
MegaChips Corporation

Results for the 3Q in Fiscal Year
ending March 31, 2008

(Securities Code No: 6875)

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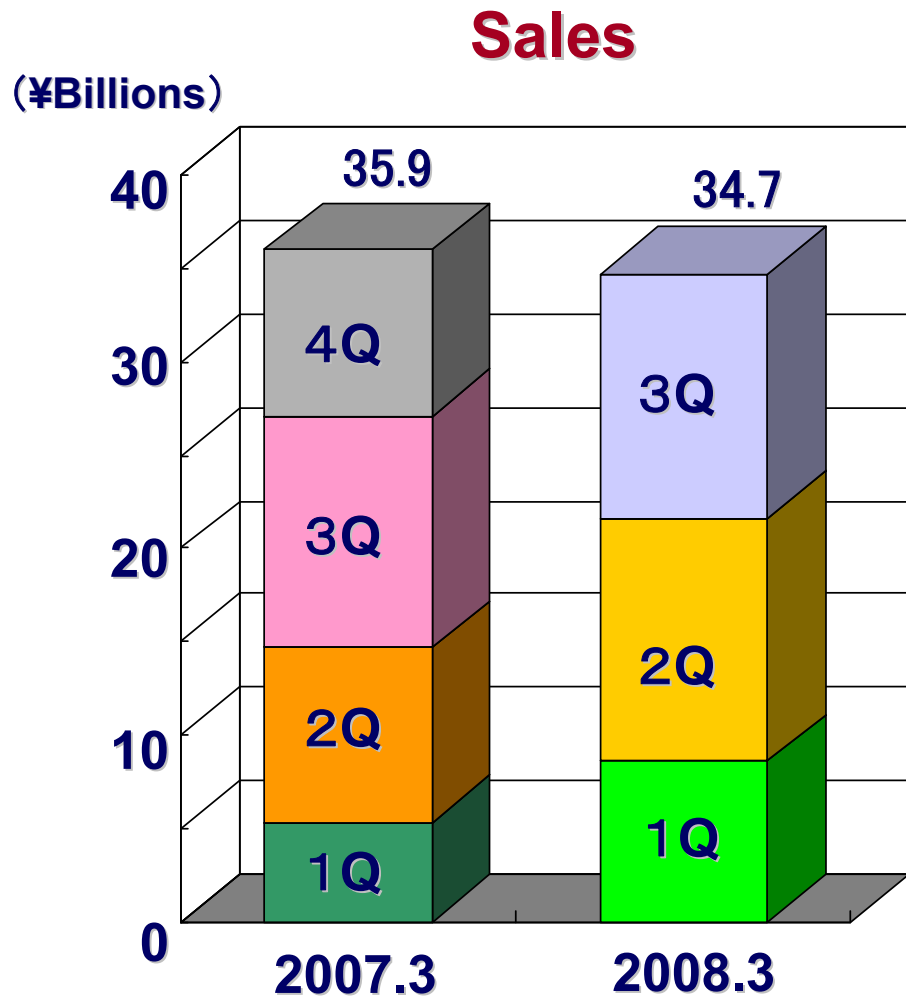
**Results for the 3Q
in Fiscal Year ending
March 31, 2008**

Consolidated Statement of Income

(¥ Millions)		2008.3 Results for Apr.- Dec. (1)	2007.3 Results for Apr.- Dec. (2)	2008.3 14/5/07 Forecast for whole year (3)	Changes from (2) to (1)	Achievement ratio (1)/(3)
LSI Business	Sales	38,285	31,202	50,000	+ 22.7%	76.6%
	Operating Profit	3,397	2,665	3,500	+ 27.5%	97.2%
System Business	Sales	1,794	1,817	5,800	- 1.3%	30.9%
	Operating Profit	- 545	-225	100	—	—
Consolidated	Sales	40,079	33,019	55,800	+ 21.4%	71.8%
	Operating Profit	2,788	2,386	3,600	+ 16.8%	77.4%
	Recurring Profit	2,697	2,364	3,600	+ 14.1%	74.9%
	Net income	2,167	1,236	2,650	+ 75.3%	81.8%
	Net income per share(¥)	87.46	49.92	106.91	+ 75.2%	81.8%

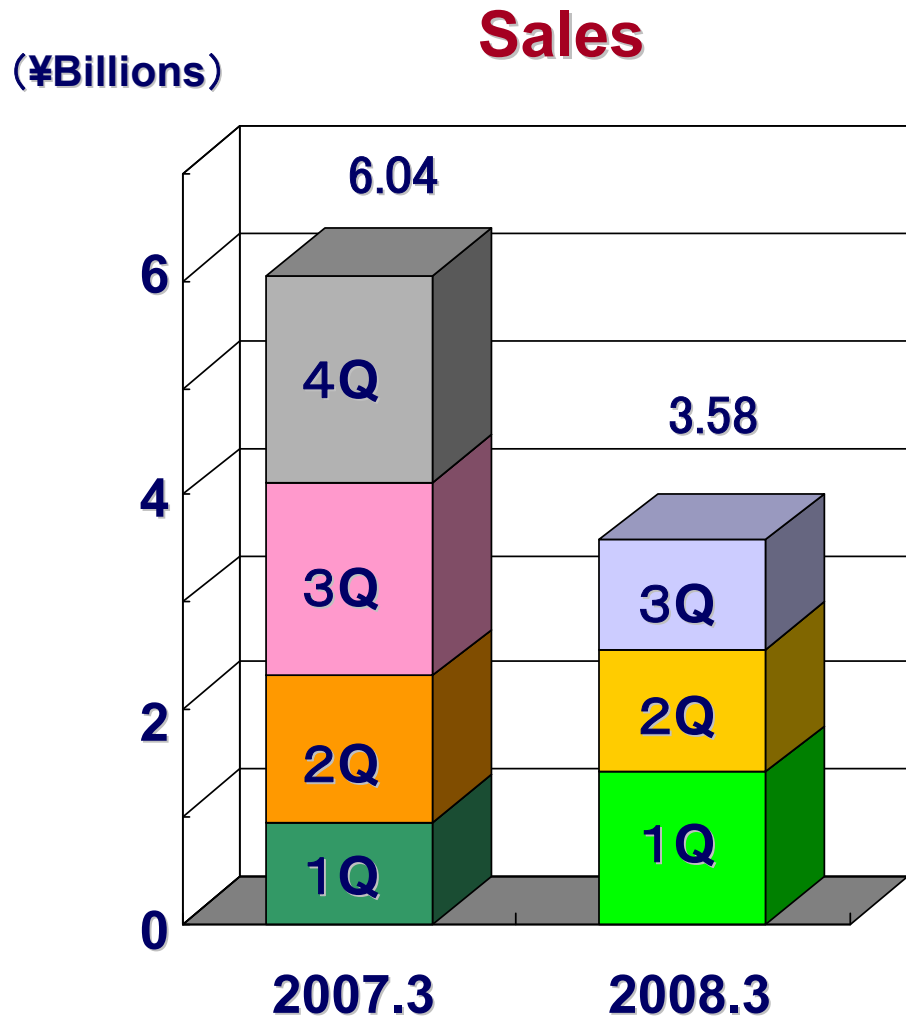
“2008.3 forecast for whole year(3)” is the previous release in May 14th, 2007.

Operations and Results for ASIC Business



- Sales rose year on year, coming close to the plan.
- The healthy performance of software-storage LSI for portable game consoles was a primary factor in the sales growth.

