

(Excerpt translation)

October 30, 2008

BRIEF STATEMENT OF ACCOUNTS
FOR THE SECOND QUARTER OF THE YEAR ENDING MARCH 31, 2009

Name of listed company: **MegaChips Corporation**

Listing exchange: Tokyo Stock Exchange

Code number: 6875

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

Representative: Yukihiro Ukai
President and Representative Director

Person to contact: Masayuki Fujii
Director, Officer and General Manager of
Finance & Accounting Office

Scheduled date of submission of
quarterly report: November 14, 2008

* Amounts less than one million yen are truncated.

1. Consolidated operating results for the second quarter of the year ending March 31, 2009 (from April 1, 2008 to September 30, 2008):

(1) Consolidated operating results (accumulated):

(The percentages indicate the rates of increase (decrease)
from the second quarter of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	(million yen)	%	(million yen)	%	(million yen)	%	(million yen)	%
Second quarter of the year ending March 31, 2009	27,123	-	2,801	-	2,770	-	1,303	-
Second quarter of the year ended March 31, 2008	25,456	38.3	1,600	48.2	1,534	43.8	1,627	205.9

	Net income per share	Fully diluted earnings per share
	(yen)	(yen)
Second quarter of the year ending March 31, 2009	53.70	53.67
Second quarter of the year ended March 31, 2008	65.67	65.39

(2) Consolidated financial condition:

	Total assets	Net assets	Net worth ratio	Net assets per share
	(million yen)	(million yen)	(%)	(yen)
Second quarter of the year ending March 31, 2009	38,965	21,031	54.0	868.38
Year ended March 31, 2008	35,329	21,436	60.7	876.66

2. State of dividends:

(yen)

(Record date)	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
Year ended March 31, 2008	0.00	0.00	0.00	32.00	32.00
Year ending March 31, 2009	—	—	—	—	—
Year ending March 31, 2009 (forecast)	—	—	—	—	—

3. Forecast of consolidated operating results for the year ending March 31, 2009 (from April 1, 2008 to March 31, 2009):

(The percentages indicate the rates of increase (decrease) from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(million yen)	%	(million yen)	%	(million yen)	%	(million yen)	%	(yen)
Whole-year period	55,000	8.5	4,600	33.5	4,700	42.2	2,350	(10.0)	97.03

4. Others

- (1) Changes in important subsidiaries (changes in specific subsidiaries associated with changes in the scope of consolidation) during the period: None
- (2) Application of simplified accounting treatment and accounting treatment specific to the preparation of consolidated quarterly financial statements: Yes
- (3) Changes in accounting principles, procedures, disclosure methods, etc., pertaining to the preparation of consolidated quarterly financial statements (those to be stated as Changes in the Important Matters Forming the Basis for Preparing Consolidated Quarterly Financial Statements):
 - 1) Changes associated with changes in accounting standards: Yes
 - 2) Other changes: None

(4) Number of issued shares (shares of common stock):

1) Number of issued shares (including shares of treasury stock) as of the end of the period:

Second quarter of the year ending March 31, 2009:	24,667,317 shares
Year ended March 31, 2008:	24,904,517 shares

2) Number of shares of treasury stock as of the end of the period:

Second quarter of the year ending March 31, 2009:	447,833 shares
Year ended March 31, 2008:	451,552 shares

3) Average number of shares during the period (consolidated quarterly accumulated period):

Second quarter of the year ending March 31, 2009:	24,272,695 shares
Second quarter of the year ended March 31, 2008:	24,781,842 shares

* Explanation for the proper use of the forecast of operating results and other special notes:

1. The description of the future in this material, including the forecast of operating results, is based on the information available to management as of the date hereof and certain assumptions considered reasonable as of the date hereof. The actual results may change materially depending on various factors in the future.

2. As from the current fiscal year, the "Accounting Standard for Quarterly Financial Statements" (Corporate Accounting Standard No.12) and the "Implementation Guidance on the Accounting Standard for Quarterly Financial Statements" (Corporate Accounting Standard Implementation Guidance No.14) are applicable. Quarterly financial statements are prepared in accordance with the "Regulations of Consolidated Quarterly Financial Statements".

