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*Innovation & Rebuild*

# MegaChips Corporation

**Results for the Fiscal Year  
ended March 31, 2010 (FY3/10)**

<http://www.megachips.co.jp/english/top.html>

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# FY3/10 Business Results

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# FY3/10 Consolidated Performance

1Q Results

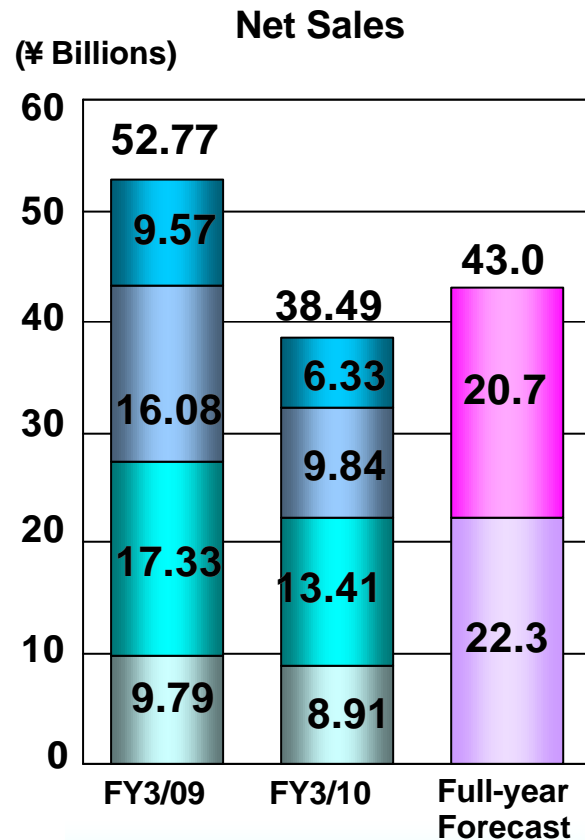
2Q Results

3Q Results

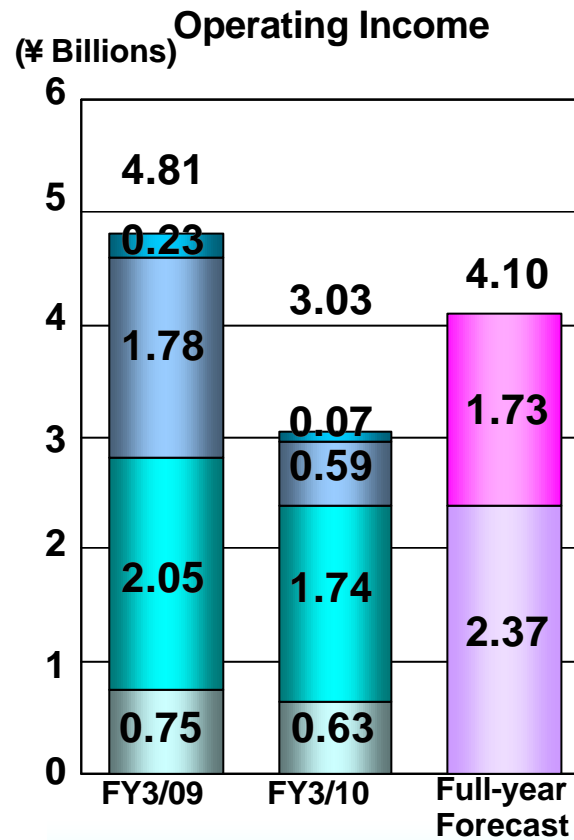
4Q Results

1H Forecasts

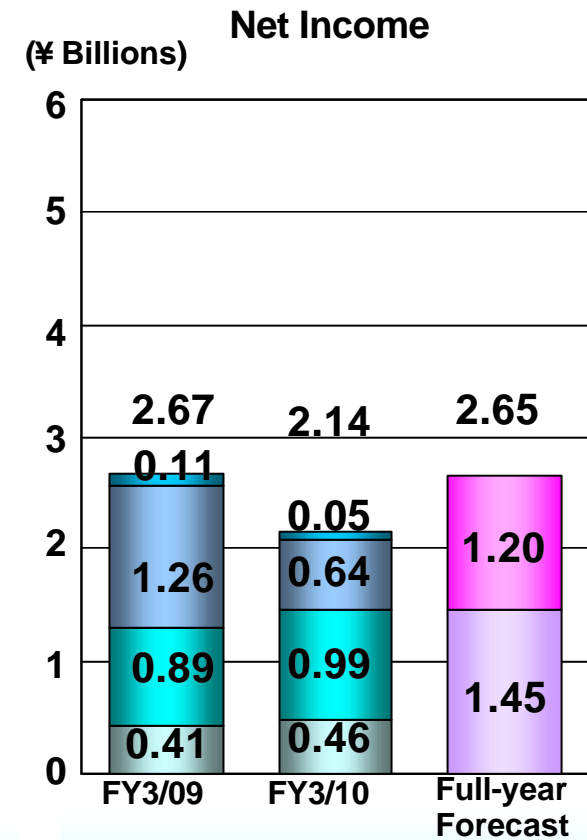
2H Forecasts



**Net sales: ¥38.49 billion**  
**(- 27.1%) <89.5%>**



**Operating income: ¥3.03 billion**  
**(- 36.9%) <74.0%>**



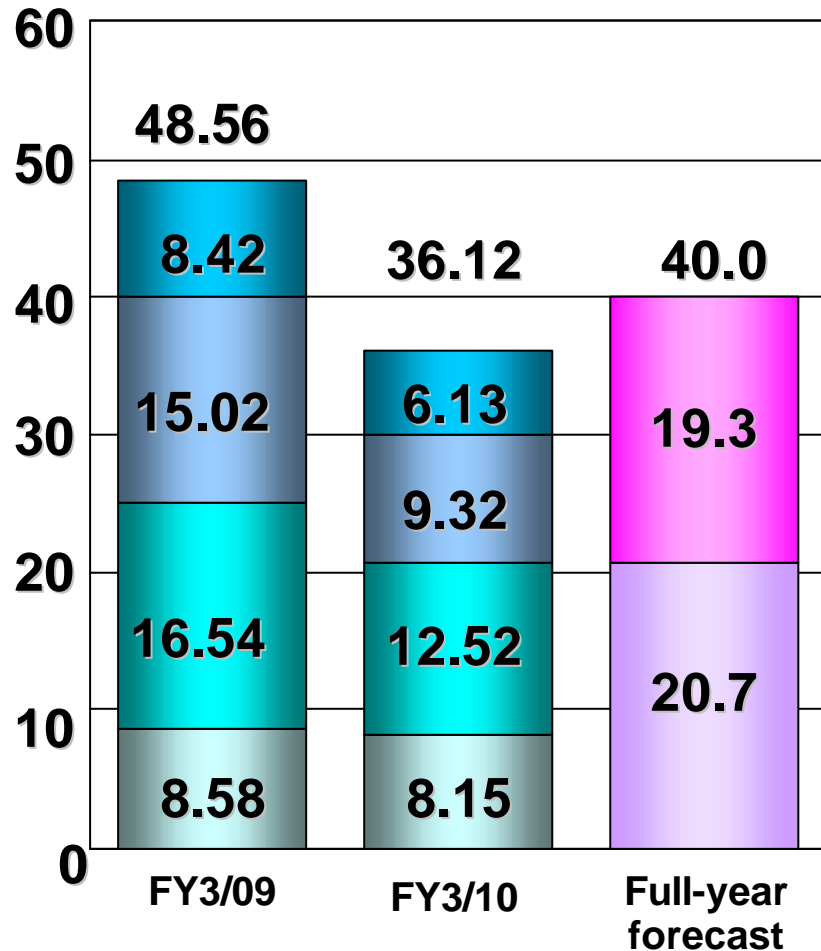
**Net income: ¥2.14 billion**  
**(- 19.9%) <80.8%>**

( ): changes from the same period previous fiscal year (%); < > : achievement rate vs. previous full-year forecasts (%)  
Full-year forecast: Estimates are figures released on October 30.

# Operating Results for LSI Business

(¥ Billions)