Operations and Results for ASSP Business

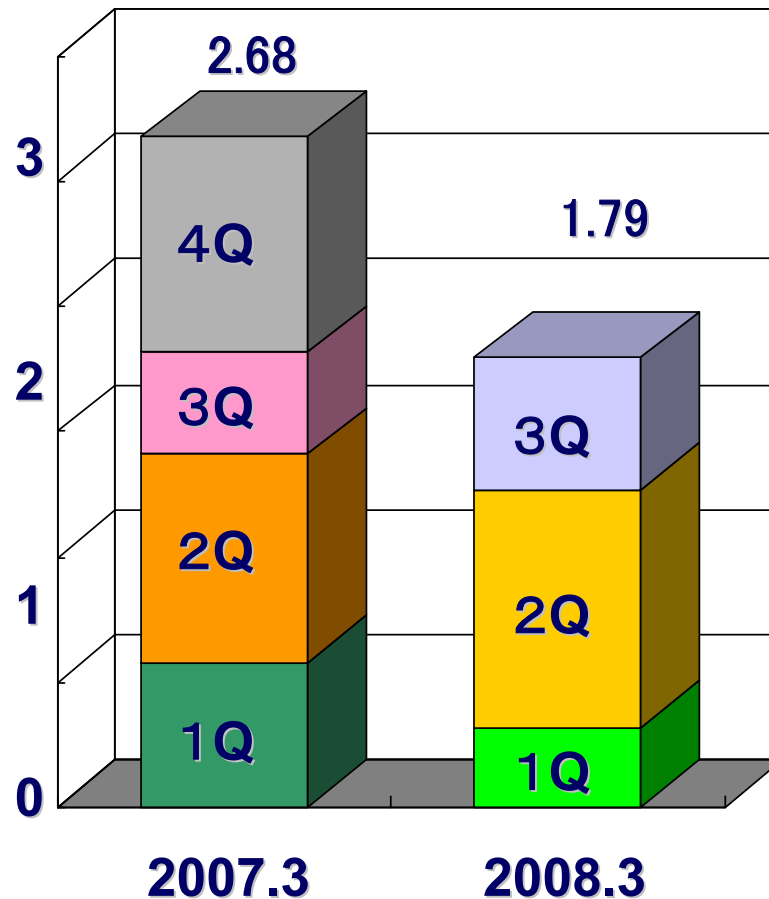


- Sales declined year on year, resulting in a failure to achieve the plan.
- While demand grew, mainly for OFDM demodulation LSI for one-segment digital terrestrial broadcasting, a slowdown in shipments of memory products for Japan and China produced a year-on-year sales decrease.

Operations and Results for System Business

Sales

(¥Billions)



- Sales remained flat year on year and fell short of the plan.
- While customer-specific video monitoring equipment boosted sales following the new product launch in 2Q, existing MegaChips-brand products saw a sales fall.
- New self-security products that were launched in the current term were slow to penetrate the market.

Consolidated Balance Sheet

(Million yen)	2007.12	2007.3	Change	(Million yen)	2007.12	2007.3	Change
Assets				Liabilities			
Current assets	33,022	26,040	6,982	Current liabilities	17,569	10,446	7,123
Cash and cash equivalents	3,827	4,737	- 910	Payables	4,285	4,640	- 355
Receivables	26,489	18,316	8,173	Short-term debt	12,000	4,000	8,000
Inventories	2,243	2,357	- 114	Income taxes payable	428	968	- 540
Fixed assets	9,483	6,301	3,182	Fixed liabilities	2,091	2,202	- 111
Tangible fixed assets	189	160	29	Total liabilities	19,661	12,648	7,013
Intangible fixed assets	172	154	18	Total net assets	22,844	19,693	3,151
Investment & other assets	9,121	5,986	3,135	Total liabilities & Net asset	42,505	32,342	10,163
Total assets	42,505	32,342	10,163				

- Assets rose 10,163 million yen from the end of the previous term. Current assets were up 6,982 million yen and fixed assets climbed 3,182 million yen. Among current assets, notes and accounts receivables increased 8,173 million yen. In fixed assets, there was 3,135 million yen growth in investment and other assets. The rise in investment and other assets largely reflects the expansion of unrealized gains on investment securities and long-term prepaid expenses. Long-term prepaid expenses increased because certain expenses associated with preparations for mass production included in consigned development, which were previously recorded in inventories, have been transferred to long-term prepaid expenses. The reason for the transfer is the increased amount of work to secure productivity, reliability, and quality in mass production in association with an expansion in the size of outsourced development.
- Liabilities increased 7,123 million yen from the end of the previous term. By item, payables slid 355 million yen whereas short-term debts were up 8,000 million yen.
- Net assets expanded 3,151 million yen from the end of the previous term. A positive balance was created by a capital increase attributable to net income and other factors and a capital decrease with the distribution of profits, including the payment of dividends.

Consolidated Cash Flows

(Million yen)	2008.3 3Q	2007.3 3Q	2007.3	Change
Cash flows from operating activities	- 7,080	- 7,445	- 1,919	365
Income before income taxes and minority interests (+)	2,586	2,350	2,855	236
Decrease (+) / increase (-) in receivables	- 8,182	- 7,720	-4,527	- 462
Decrease (+) / increase (-) in inventories	- 703	- 1,669	- 1,387	966
Increase (+) / decrease (-) in payables	- 353	280	1,597	- 633
Income taxes refunded (+) / paid (-)	- 720	- 861	-862	- 141
Cash flows from investing activities	- 1,374	- 491	- 660	- 883
Cash flows from financial activities	7,571	6,631	2,633	940
Cash and cash equivalents	3,827	3,370	4,737	457
Free cash flows (Cash flows from operating activities + cash flows from investing activities)	- 8,454	- 7,937	-2,579	- 517

- Cash flows from operating activities generated expenditures totaling 7,080 million yen. Underlying factors include 2,586 million yen in income before income taxes and minority interests, receivables growth of 8,182 million yen, a increase in inventory of 113 million yen, a decrease in payables of 353 million yen and 720 million yen in income taxes paid.
- Cash flows from investing activities generated expenditures totaling 1,374 million yen. Long-term prepaid expenses increased because certain expenses associated with preparations for mass production included in consigned development, which were previously recorded in inventories, have been transferred to long-term prepaid expenses. The reason for the transfer is the increased amount of work to secure productivity, reliability, and quality in mass production in association with an expansion in the size of outsourced development.
- Cash flows from financing activities generated income totaling 7,571 million yen. The income is attributable to such factors as increased short-term borrowings.

Forecasts for the Fiscal Year ending March 31, 2008

Forecasts for the Fiscal Year ending March 31, 2008

(¥ Millions)		2008.3 (2/4/08 forecast) (1)	2007.3 (5/14/07 forecast) (2)	2006.3 Results for whole year (3)	Changes from (2) to (1)	Changes from (3) to (1)	
LSI business	Sales	ASIC	42,000	42,000	35,979	0.0%	+ 16.7%
		ASSP	8,000	8,000	6,040	0.0%	+ 32.5%
		50,000	50,000	42,020	0.0%	+ 19.0%	
	Operating profit	3,700	3,500	3,173	+ 5.7%	+ 16.6%	
System business	Sales	5,800	5,800	2,675	0.0%	+ 116.8%	
	Operating profit	- 100	100	-187	0.0%	—	
Consolidated	Sales	55,800	55,800	44,696	0.0%	+ 24.8%	
	Operating profit	3,600	3,600	2,920	0.0%	+ 23.3%	
	Recurring Profit	3,600	3,600	2,869	0.0%	+ 25.5%	
	Net income	2,650	2,650	1,519	0.0%	+ 74.5%	
	Net income per share(¥) ※1	106.91	106.95	61.34	- 0.0%	+ 74.3%	

※1 The basis for the calculation will change with the exercise of stock options or treasury stock acquisitions.