[Qualitative information, financial statements, etc.]

1. Qualitative information on consolidated operating results:

(1) Overview of operating results as a whole:

The Japanese economy during the consolidated second-quarter accumulated period under review has increasingly shown a decelerating trend as corporate earnings have been hurt and capital investment have remained at low levels due to increasing financial insecurity originating out of the United States and the subsequent deceleration of the world economy.

In our electronic machinery and equipment industry, the market for some consumer electronic equipment, including digital TVs, has performed well. However, the market for the industry in general has been weaker in comparison with the corresponding period of the previous fiscal year.

Under these circumstances, based on its customer-specific LSI (ASIC) business, the core of its business, the Group has focused its efforts on developing its application-specific LSI (ASSP) business, which provides its unique technologies of image, sound and music compression, extension, processing and transmission and solutions best suited to customer needs, and investing its management resources in its new business area of electronic parts, as well as developing and selling customer-specific system products.

Specifically, with the digitalization of images, sounds, music and other media, the enhancement of performance of LSIs by advanced semiconductor technology and the upgrading of the infrastructures of telecommunications and broadcasting, such as broadband networks, high-speed cellular phone networks and high-definition broadcasting, the Group has widened its appeal in the information communication area. For the growing area, the Group has exerted its active efforts to develop and sell high-end application-specific memories, system LSIs for high-performance digital cameras, system LSIs for terrestrial digital broadcasting and electronic parts mounted with its LSIs, as well as customer-specific system products for transmitting and recording digital images, specifically, for use in the security and monitoring area.

As a result, for the consolidated second-quarter accumulated period under review, net sales, operating income and ordinary income amounted to ¥27,123 million, ¥2,801 million and ¥2,770 million, respectively. However, in its system business, the Group stopped its unprofitable business of own brand system products for unspecified and numerous customers to focus on its customer-specific system business and accounted for a loss of ¥586 million from business liquidation as a special loss. Consequently, net income amounted to ¥1,303 million.

(2) Overview of operating results by segment:

(Translation omitted)

2. Qualitative information on consolidated financial condition:

(1) Changes in the financial position (consolidated):

Total assets at the end of the consolidated second-quarter accumulated period under review amounted to ¥38,965 million (an increase of ¥3,636 million from the end of the previous fiscal year) as cash and deposits and trade notes and trade accounts receivable increased by ¥686 million and ¥3,220 million, respectively, from the end of the previous fiscal year while investment and other assets decreased by ¥715 million, among others.

Total liabilities amounted to ¥17,933 million (an increase of ¥4,041 million from the end of the previous fiscal year) as trade notes and trade accounts payable and accrued corporate income taxes increased by ¥3,976 million and ¥336 million, respectively from the end of the previous fiscal year, among others.

Total net assets amounted to ¥21,031 million (a decrease of ¥405 million from the end of the previous fiscal year). As a result, the net worth ratio at the end of the consolidated second-quarter accumulated period under review was 54.0% (a decrease of 11.0% from the end of the previous fiscal year).

(2) State of cash flows:

Cash and cash equivalents ("net cash") at the end of the consolidated second-quarter accumulated period under review increased by ¥686 million from the end of the previous fiscal year to account for ¥7,216 million.

The state of cash flows for the consolidated second-quarter accumulated period under review is as follows:

Net cash provided by operating activities was ¥2,456 million, principally due to an income of ¥2,173 million before income taxes and others and an increase of ¥3,982 million in trade accounts payable, while trade accounts receivable increased by ¥3,227 million and accrued corporate income taxes accounted for ¥536 million.

Net cash used in investing activities was ¥705 million, principally due to the payment of ¥498 million for long-term prepaid expenses and the payment of ¥99 million for purchase of investment securities. As a result, free cash flows, or the sum of cash flows from operating activities and cash flows from investing activities, resulted in the receipts of ¥1,751 million.