## Net Sales



**Net sales : ¥36.12 billion**

YoY basis: -

**25.6%**

Achievement rate against  
full-year forecast:

**90.3%**

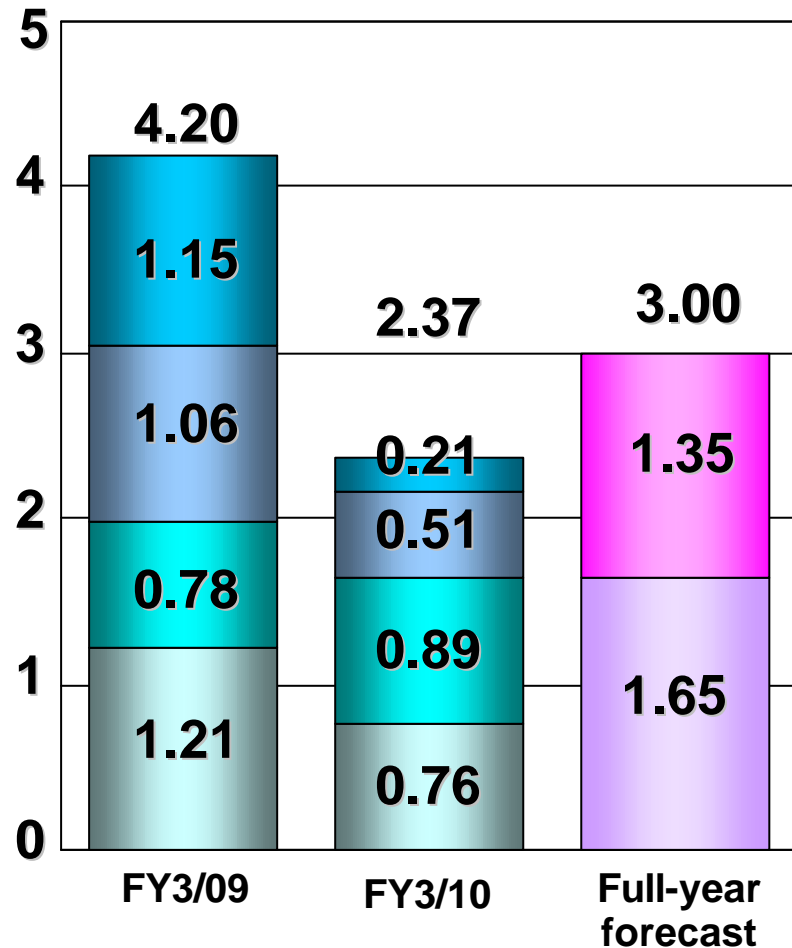
*Net sales have decreased in a year-to-year comparison because of the downturn in demand for our mainstay LSIs for storing hand-held game software. Also, demand for the tuner modules for receiving 1seg digital terrestrial broadcasting has declined, while demand for image processing LSIs for digital cameras and recording LSIs for high-definition AV equipment remained steady, and mass-produced shipments of LSIs for the amusement industry, a new product, were delayed.*

\* Full-year Forecast: Estimates are figures released on October 30.

# Operating Results for Systems Business

(¥ Billions)

## Net Sales



**Net sales : ¥2.37 billion**

YoY basis: -  
**43.6%**

Achievement rate against  
 full-year forecast:  
**79.0%**

*Net sales decreased on a year-over-year basis due to a falloff in demand for customer-specific video surveillance systems.*

\* Full-year Forecast: Estimates are figures released on October 30.