The Medium-term business strategy

Summary of the Medium-Term Plan

1. Enter into growing areas for business expansion

- (a) Digital TV for mobile devices and high definition audio-visuals
- (b) Fully digital CCTV (inc. digital CCTV cameras) and home security

2. Aim for new growth as a solutions provider

(a) Systematically combine internally accumulated capabilities for LSIs and systems to diversify business models.

- Provide, IP, LSIs, module or board centered on proprietary LSIs and software tailored to customers' needs and business characteristics as well as LSI and system product design services for major customers.

(b) Build momentum through alliances.

- Offer solutions to leading customers.
- Supply chipsets and system solutions in collaboration with other companies.
- Strengthen ties with production partners to cultivate customers.

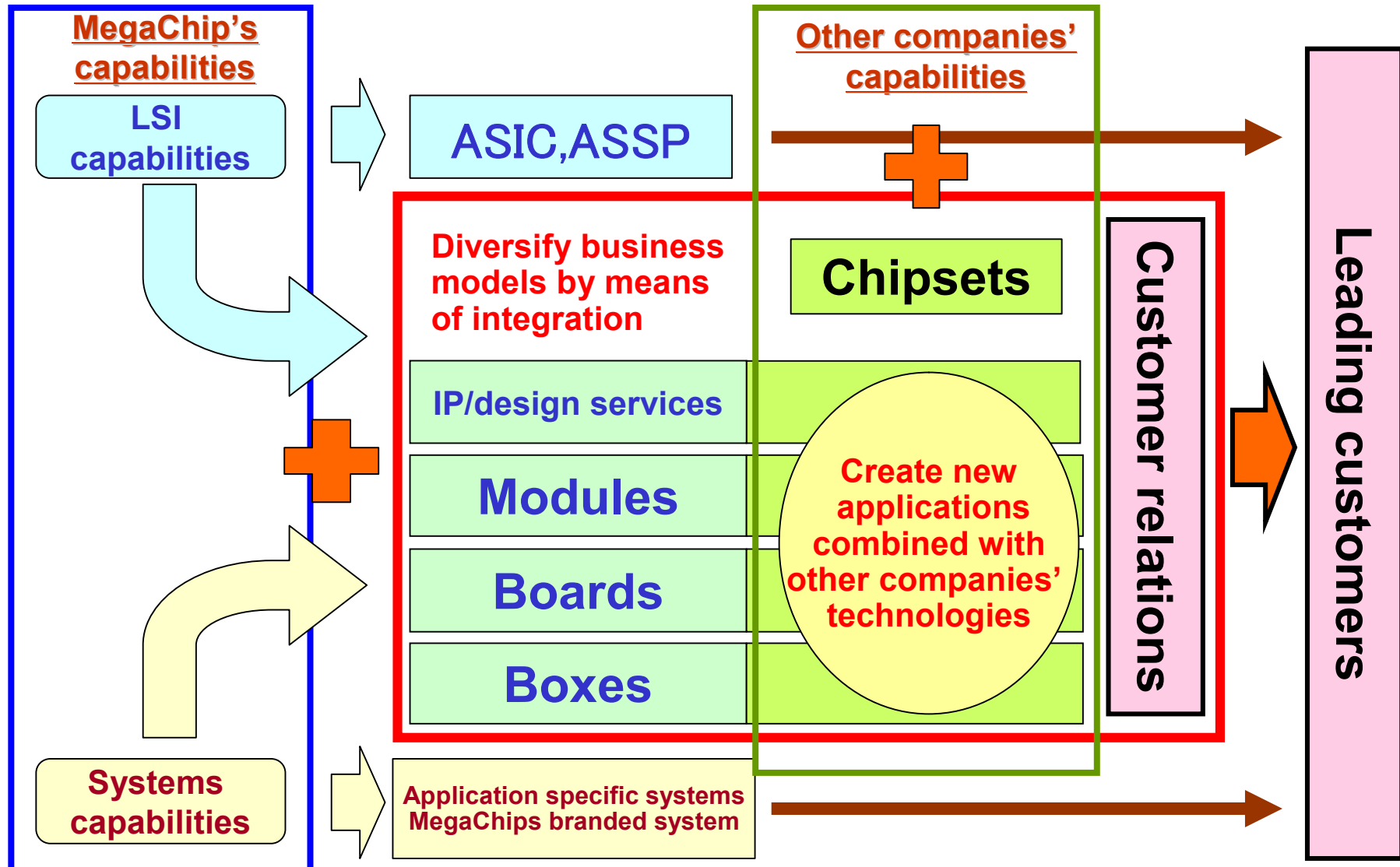
3. Ensure an appropriate balance among businesses

Secure the right balance among businesses through the increased supply of ASSP, system products, modules, boards and other solutions.

4. Provide a positive return to shareholders

Adopt a performance-linked dividend policy.
Achieve a dividend payout target of 30%.

Diversify Business Models



LSI Business Strategy

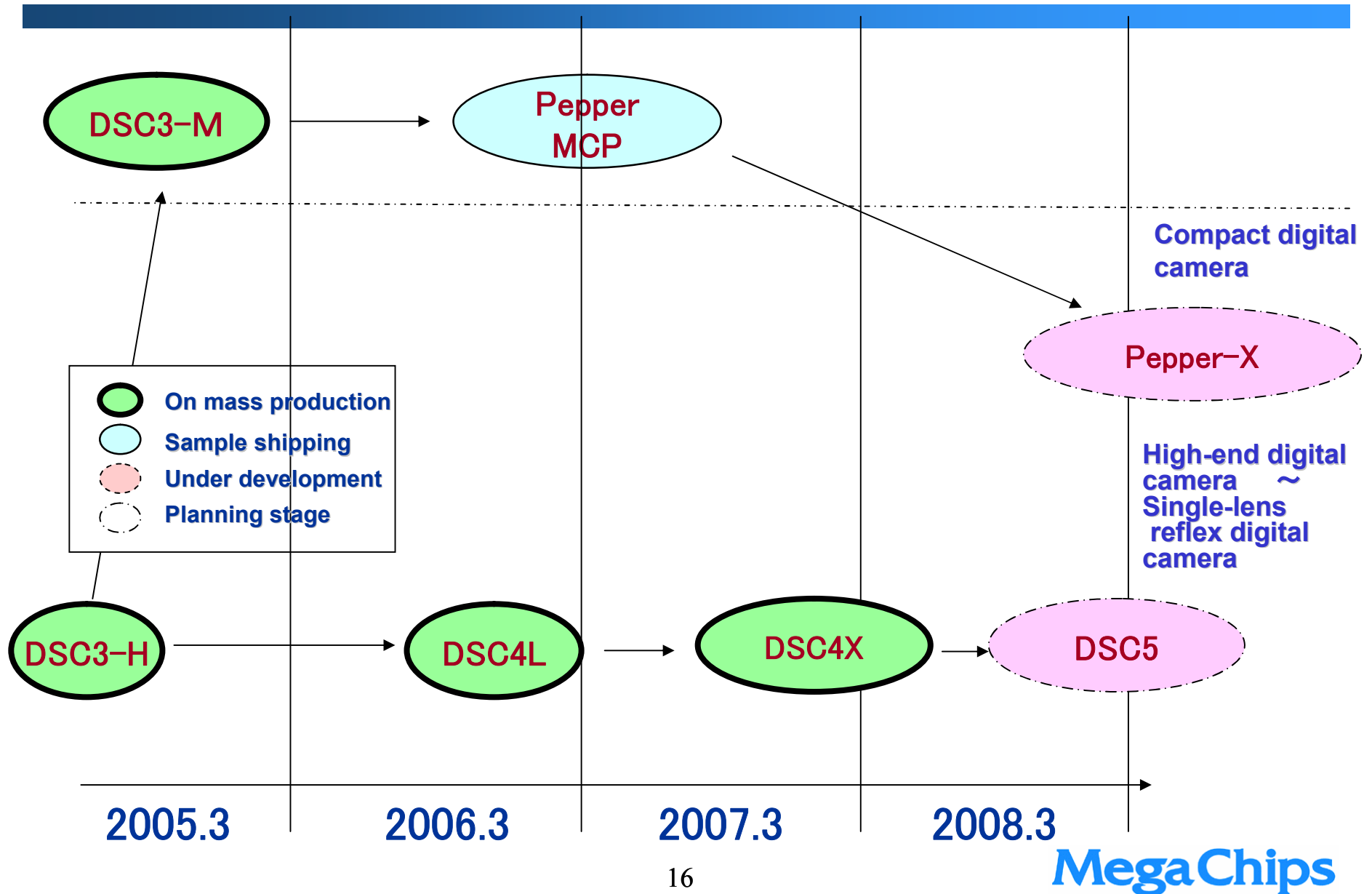
ASIC (The revenue base)

