

**Brief Statement of Accounts (Japanese Accounting Standards)
for the First Quarter of the Year Ending March 31, 2016 (Consolidated)**

July 31, 2015

MegaChips Corporation

Code number: 6875

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Scheduled date for submission of quarterly report: August 7, 2014

Scheduled date of start of payment of dividends: –

Supplementary documents for quarterly results: Yes

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

Listed exchange: TSE

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

(Amounts less than one million yen are omitted)

1. Consolidated operating results for the first quarter of the year ending March 31, 2016

(From April 1, 2015 to June 30, 2015)

(1) Consolidated operating results

(Figures in % refer to change from the same period a year earlier)

	Net sales		Operating income		Ordinary income		Profit Loss Attributable To Owners Of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of the year ending March 31, 2016	12,840	-3.6	-176	–	-270	–	-559	–
First quarter of the year ended March 31, 2015	13,325	-1.9	415	-58.9	406	-64.7	123	-95.7

(Note) Comprehensive income: -414 million yen (–%) for the first quarter of the year ending March 31, 2016
-77 million yen (–%) for the first quarter of the year ending March 31, 2015

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
First quarter of the year ending March 31, 2016	-25.01	–
First quarter of the year ended March 31, 2015	5.37	–

(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, 2016	70,459	31,180	44.0	1,386.56
Year ended March 31, 2015	77,830	32,355	41.3	1,438.09

(Reference) Shareholders' equity: As of the first quarter of the year ending March 31, 2016: ¥30,988 million
Year ended March 31, 2015: ¥32,139 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, 2015	–	–	–	34.00	34.00
Year ending March 31, 2016	–	–	–	–	–
Year ending March 31, 2016 (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. Amount of dividends paid is determined as equivalent to more than 30% of consolidated net income for the year taking medium-term business condition into consideration. Since the concrete dividend forecast is yet to be decided, “–” is shown for the annual dividend forecast.

3. Forecast of consolidated operating results (from April 1, 2015 to March 31, 2016)

(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, 2014.")

	Net sales		Operating income		Ordinary income		Profit Loss Attributable To Owners Of Parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending September 30, 2015	32,000	4.9	100	-94.4	0	-100.0	-600	—	-26.85
Full-year	70,000	9.0	3,200	-34.6	3,000	-11.8	1,000	-20.1	44.74

(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): None

New: —

Exception: —

(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: Yes

2) Changes in accounting policies other than that described above: Yes

3) Changes in accounting estimates: None

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 quarter of the year ending March 31, 2016 24,038,400 shares

Year ended March 31, 2015 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, 2016 1,689,450 shares

Year ended March 31, 2015 1,689,450 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, 2016 22,348,950 shares

First quarter of the year ended March 31, 2015 22,924,508 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 Quarter of the Year Ending March 31, 2016

(1) Explanation of consolidated operating results

In the electronic machinery and equipment industry in which the MegaChips Group operates, although demand for consumer electronic equipment declined, that for electronic parts and devices increased. Consequently, the entire electronic machinery and equipment market grew on a year-on-year basis.

In the ASIC business, the Group provides optimal solutions for customers' equipment and service applications for major customers both inside and outside of Japan, mainly in the areas of game consoles, digital cameras, office machines, liquid crystal panels and telecommunications equipment. The Group's competitiveness lies in its ability to harness its deep understanding of customers' applications and unique technologies to offer the development and supply of system LSIs incorporating original algorithms and architecture and offering outstanding performance and cost competitiveness through an integrated support system that covers all aspects from upstream logical design to downstream physical design, manufacturing operations and quality assurance.

To respond to changes in the market environment in Japan and overseas and to achieve further growth, taking advantage of the advent of IoT, the Group has launched an ASSP business for major global companies in growing device markets and is working to restructure its business portfolio. The Group is expanding its product lineup, primarily products in the IoT fields, which will constitute platforms. Meanwhile, to expand business relationships with major global companies in growing device markets, the Group is endeavoring to cultivate human resources that can work globally and is promoting changes in its businesses and earnings structure.