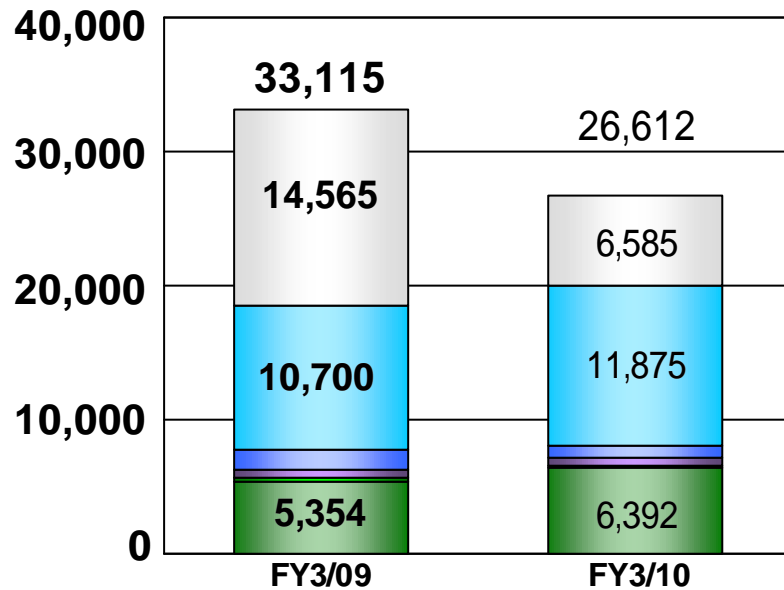
# FY3/10 Summary of Consolidated Performance

(¥ Millions)		FY3/10 Results (1)	FY3/09 Results (2)	FY3/10 Forecast (3)	YoY change (1)/(2)	Vs. forecast (1)/(3)
LSI Business	Net sales	36,124	48,569	40,000	- 25.6%	90.3%
	Operating income	4,212	4,791	4,700	- 12.1%	89.6%
Systems Business	Net sales	2,371	4,201	3,000	- 43.6%	79.0%
	Operating income	- 1,141	22	- 600	-	-
Consolidated	Net sales	38,495	52,771	43,000	- 27.1%	89.5%
	Operating income	3,034	4,812	4,100	- 36.9%	74.0%
	Ordinary income	3,101	4,892	4,100	- 36.6%	75.7%
	Net income	2,140	2,672	2,650	- 19.9%	80.8%
	Net income per share (¥)	88.19	110.21	109.09	- 20.0%	80.8%

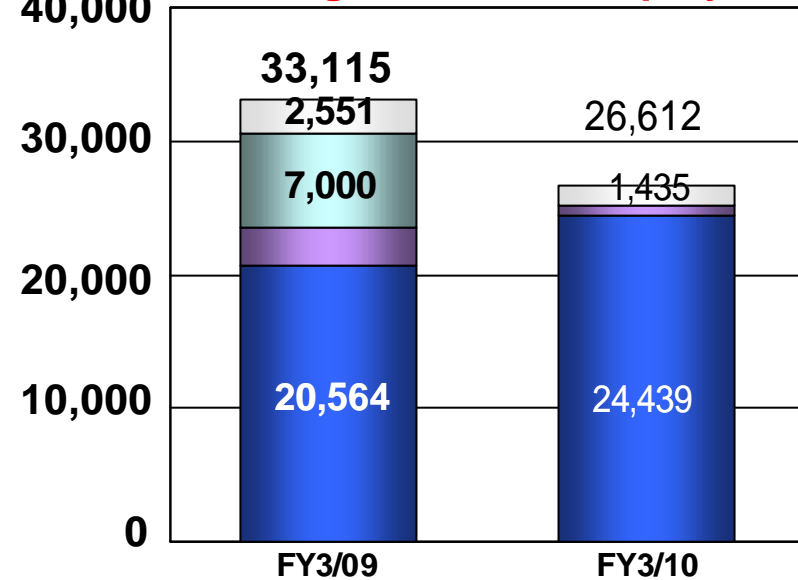
\* 2010.3 Forecast for whole year (3): Estimates are figures released on October 30.