- Offer a broad array of our own proprietary technologies and those of our alliance partners to help differentiate customer equipment. Concurrently, diversify the products we supply.

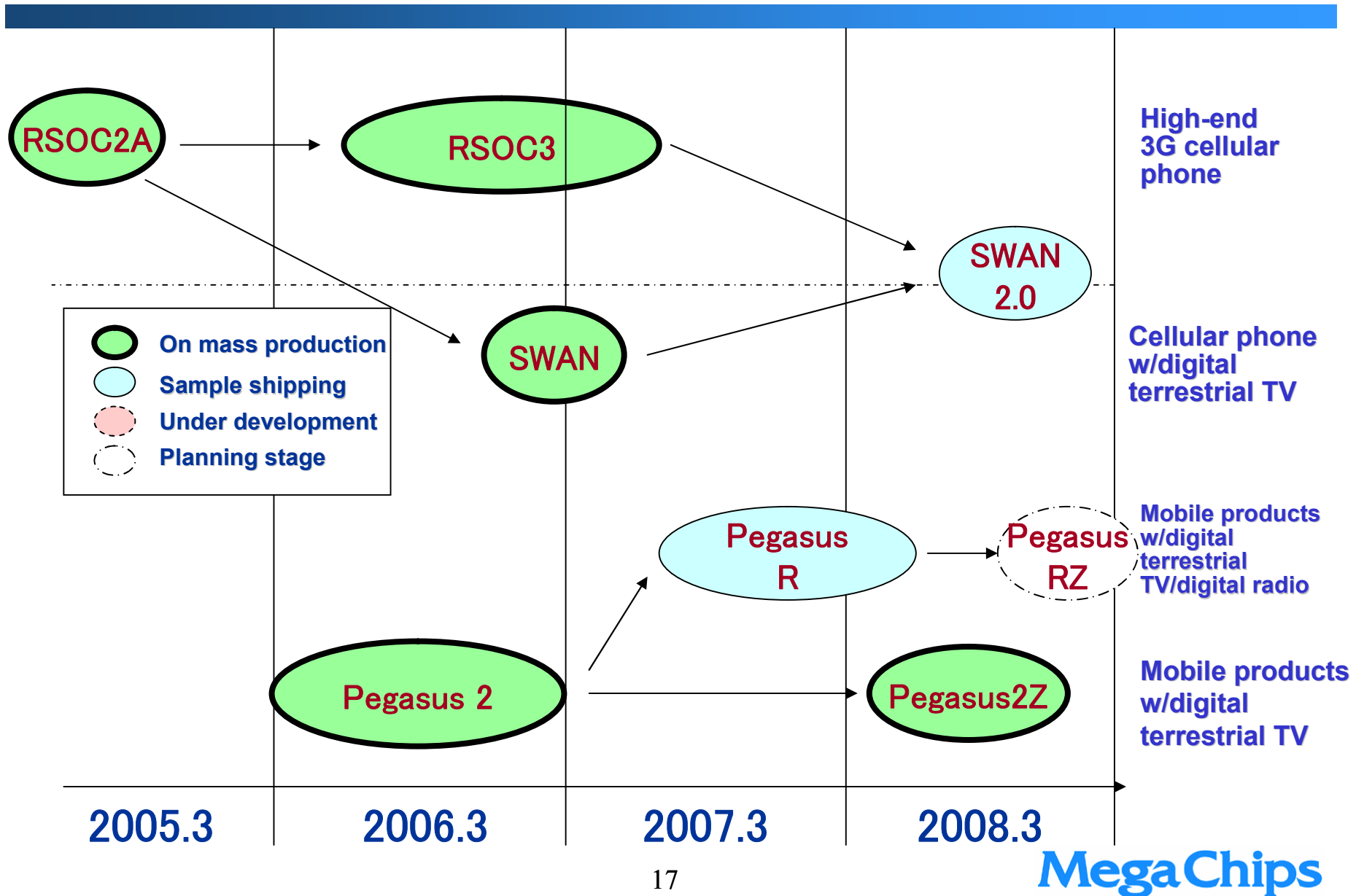
ASSP (For future growth)

1. Expand applications and the customer base.
 - Build on existing multimedia cellular phone and high resolution digital camera applications to develop new applications such as compact digital cameras, cellular phones with digital TV reception features, in-car televisions, and high definition video equipment.
 - Expand the scope of application from high-end to low-end models.
2. Improve the chances of successful market entry through joint development with customers and alliance partners.
3. Expand business as a solution provider by using MegaChip's own capabilities to develop system products and by collaborating with other companies. Enlarge the array to cover IP, modules and board products.