During the first quarter under review, demand for LSIs for storing game software (custom memories) and LSIs for liquid crystal panels declined, but demand for products in the SmartConnectivity (Display Port) business acquired in the previous fiscal year and for MEMS timing devices contributed to results. Consolidated net sales stood at ¥12,840 million (down 3.6% year on year). Expenses of ¥801 million arose from the amortization of goodwill and intangible fixed assets associated with aggressive acquisitions of overseas companies, and an operating loss of ¥176 million (compared with operating income of ¥415 million a year ago) was posted. The ordinary loss was ¥270 million (income of ¥406 million). The loss attributable to owners of the parent company was ¥559 million (a profit of ¥123 million).

From the first quarter under review, the Group is applying the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013) etc. Under the accounting standard applied, net loss is presented as "loss attributable to owners of the parent company."

Because the MegaChips Group operates under the one business segment, no statement related to segment information has been presented.

(2) Explanation of consolidated financial position

Total assets as of the end of the first quarter of the fiscal year under review amounted to ¥70,459 million (down ¥7,371 million from the previous fiscal year). Comparing major asset items with the previous consolidated fiscal year, cash and deposits declined by ¥2,526 million and notes and accounts receivable - trade fell by ¥4,601 million.

Total liabilities were ¥39,278 million (down ¥6,196 million). Comparing major items with the previous consolidated fiscal year, short-term loans payable, the current portion of long-term loans payable, and other current liabilities declined ¥1,777 million, ¥708 million, and ¥1,825 million, respectively.

Total net assets stood at ¥31,180 million (down ¥1,174 million). As a result, the shareholders' equity ratio rose 2.7 percentage points from the previous fiscal year, to 44.0%.

Cash and cash equivalents ("net cash") at the end of the first quarter of the fiscal year under review decreased ¥2,492 million from the previous fiscal year, to ¥10,536 million (compared with a decrease of ¥565 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 ¥3,395 million (compared with net cash of ¥3,171 million provided in the same period of the previous fiscal year). This was chiefly attributable to a quarterly loss before income taxes of ¥243 million (income of ¥407 million in the same period of the previous fiscal year), a fall in other liabilities of ¥760 million, and a decrease in notes and accounts receivable - trade of ¥4,683 million.

Net cash used in investment activities was ¥2,142 million (compared with net cash of ¥925 million used in the same period of the previous fiscal year). This was mainly attributable to the purchase of long-term prepaid expenses of ¥1,023 million and purchase of intangible assets of ¥395 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 net cash provided of ¥1,253 million (compared with ¥2,246 million in net cash provided in the same period of the previous fiscal year).

Net cash used in financing activities was ¥3,744 million (compared with net cash of ¥2,738 million used in the same period of the previous fiscal year). This was mostly attributable to a net decrease in short-term loans payable of ¥1,800 million, repayments of long-term loans payable of ¥1,208 million, and cash dividends paid of 735 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 2016, which is stated in the Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended March 31, 2015 as announced on May 13, 2015.

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 accounting estimate and restatement

(Changes in accounting policies)

(Application of the Accounting Standard for Business Combinations)

Starting the first quarter under review, the Company is applying the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22; September 13, 2013), and the Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7; September 13, 2013). Under these accounting standards, company recorded the difference by change in equity to subsidiaries that it continuously has full controlling interest as the capital surplus, and changed its counting method to record the acquisition-related cost as the expense of the consolidated financial year. For the business combinations conducted after the beginning of the term of the consolidated accounting period of the current first quarter, the review of the distribution of the acquisition cost by the tentative accounting settlement is reflected on the quarterly consolidated financial statements of the quarterly consolidated accounting period that the business combination date is included. In addition, the company changed the presentation of the quarterly net income as well as the presentation from the minority interests to the non-controlling interests. In order to reflect these changes in presentations, the company implemented the reclassification of the quarterly consolidated financial statements and the consolidated financial statements for previous consolidated three month ended June 30th, 2014 and previous consolidated financial year. The company follows a transitional handlings specified in Article 58-2 (4) of Account Standard for Business Combinations, Article 44-5 (4) of Accounting Standard for Business Divestitures and Article 57-4 (4) of Accounting Standard for Consolidated Statements for the application of Accounting Standard for Business Combinations since the beginning of the term of the consolidated accounting period of the current first quarter through the future. The changes have no impact on our profits and losses.