Net cash used in financing activities was ¥1,064 million, principally due to the payment of ¥768 million in dividends and the payment of ¥300 million for the acquisition by the Company of its own shares.

3. Qualitative information on forecast of consolidated operating results:

No amendment is made to the forecast of operating results for the year ending March 31, 2009, as publicized in the "Notice of Adjustment to the Forecast of Operating Results for the Year Ending March 31, 2009" on October 21, 2008.

4. Others:

(Translation omitted)

5. Consolidated Quarterly Financial Statements:

(1) Consolidated Quarterly Balance Sheet:

(thousand yen)

	Second-quarter accumulated period (as at September 30, 2008)	[Condensed] Fiscal year ended March 31, 2008 (as at March 31, 2008)
ASSETS		
Current assets		
Cash and deposits	7,216,529	6,530,199
Trade notes and trade accounts receivable	20,874,505	17,653,931
Goods and products	1,508,430	1,427,215
Goods in process	351,241	335,168
Materials and supplies	694,513	496,795
Deferred tax assets	246,484	246,484
Others	87,522	168,038
Allowance for doubtful receivables	(1,460)	(1,229)
Total current assets	30,977,765	26,856,603
Fixed assets		
Tangible fixed assets		
Buildings and appurtenances.....	242,623	242,552
Accumulated depreciation	(136,568)	(125,248)
Buildings and appurtenances (net)	106,054	117,303
Others	309,546	266,803
Accumulated depreciation	(194,690)	(163,715)
Others (net).....	114,856	103,087
Total tangible fixed assets	220,910	220,391
Intangible fixed assets		
Others	142,556	177,705
Total intangible fixed assets.....	142,566	177,705
Investments and other assets		
Investment securities	4,099,434	4,814,902
Long-term prepaid expenses	2,761,441	2,525,456
Long-term deposits.....	400,000	400,000
Deferred tax assets	30,055	-
Others	338,076	339,271
Allowance for doubtful receivables	(4,638)	(4,933)
Total investments and other assets.....	7,624,369	8,074,697
Total fixed assets	7,987,836	8,472,794
TOTAL ASSETS	38,965,602	35,329,398

	(thousand yen)	
	Second-quarter accumulated period (as at September 30, 2008)	[Condensed] Fiscal year ended March 31, 2008 (as at March 31, 2008)
<u>LIABILITIES</u>		
Current liabilities		
Trade notes and trade accounts payable.....	7,996,568	4,020,461
Short-term loans payable	6,000,000	6,000,000
Accrued corporate income taxes.....	894,667	558,253
Allowances.....	320,049	258,814
Others	671,642	830,821
Total current liabilities	15,882,926	11,668,350
Fixed liabilities		
Long-term loans payable.....	2,000,000	2,000,000
Deferred tax liabilities	10,259	165,573
Others	40,591	58,561
Total fixed liabilities	2,050,850	2,224,135
TOTAL LIABILITIES	17,933,777	13,892,485
<u>NET ASSETS</u>		
Shareholders' equity		
Capital	4,840,313	4,840,313
Additional paid-in capital.....	6,181,300	6,181,300
Retained earnings	9,182,011	9,012,581
Treasury stock.....	(662,305)	(718,718)
Total shareholders' equity.....	19,541,320	19,315,477
Revaluation and exchange differences, etc.		
Revaluation difference of other securities	1,431,721	2,090,734
Foreign exchange translation adjustment	58,783	30,700
Total revaluation and exchange differences, etc.	1,490,504	2,121,435
TOTAL NET ASSETS	21,031,825	21,436,912
TOTAL LIABILITIES AND NET ASSETS	38,965,602	35,329,398

(2) Consolidated Quarterly Statement of Income:
(For the consolidated second-quarter accumulated period)

(thousand yen)