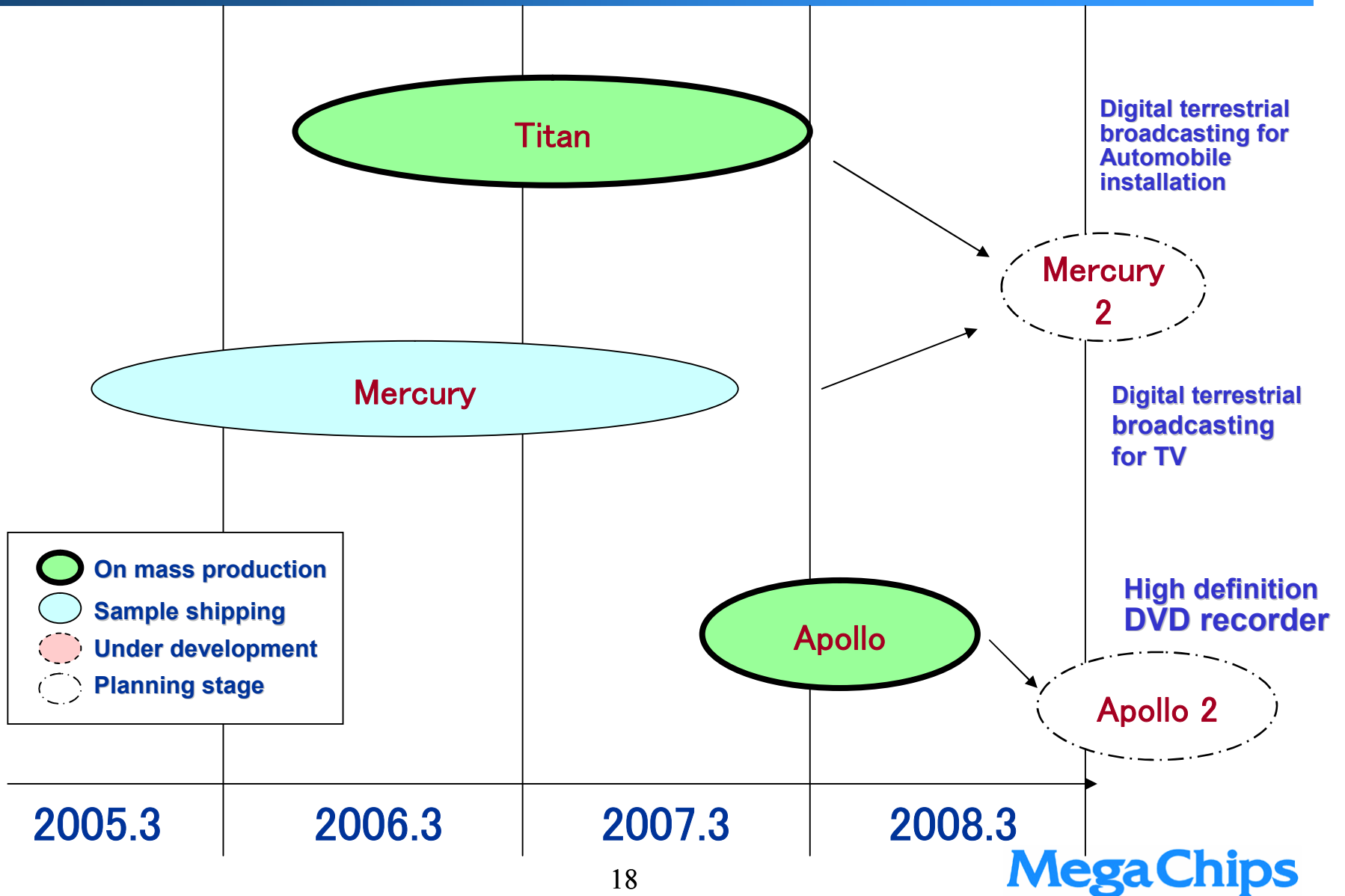
ASSP Products Roadmap (DSC)



ASSP Products Roadmap (Multimedia for mobile devices)



ASSP Products Roadmap (High definition AV)

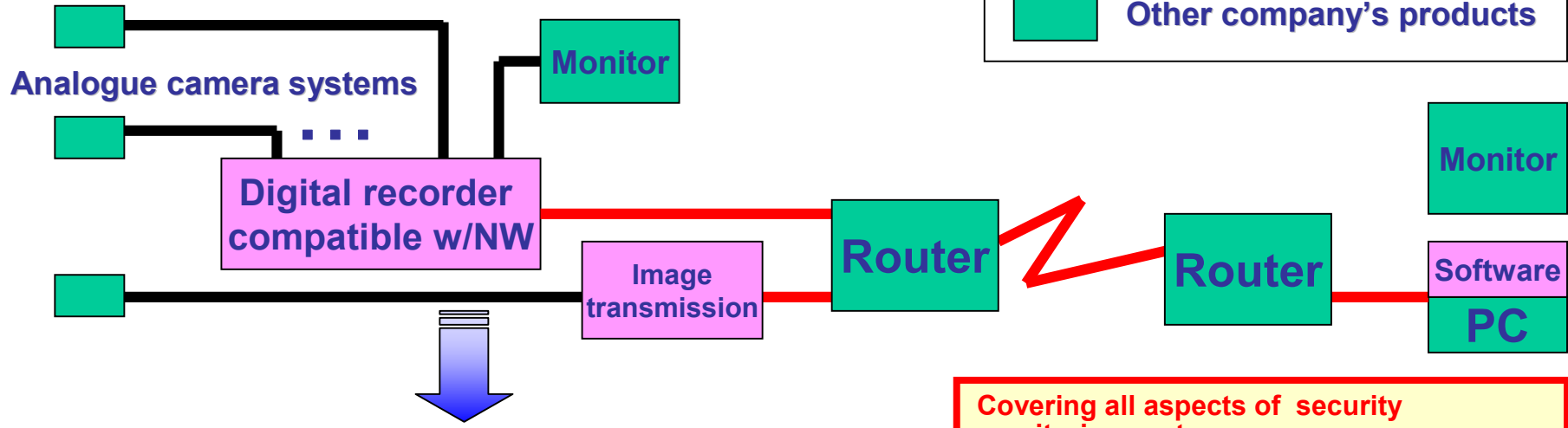


Systems Business Strategy

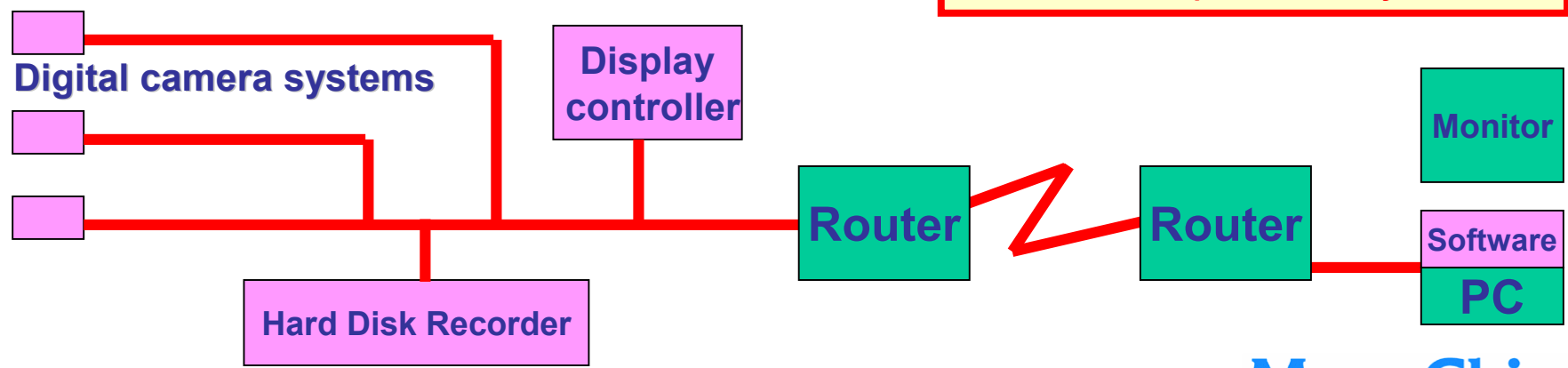
- 1. Expand the scope of target equipment to keep pace with the trend towards digital security monitoring solutions. (Launch digital devices and enter the monitoring camera market.)**
- 2. Enter the market for video monitoring systems for home use in addition to the constantly growing market of video monitoring systems for business applications.**
- 3. Adopt overseas production subcontractors to increase diversity and reduce costs.**
- 4. Expand by turning dedicated imaging systems optimized for major customers into a “base load” business.**
- 5. Generate sales revenue by providing wireless video intercom system designed for physical security market.**

Commercial System Business Expansion

Security monitoring systems mixed w/digital and analogue



Fully digital CCTV security monitoring systems



Covering all aspects of security monitoring systems.
Expansion into the home security market in addition to corporate security market.