(Change in the method for valuating inventories)

The Company applied mainly the cost method using the weighted average method or the first-in first-out method to valuate inventories (excluding work in process). As the Company introduced a new mission-critical system, it reviewed the valuation method to better calculate appraised values and to improve operational efficiency and changed the valuation method. Starting the first quarter under review, the Company is applying mainly the cost method using the moving average method or the first-in first-out method.

Because the effect of the change is minor, the Company does not apply the new method retroactively.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

	FY 2014 (As of March 31, 2015)	Q1 FY 2015 (As of June 30, 2015)
Assets		
Current assets:		
Cash and deposits	13,182,156	10,655,296
Notes and accounts receivable - trade	17,046,826	12,445,438
Merchandise and finished goods	2,087,683	1,942,702
Work in process	2,707,564	2,155,402
Raw materials and supplies	671,070	1,478,924
Deferred tax assets	2,054,508	2,083,775
Other	1,281,288	1,421,940
Allowance for doubtful accounts	(132,297)	(123,424)
Total current assets	38,898,799	32,060,055
Non-current assets:		
Property, plant and equipment		
Buildings	3,942,161	3,941,047
Accumulated depreciation	(2,916,510)	(2,936,502)
Buildings, net	1,025,651	1,004,544
Other	7,794,375	7,970,644
Accumulated depreciation	(6,611,714)	(6,630,777)
Other, net	1,182,660	1,339,866
Total property, plant and equipment	2,208,311	2,344,411
Intangible assets		
Goodwill	19,498,248	18,985,189
Technical assets	6,979,823	6,756,462
Other	1,784,269	1,897,890
Total intangible assets	28,262,342	27,639,541
Investments and other assets		
Investment securities	1,808,949	1,921,547
Long-term prepaid expenses	3,516,785	3,365,072
Deferred tax assets	1,608,390	1,625,753
Other	1,527,201	1,514,313
Allowance for doubtful accounts	–	(11,508)
Total investment and other assets	8,461,326	8,415,178
Total non-current assets	38,931,980	38,399,131
Total assets	77,830,780	70,459,187

(Thousand yen)

	FY 2014 (As of March 31, 2015)	Q1 FY 2015 (As of June 30, 2015)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	5,201,778	4,862,228
Short term loans payable	11,701,700	9,924,500
Current portion of long-term loans payable	3,416,670	2,708,337
Income taxes payable	253,972	401,247
Provision for bonuses	691,459	197,840
Provision for loss on construction contracts	291,442	111,253
Other provision	–	22,749
Deferred tax liabilities	304,465	227,265
Other	7,321,424	5,495,522
Total current liabilities	29,182,912	23,950,942
Non-current liabilities:		
Long-term loans payable	12,000,000	11,500,000
Deferred tax liabilities	2,873,912	2,765,912
Other	1,418,615	1,061,834
Total non-current liabilities	16,292,527	15,327,747
Total liabilities	45,475,440	39,278,690
Net assets		
Shareholders' equity:		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,181,300
Retained earnings	21,754,605	20,435,706
Treasury shares	(2,318,962)	(2,318,962)
Total shareholders' equity	30,457,256	29,138,357
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	(75,807)	46,377
Foreign currency translation adjustment	1,758,447	1,803,514
Total other accumulated comprehensive income	1,682,640	1,849,891
Minority interests	215,442	192,247
Total net assets	32,355,339	31,180,496
Total liabilities and net assets	77,830,780	70,459,187

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

(Thousand yen)

