,085,686	28,324,216
Effect of exchange rate change on cash and cash equivalents	524,223	558,103
Net increase (decrease) in cash and cash equivalents	-1,511,329	277,591
Cash and cash equivalents at beginning of period	10,431,546	10,440,669
Cash and cash equivalents at end of period	8,920,217	10,718,260

(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.