	Second-quarter accumulated period (from April 1, 2008 to September 30, 2008)
Net sales	27,123,551
Cost of sales	22,230,389
Gross profit on sales	4,893,162
Selling, general and administrative expenses	2,091,712
Operating income	2,801,450
Non-operating income	
Interest income	4,251
Gain from investments in partnership	8,053
Exchange gain	3,466
Miscellaneous income	1,889
Total non-operating income	17,661
Non-operating expenses	
Interest expense	33,747
Commitment fees	6,904
Loss from sale of receivables	6,377
Miscellaneous losses	1,773
Total non-operating expenses	48,802
Ordinary income	2,770,309
Special loss	
Loss from revaluation of investment securities	10,738
Loss from business liquidation	586,388
Total special loss	597,127
Income before income taxes and others	2,173,182
Corporate income taxes, etc.	869,695
Net income	1,303,486

(3) Consolidated Quarterly Statement of Cash Flows:

	(thousand yen)
	Second-quarter accumulated period (from April 1, 2008 to September 30, 2008)
Cash flows from operating activities	
Income before income taxes and others	2,173,182
Depreciation	89,057
Amortization of long-term prepaid expenses	134,496
Increase (decrease) in allowance for bonuses	22,373
Increase (decrease) in allowance for bonuses for officers	38,862
Interest expense	33,747
(Gain) loss from revaluation of investment securities	10,738
Loss from business liquidation	95,696
(Increase) decrease in trade receivables	(3,227,061)
(Increase) decrease in inventories	(338,113)
Increase (decrease) in trade accounts payable	3,982,419
(Increase) decrease in other current assets	80,867
Increase (decrease) in other current liabilities	(36,304)
Others	(18,908)
Subtotal	3,041,053
Interest and dividends received	4,502
Interest paid	(52,659)
Corporate income taxes paid	(536,232)
Net cash provided by operating activities	2,456,662
Cash flows from investing activities	
Purchase of tangible fixed assets	(52,209)
Purchase of intangible fixed assets	(57,120)
Purchase of investment securities	(99,196)
Payment for long-term prepaid expenses	(498,980)
Others	2,483
Net cash used in investing activities	(705,025)
Cash flows from financing activities	
Purchase of treasury stock – net	(300,118)
Cash dividends paid	(768,903)
Others	4,969
Net cash used in financing activities	(1,064,052)
Translation gain related to cash and cash equivalents	(1,255)
Net increase (decrease) in cash and cash equivalents	686,329
Cash and cash equivalents at beginning of year	6,530,199
Cash and cash equivalents at end of the quarter	7,216,529

(4) Note on Going Concern Assumption:

Not applicable.

(5) Segment Information:

Operating segment information:

For the consolidated second-quarter accumulated period (from April 1, 2008 to September 30, 2008)

(thousand yen)

Items	LSI business	System business	Total	Eliminated or group-wide	Consolidated
Net sales					
(1) External customers	25,129,704	1,993,847	27,123,551	-	27,123,551
(2) Inter-segment	-	-	-	-	-
Total	25,129,704	1,993,847	27,123,551	-	27,123,551
Operating income (loss)	2,745,663	56,333	2,801,996	(545)	2,801,450

(6) Note on substantial change in the amount of shareholders' equity:

For the consolidated second-quarter accumulated period (from April 1, 2008 to September 30, 2008)

The Company, pursuant to the resolution for the acquisition of its own shares (shares of common stock of the Company) and the cancellation thereof adopted at the meeting of its Board of Directors held on May 9, 2008, acquired 237,200 shares of the Company (for the aggregate acquisition prices of ¥299,891 thousand) for the period from May 12, 2008 through May 19, 2008 and cancelled the shares as of June 30, 2008. As a result, for the consolidated second-quarter accumulated period under review, shares of treasury stock decreased by ¥56,412 thousand, amounting to ¥662,305 thousand at the end of the consolidated second-quarter accumulated period under review and retained earnings increased by ¥169,430 thousand, amounting to ¥9,182,011 thousand at the end of the consolidated second-quarter accumulated period under review.