Security System

Generate sales revenue by providing wireless video intercom system designed for physical security market.

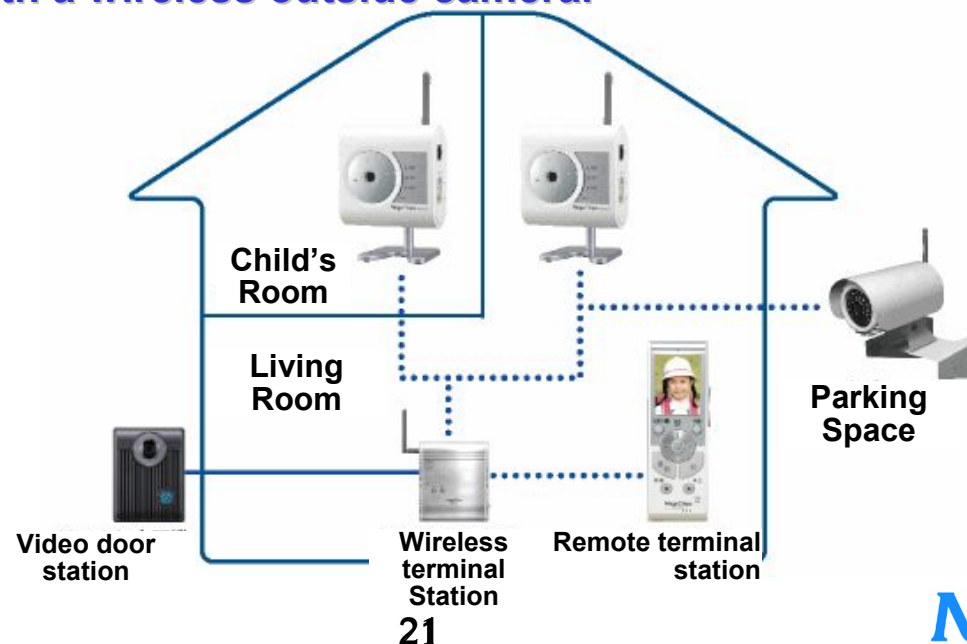
Wireless Video Intercom System with security features

Basic Package:

A video door station, a wireless terminal station and a remote monitor station

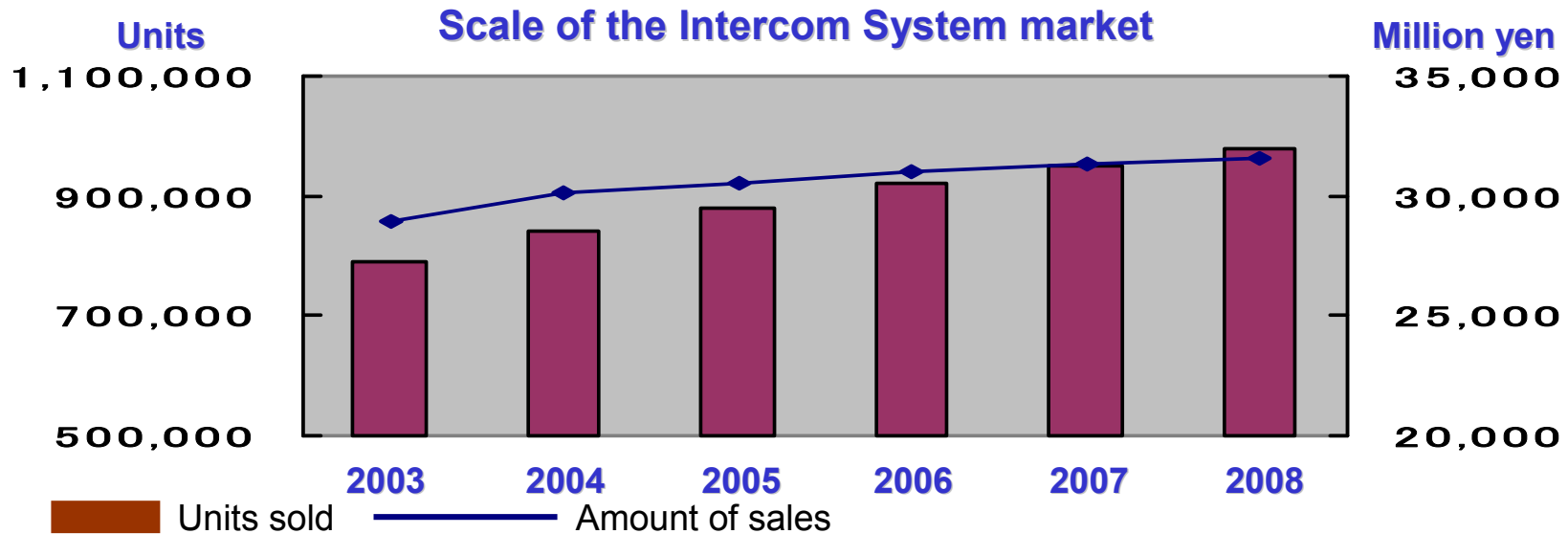
Optional Accessories: Indoor and outdoor wireless cameras

- Seamless Seamless motion-images (15 images per second) by Wi-Fi technology.
- A “location-free” monitor station for viewing who’s at the door or outside.
- Expandable system by the wireless LAN system
- Ease of integrate with a wireless outside camera.



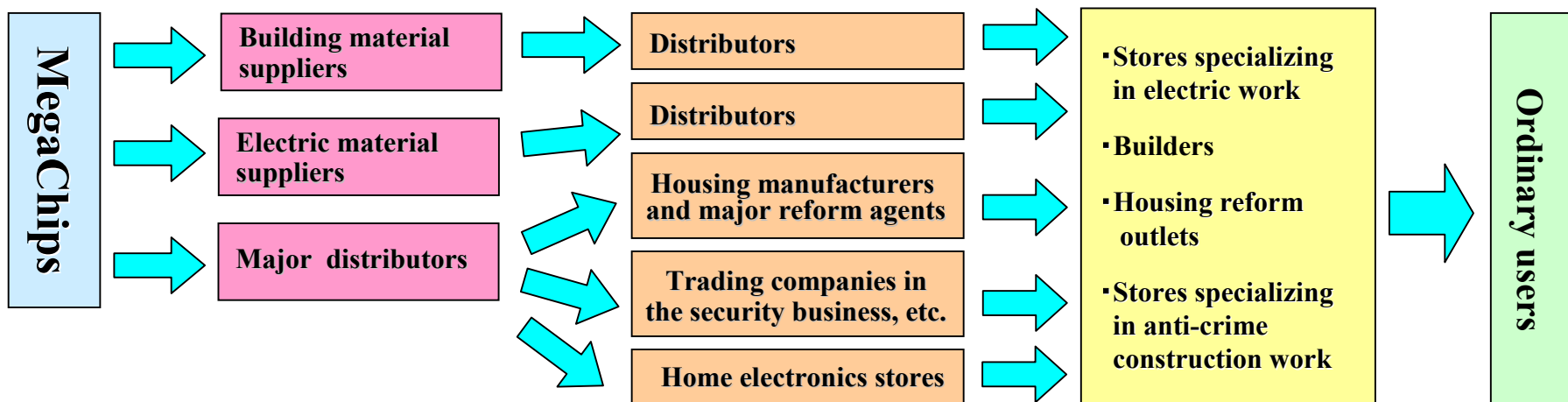
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The Intercom System Market and Sales Channels



* Source: Fuji Keizai *Future Prospect of Security Related Markets 2006*

Sales Channels



MegaChips

Key Investment Highlights

The LSI business and the system business have promoted an original growth field in each business. Additionally, we organically combine the two businesses capabilities and aim a new growth as a solution provider.