# FY3/10 Consolidated Balance Sheets

(¥ Millions) **Assets: High current ratio**



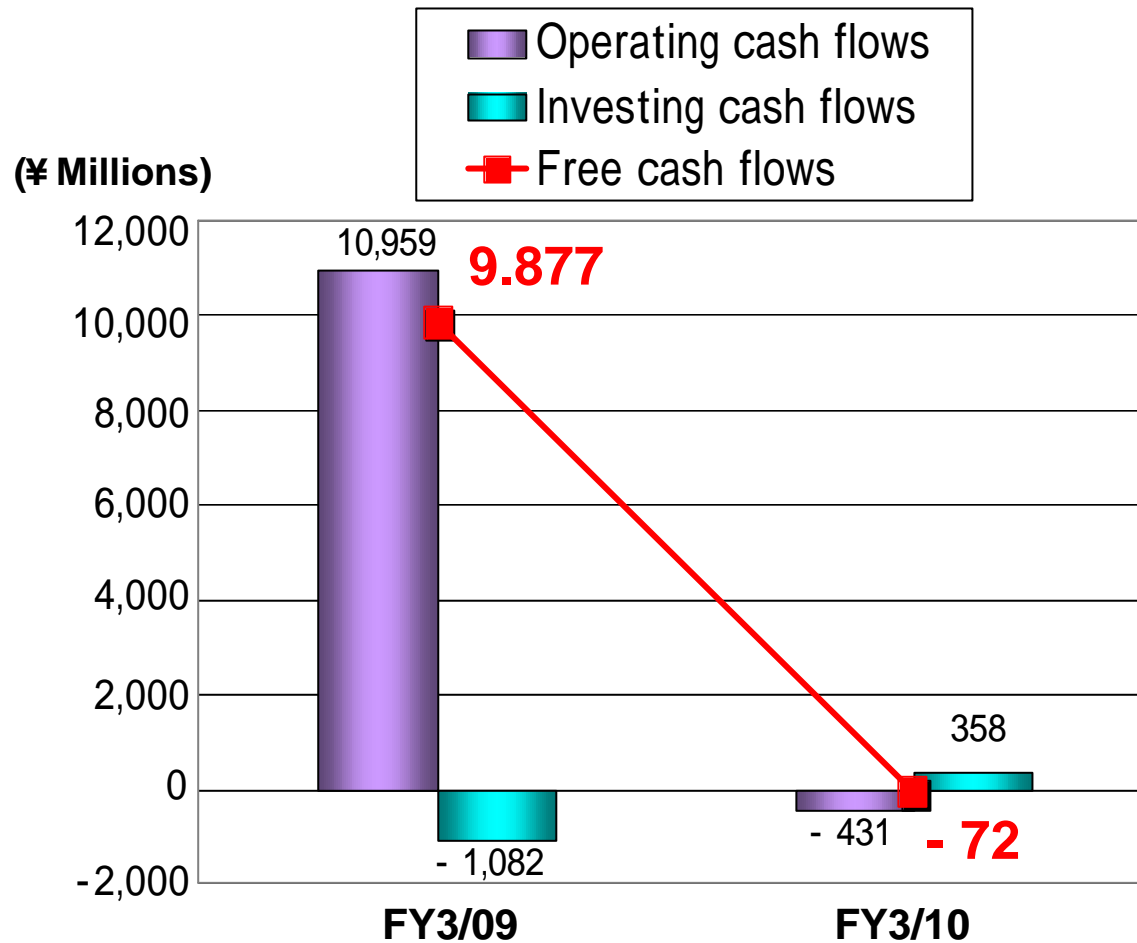
(¥ Millions) **Liabilities/Net Assets: Large amount of equity**



	FY3/09	FY3/10
Cash and cash equivalents	14,565	6,585
Accounts receivable	10,700	11,875
Inventories	1,558	946
Other current assets	638	596
Tangible/intangible fixed assets	296	215
Investments and other assets	5,354	6,392

	FY3/09	FY3/10
Accounts payable	2,551	1,435
Interest-bearing debt	7,000	0
Other current liabilities	2,953	698
Other fixed liabilities	45	38
Net assets	20,564	24,439

# FY3/10 Consolidated Cash Flows



Increase in accounts receivable and payments for income taxes

# FY3/11 Medium-term Management Strategy

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# Medium-Term Growth Strategy for FY3/11

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**As Japan's leading fabless venture company  
specializing in the development of LSI!**

**For securing stable growth less susceptible to swings in the economy**

**1. Focus on customer-based business and work with customers to nurture a business capable of long-term growth and development**

**2. Seek stable management and build up an appropriate business portfolio**

**3. Improve operational efficiency by enacting reforms of the business framework and upgrading the business structure to attain higher income**

# Reforming the Structure of the Business: Focusing on Customer-based Business

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## **1) Focus on customer-based business and drive the building of long-term, win-win relationships with customers**