[Reference materials]

Financial Statements for the Second Quarter of the Previous Fiscal Year

(1) Consolidated Interim Statement of Income:

	Interim period ended September 30, 2007 (from April 1, 2007 to September 30, 2007)	
	(thousand yen)	(%)
I. Sales	25,456,131	100.0
II. Cost of sales	21,671,810	85.1
Gross profit on sales	3,784,320	14.9
III. Selling, general and administrative expenses	2,183,333	8.6
Operating income	1,600,987	6.3
IV. Non-operating income	11,361	0.0
1. Interest received.....	8,472	
2. Additional refunds of corporate income taxes.....	1,107	
3. Transfer back from allowance for doubtful receivables	291	
4. Gain from release from payment of unpaid dividends	1,193	
5. Miscellaneous income	295	
V. Non-operating expenses	77,607	0.3
1. Interest paid.....	32,278	
2. Commitment fees	30,523	
3. Exchange loss	12,749	
4. Loss from investments in partnership.....	2,057	
Ordinary income	1,534,741	6.0
VII. Special loss	112,210	0.4
1. Loss from business restructuring	96,793	
2. Extraordinary depreciation of fixed assets	15,417	
Income before income taxes and others.....	1,422,530	5.6
Corporate income taxes, inhabitant taxes and enterprise taxes	4,465	0.0
Interperiod tax allocation adjustment	(209,386)	(0.8)
Net income	1,627,451	6.4

(2) Consolidated Interim Statement of Cash Flows:

(thousand yen)

	Interim period ended September 30, 2007 (from April 1, 2007 to September 30, 2007)
I. Cash flows from operating activities	
Income before income taxes and others	1,422,530
Depreciation	77,964
Amortization of long-term prepaid expenses	58,612
Decrease in allowance for doubtful receivables	(42)
Increase in allowance for bonuses	37,676
Increase in allowance for officers' bonuses	36,300
Interest and dividend income	(8,472)
Loss from investments in partnership	2,057
Exchange loss	10,643
Interest expense	32,278
Income from sale of investment securities	92,434
Increase in trade accounts receivable	(3,391,886)
Increase in inventories	(1,898,261)
Increase in trade accounts payable	2,841,752
Increase in other current assets	(50,299)
Increase in other current liabilities	10,707
Others	14,288
Subtotal	(711,717)
Interest and dividends received	8,557
Interest paid	(24,931)
Corporate income taxes paid	(940,973)
Corporate income taxes refunded	223,432
Net cash used in operating activities	(1,445,631)
II. Cash flows from investing activities	
Purchase of tangible fixed assets	(58,069)
Sale of tangible fixed assets	87
Purchase of intangible fixed assets	(55,881)
Purchase of investment securities	(100,000)
Sale of investment securities	5,800
Payment for long-term prepaid expenses	(308,731)
Payment of guarantee	(42,543)
Refund of guarantee	1,492
Refund premiums	1,998
Net cash used in investing activities	(555,847)
III. Cash flows from financing activities	
Net increase in short-term debt	2,000,000
Net decrease in treasury stock	11,443
Cash dividends paid	(441,158)
Net cash provided by financing activities	1,570,284
IV. Translation gain related to cash and cash equivalents	3,089
V. Net decrease in cash and cash equivalents	(428,105)
VI. Cash and cash equivalents at the beginning of the period	4,737,569
VII. Cash and cash equivalents at the end of the period	4,309,464

(3) Segment Information:

Operating segment information:

For the consolidated interim period ended September 30, 2007 (from April 1, 2007 to September 30, 2007):

(thousand yen)

Items	LSI business	System business	Total	Eliminated or group-wide	Consolidated
Net sales					
(1) External customers	24,186,179	1,269,951	25,456,131	-	25,456,131
(2) Inter-segment	1,788	-	1,788	(1,788)	-
Total	24,187,968	1,269,951	25,457,919	(1,788)	25,456,131
Operating expenses	22,245,057	1,564,413	23,809,470	45,672	23,855,143
Operating income (loss)	1,942,911	(294,462)	1,648,448	(47,461)	1,600,987