LSI Business

- Retain ASICs as a foundation for revenue.
- Build on existing multimedia cellular phone and high resolution digital camera applications to develop new applications such as compact digital cameras, cellular phones with digital TV reception features, in-car televisions, and high definition video equipment. Expand the scope of application from high-end to low-end models.

- Integrate LSI Business and Systems Business capabilities and build ties with other companies to expand business as a solution provider.

Systems Business

- Expand the scope of target equipment to keep pace with the trend towards digital security monitoring solutions. (Launch digital devices and enter the monitoring camera market.) Move into the home-use market in addition to the steadily growing market for business applications.
- Generate sales revenue by providing wireless video intercom system designed for physical security market.

IR Policy

» Purposes of investor relations and basic policy

MegaChips is committed to active investor relations based on transparent, fair and timely disclosure. Our goal is to receive fair, appropriate share pricing that is relevant to corporate value and to gain trust and a solid reputation among shareholders, investors, analysts, and other stakeholders.

» Disclosure rules

MegaChips provides information fully in compliance with the regulations of the Tokyo Stock Exchange on timely disclosure. We also disclose information deemed necessary or useful to shareholders, investors, and analysts to satisfy their interests in our company.

» Disclosure method

All information defined by the regulations of the Tokyo Stock Exchange is first reported to the Exchange, and registered with their TDnet (Timely Disclosure Network) database. We also publish press releases on the information.

IR Policy

» Forward-looking statements

The information MegaChips discloses may contain forward-looking statements that reflect management's current views with regard to certain future events and financial performance. These statements are based on the current assumptions and beliefs of the MegaChips Group in light of the data and information currently available, and actual results may differ materially from those projected or implied in the statements. Accordingly, we wish to caution readers to refrain from placing undue reliance on them in making investing and other decisions.

» IR “Quiet Period”

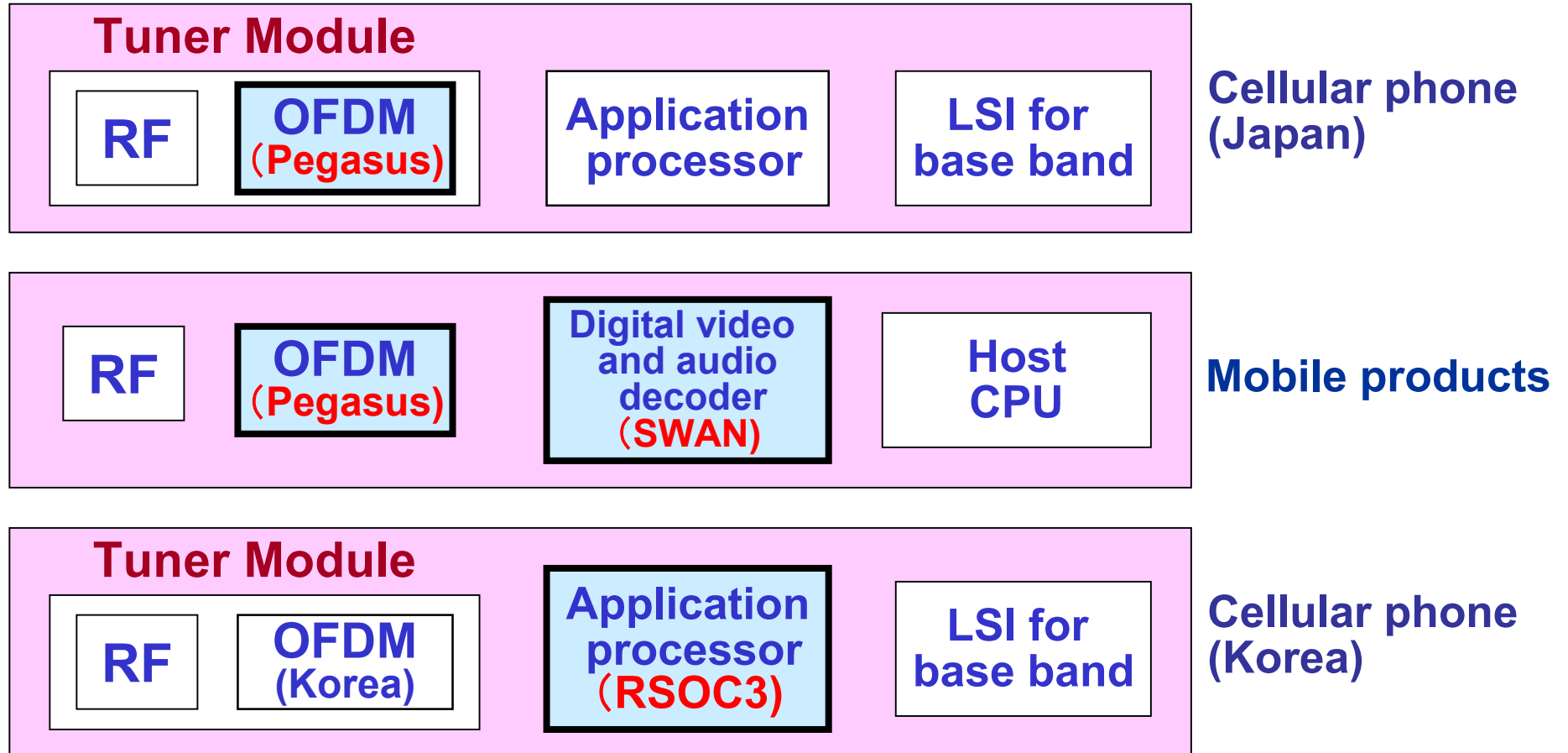
MegaChips observes a "Quiet Period" from 10 business days immediately before the end of each quarter until the announcement of its financial results, in order to prevent information leaks that may affect stock prices during the preparation of financial results announcement. During this period, the management refrains from giving press interviews, participating in meetings, and responding to questions and inquiries about financial results and forecasts. However, drastic forecast revision and other crucial information, as defined in the "timely disclosure rules" of the Tokyo Stock Exchange, shall be readily available during the period.