**(1) Build up the optimum business model to forge a long-term, win-win relationship with customers**

**In addition, proceed with optimizing the sharing of business risks with customers**

**(2) Hone core competencies to maintain a sound business in the long term**

**1: Characteristic business model**

**2: Patented technologies**

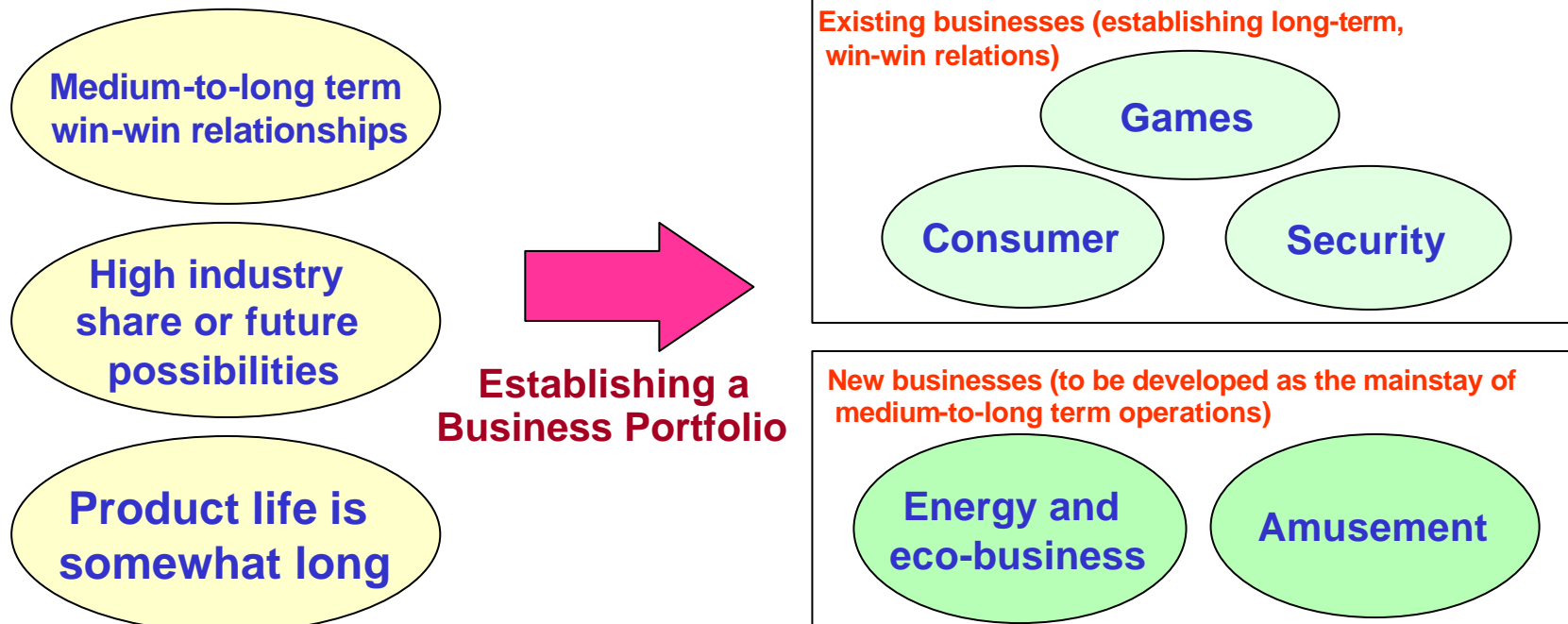
**3: Hardware and software expertise**

# Business Structural Reform: Establishing an Appropriate Business Portfolio

## 2) Establish a business portfolio by tapping new markets and expanding existing businesses

Build the customer base in new markets with a high industry share in which long-term, win-win relations can be established

With respect to existing customers, establish a business portfolio by coming up with ways to ensure the establishment of long-term, win-win relations, at the same time seeking to expand the scope of operations



# Business Structural Reform: Reforming the Business Framework

## 3) Seek optimization of the business framework, including with respect to customers and alliances

Work to streamline operations and try to mitigate business risks such as the ballooning of resources by reviewing the framework for business with customers and alliances

Conduct a review of the business framework

- 1: Seek optimization by considering a cross-section of business with customers in terms of ROI and the customer support system required
  - 2: Discover alliances likely to turn into long-term complementary relationships
  - 3: Seek to accelerate development by having a portion of development shared with alliance partners, at the same time reducing development investment risk