	Q1 FY 2014 (From April 1, 2014 to June 30, 2014)	Q1 FY 2015 (From April 1, 2015 to June 30, 2015)
Net sales	13,325,754	12,840,069
Cost of sales	9,806,730	8,878,131
Gross profit	3,519,023	3,961,937
Selling, general and administrative expenses	3,103,124	4,138,863
Operating income (loss)	415,899	(176,925)
Non-operating income		
Interest income	1,880	2,954
Dividends income	475	—
Gain on forfeiture of unclaimed dividends	4,297	—
Proceeds from miscellaneous income	6,655	2,439
Total non-operating income	13,308	5,394
Non-operating expenses		
Interest expenses	8,865	40,170
Foreign exchange losses	4,722	52,521
Miscellaneous loss	8,929	6,596
Total non-operating expenses	22,517	99,288
Ordinary income (loss)	406,690	(270,819)
Extraordinary income		
Gain on sales of non-current assets	509	—
Gain on sales of investment securities	—	59,647
Total extraordinary income	509	59,647
Extraordinary loss		
Loss on retirement of non-current assets	117	32,323
Total extraordinary loss	117	32,323
Income (loss) before income taxes	407,083	(243,496)
Income taxes	283,986	342,043
Profit (loss)	123,096	(585,539)
(Profit attributable to)		
Profit (loss) attributable to owners of parent	123,096	(559,035)
Loss attributable to non-controlling interests	—	(26,504)
Other comprehensive income		
Valuation difference on available-for-sale securities	(53,040)	122,184
Foreign currency translation adjustment	(147,936)	48,376
Total other comprehensive income	(200,976)	170,561
Comprehensive income	(77,879)	(414,978)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(77,879)	(391,783)
Comprehensive income attributable to minority interests	—	(23,195)

(3) Consolidated statements of cash flows

(Thousand yen)

	Q1 FY 2014 (From April 1, 2014 to June 30, 2014)	Q1 FY 2015 (From April 1, 2015 to June 30, 2015)
Cash flows from operating activities		
Net income before taxes	407,083	(243,496)
Depreciation	142,791	531,527
Amortization of goodwill	–	495,687
Amortization of long-term prepaid expenses	256,866	294,901
Increase (decrease) in provision for bonuses	(346,782)	(493,619)
Increase (decrease) in provision for loss on construction contracts	(48,575)	(180,189)
Interest and dividend income	(2,355)	(2,954)
Interest expenses	8,865	40,170
Loss gain on sales of investment securities	–	(59,647)
Decrease (increase) in notes and accounts receivable - trade	975,240	4,683,339
Decrease (increase) in inventories	1,038,138	(90,690)
Increase (decrease) in notes and accounts payable - trade	121,232	(368,827)
Decrease (increase) in other assets	176,880	(88,023)
Increase (decrease) in other liabilities	562,355	(760,283)
Other	27,811	76,055
Subtotal	3,319,552	3,833,951
Interest and dividends income received	2,355	2,289
Interest expenses paid	(9,417)	(38,587)
Income taxes refund	–	50
Income taxes paid	(141,229)	(401,794)
Net cash provided by (used in) operating activities	3,171,260	3,395,909
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	–	39,714
Purchase of property, plant and equipment	(128,343)	(290,871)
Purchase of intangible assets	(68,311)	(395,713)
Proceeds from sales of investment securities	–	65,517
Purchase of long-term prepaid expenses	(499,731)	(1,023,063)
Payments of loans receivable	(3,770)	(13,956)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	86,622	–
Other	(311,506)	(524,507)
Net cash provided by (used in) investment activities	(925,041)	(2,142,880)
Cash flows from financing activities		
Net increase (decrease) in short term loans payable	–	(1,800,000)
Repayments of long-term loans payable	(708,333)	(1,208,333)
Purchase of treasury shares	(1,262,987)	–
Cash dividends paid	(767,202)	(735,930)
Net cash provided by (used in) financing activities	(2,738,523)	(3,744,263)
Effect of exchange rate change on cash and cash equivalents	(73,039)	(918)
Net increase (decrease) in cash and cash equivalents	(565,344)	(2,492,153)
Cash and cash equivalents at beginning of period	10,440,669	13,028,308
Cash and cash equivalents at end of period	9,875,325	10,536,154

(4) Notes relating to quarterly consolidated financial statements

Note on going concern assumptions

None

Notes to significant changes in shareholders' equity

None