Reference data

Outline of the Medium-term Plan (R&D)

(¥ Millions)	2007.3		2008.3		2009.3	2010.3
	Results for 3Q	Results for whole year	Results for 3Q	Forecast for whole year	Forecast for whole year	Forecast for whole year
LSI business	867	1,204	947	1,500	2,100	2,600
System business	72	88	54	200	600	1,200
Total	940	1,293	1,001	1,700	2,700	3,800

Digital terrestrial broadcasting system architecture



 : MegaChips products

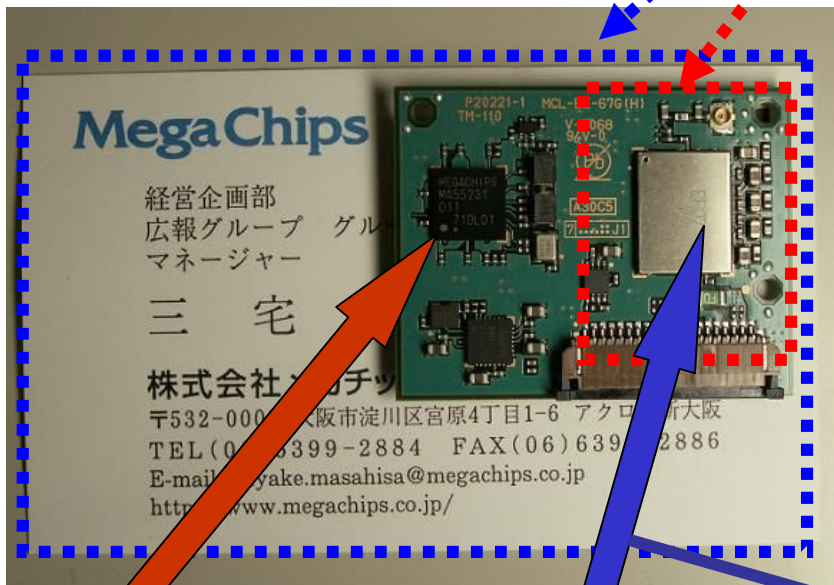
Digital terrestrial TV solutions

Tuner unit

Current unit size

Next-generation unit size

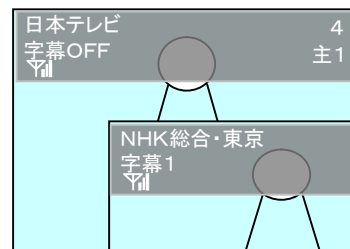
Software



AV decoder LSI for one-segment digital terrestrial broadcasting

Tuner module with built-in OFDM demodulation LSI for one-segment digital terrestrial broadcasting

Station search



EPG (electronic program guide) display

番組リスト		5月22日(火)
1	NHK総合・東京	
09:30-09:55	きょうの料理プラス	
09:55-10:00	ニュース・気象情報	
10:00-11:54	国会中継	

Station list display

チャンネルリスト	
1	NHK総合・東京
2	NHK教育・東京
4	日本テレビ
5	テレビ朝日
6	TBS
7	テレビ東京
8	フジテレビジョン

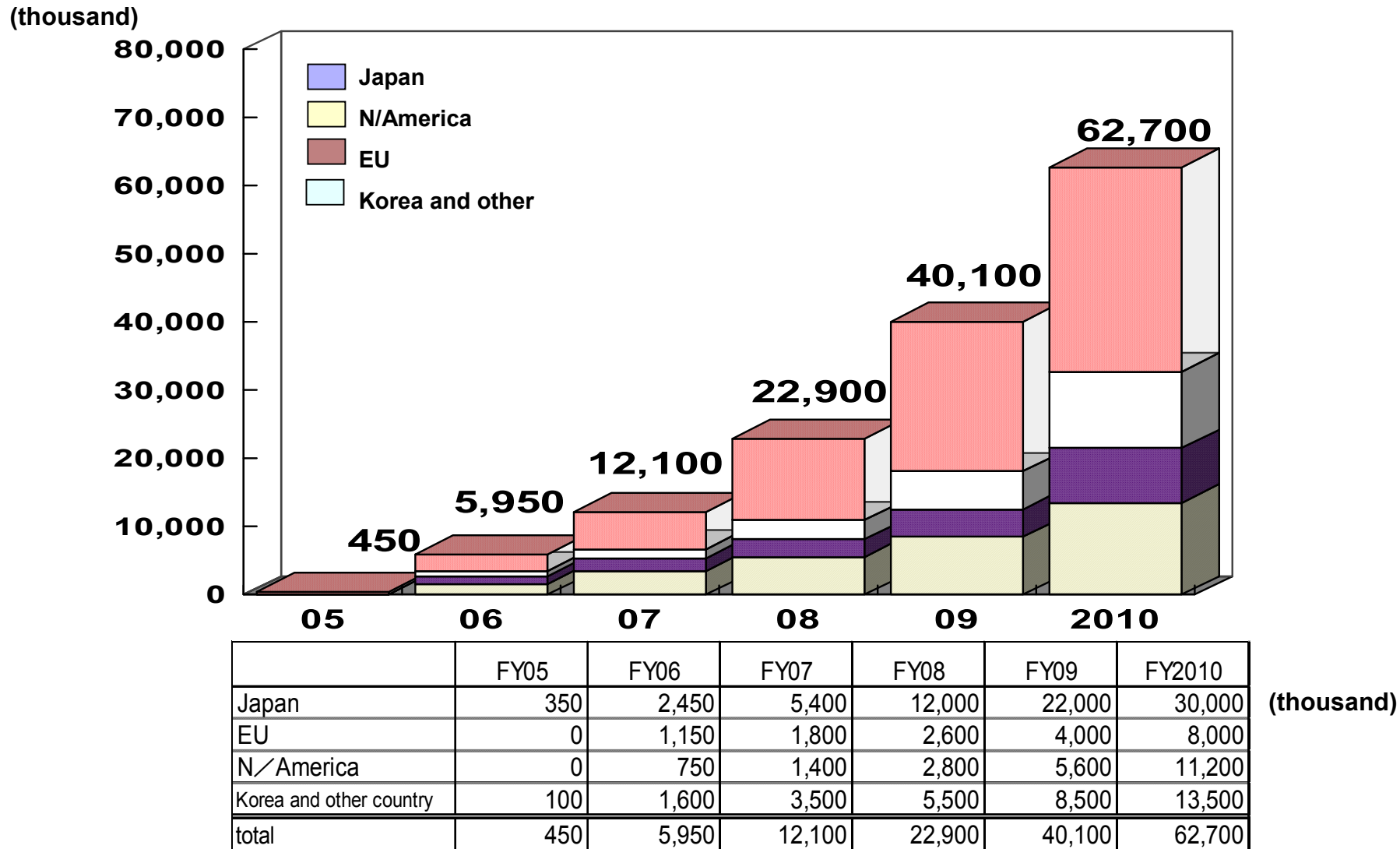
Subtitle display

第1行字幕データ:XXXXXX
第2行字幕データ:
第3行字幕データ:最大3行

- Audio playback for main and sub channels
- Reception level display
- Audio condition display, etc.



Market scale of cellular phone w/digital terrestrial broadcasting (forecast)



Our targets and its market scale for ASSP

	Target	Worldwide		Domestic	
		FY2006 (million)	FY2008 (million)	FY2006 (million)	FY2008 (million)
① DSC	Digital SLR	5.3	6.5	0.7	0.8
	Compact digital camera	73.7	82.0	8.7	8.5
② Cellular phone	High quality camera for cellular phone	40.0	180.0	20.0	38.0
	Terrestrial digital broadcasting	5.5	22.0	2.5	12.0
③ Automobile installation	Car navigation system	11.0	20.0	4.0	5.0
④ High definition AV	Hi-Definition TV	52.0	100.0	4.5	8.0
	HD DVD BlueRay	0.3	4.0	0.2	3.0

Source: ① CIPA, ②~④ chunichisha Co., Ltd.

Our targets and its market scale for System business

	Target	Domestic		Source
		FY2006 (thousand)	FY2008 (thousand)	
Security monitoring system	Security monitoring camera	883	1,052	FY06 FUJI KEIZAI CO.,LTD.
	Image recording system	120	130	FY06 FUJI KEIZAI CO.,LTD.
	Image transmission system	15	16	FY06 FUJI KEIZAI CO.,LTD.

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