- However, product differentiation points are to be finalized in-house.

# Upgrading the Business Structure to Attain Higher Income

## Upgrading the business structure to attain higher income

Seek higher income through the adoption of measures such as utilizing alliances, controlling prime cost, shortening production times, tightening inventories and improving business efficiency

- (1) Streamline development and mitigate operational risks by utilizing alliances**
- (2) Control overall cost from the development stage and reduce prime cost**
- (3) Shorten production times and tighten inventories**
- (4) Optimize the allocation and size of the workforce and improve business efficiency**

# FY3/11 Medium-term Business Plan

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# Sales and Earnings Plan for FY3/11

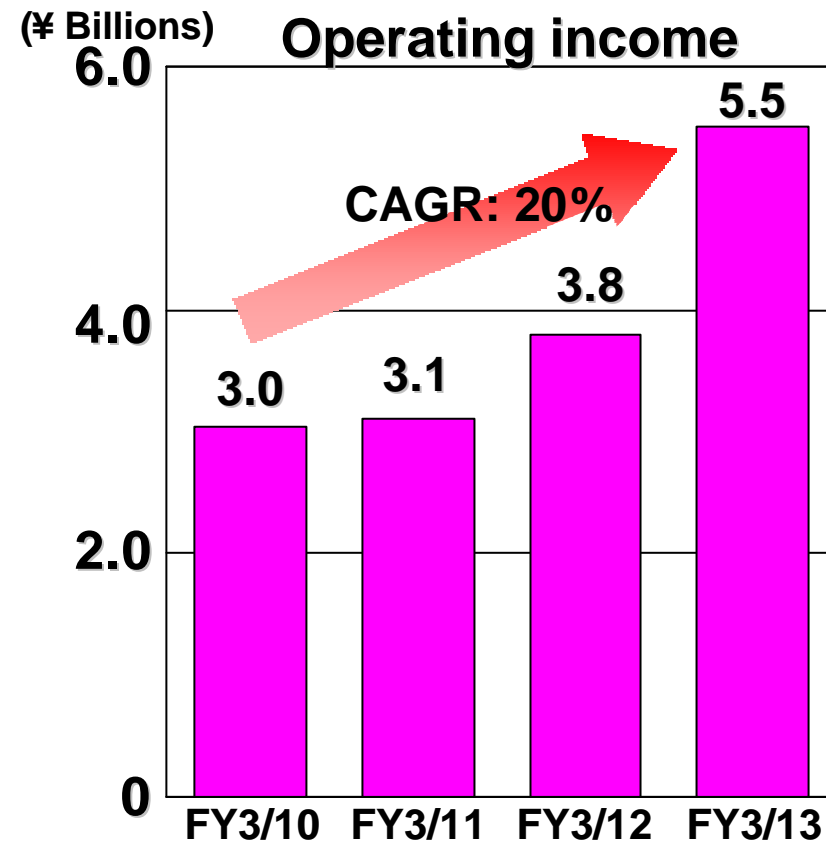
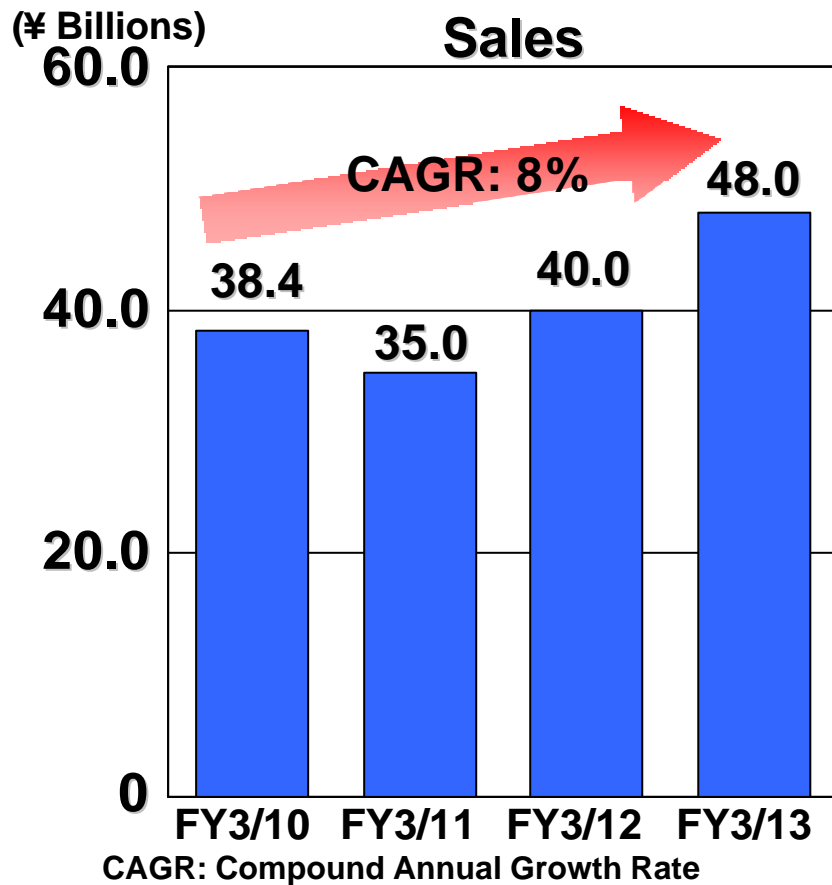
(¥ Millions)		FY3/11 First-half forecast	FY3/11 Full-year forecast	FY3/10 First-half results	FY3/10 Full-year results	YoY change (First-half)	YoY change (Full-year)
LSI Business	Net sales	14,200	32,200	20,672	36,124	- 31.3%	- 10.9%
	Operating income	1,450	3,600	2,578	4,212	- 43.8%	- 14.5%
Systems Business	Net sales	1,000	2,800	1,651	2,371	- 39.4%	+ 18.1%
	Operating income	-350	- 500	-184	- 1,141	-	-
Consolida ted	Net sales	15,200	35,000	22,323	38,495	- 31.9%	- 9.1%
	Operating income	1,100	3,100	2,370	3,034	- 53.6%	+ 2.1%
	Ordinary income	1,100	3,100	2,300	3,101	- 52.2%	- 0.1%
	Net income	700	2,150	1,457	2,140	- 52.0%	+ 0.4%
	Net income per share (¥)	28.82	88.51	60.09	88.19	- 52.0%	+ 0.4%

# Medium-term Target

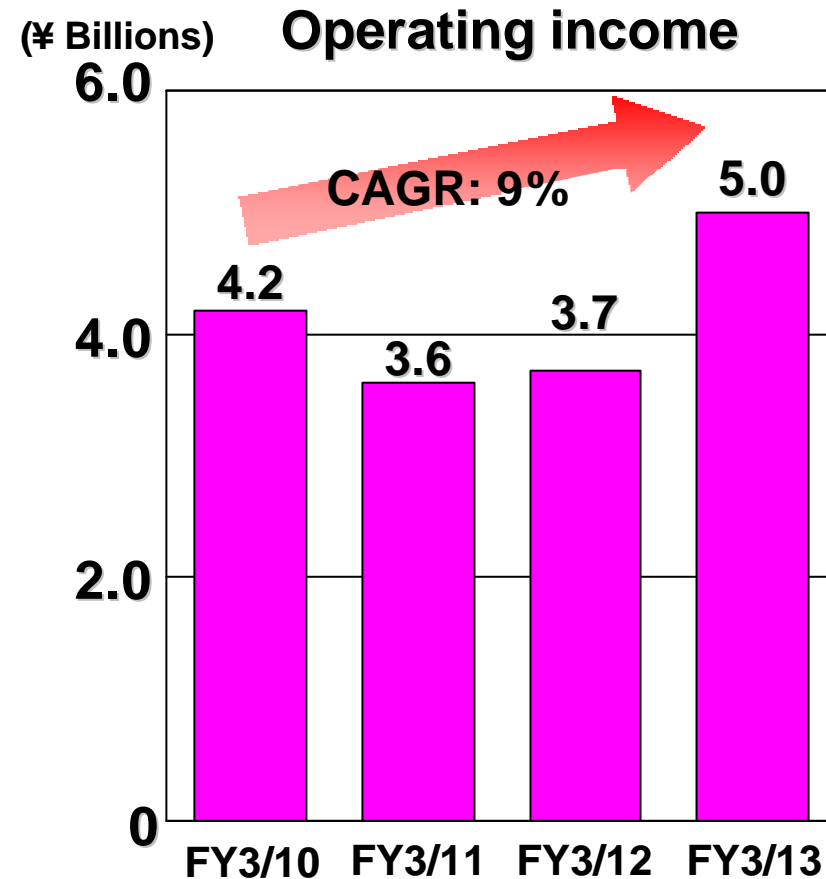
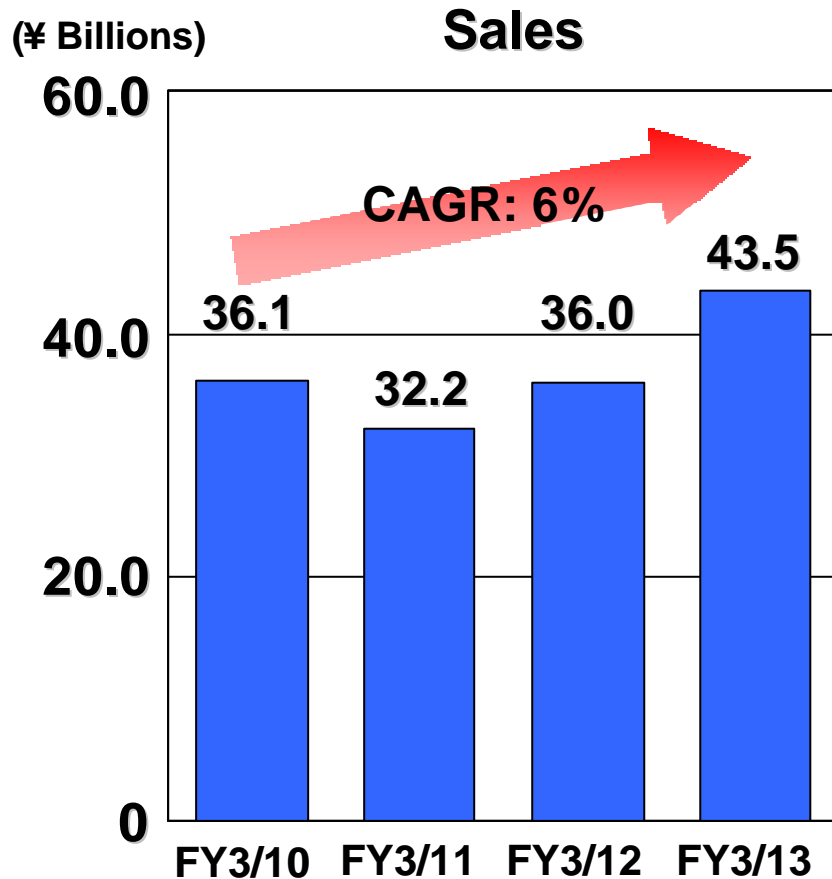
## Medium-term Target for FY3/13

Consolidated operating income: ¥5.5 billion

CAGR 20% from FY3/10 to FY3/13

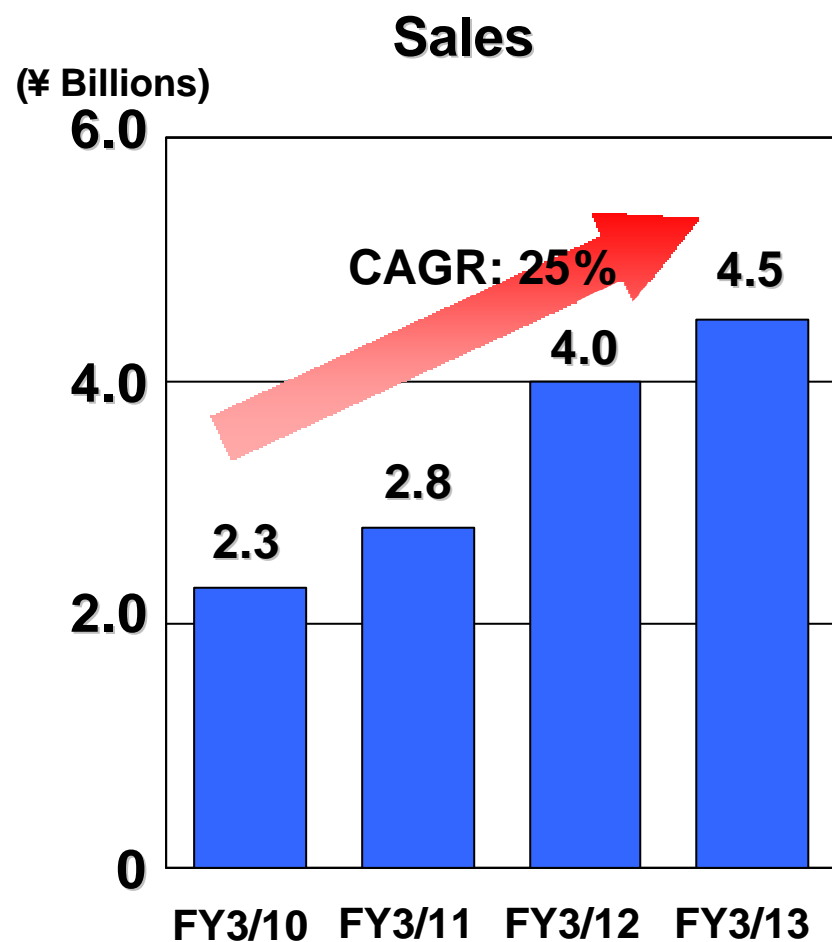


# LSI Business Segment - Medium-term Target

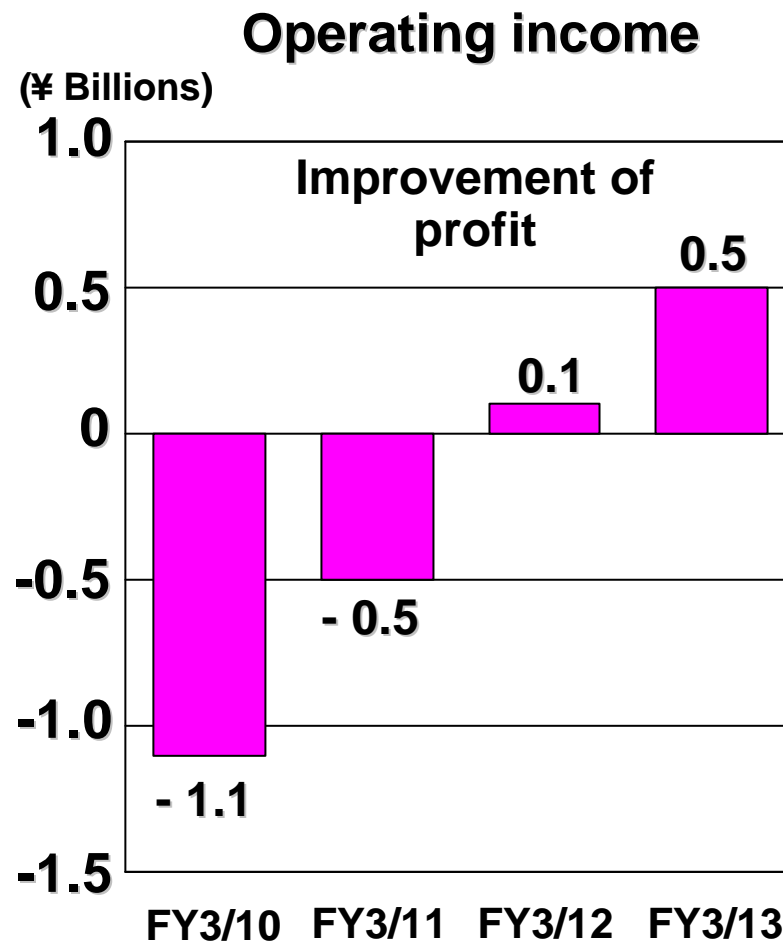


CAGR: Compound Annual Growth Rate

# Systems Business Segment - Medium-term Target



CAGR: Compound Annual Growth Rate



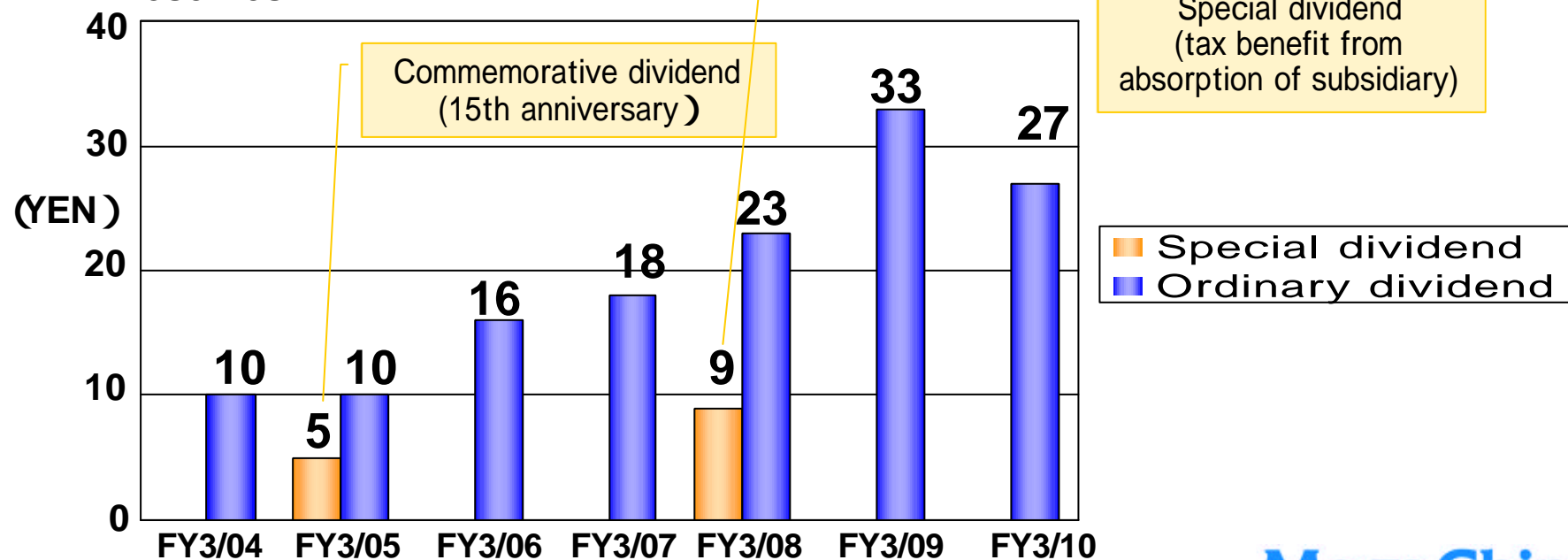
# Performance Indicators (Profit Allocation)

## Dividend policy

Secure the retained earnings needed to maintain a financial strength that can withstand changes in the management environment and that can enable investment in medium- and long-term growth (unchanged)

Dividends will represent either a dividend payout ratio of approx.30% or a consolidated dividend on equity (DOE) ratio of approx. 2%, whichever is higher

We will also acquire the Company's shares in a flexible manner to improve its capital efficiency, taking into account factors such as market conditions, share price behavior, and financial position, as well as the level of necessary internal reserves.



# Summary (Key Investment Highlights)

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? **Focus on customer-based business and work with customers to nurture a business capable of long-term growth and development**

Through the provision of optimum solutions that meet customer needs, seek business expansion by maintaining close contact with customers to build strong complementary relationships, and by working with customers to nurture a business capable of long-term growth and development

? **Seek stable management and build up an appropriate business portfolio**

Launch new businesses in the eco-energy and amusement fields  
Also, review the details of business with existing customers and establish a business portfolio by broadening the scope of businesses

? **Increase operational efficiency by upgrading the business structure to attain higher income**

Increase operational efficiency through business improvements such as reducing the cost of finished goods, tightening inventories and speeding up development, and at the same time contribute to the preservation of the global environment by eliminating wastage

# IR Policy

## >> Purposes of investor relations and basic policy

MegaChips bases investor relations activities on the principles of fairness, timeliness, accuracy and continuity. We provide information about strategies, finances and other items in order to increase the transparency of our operations. To earn the trust of shareholders, investors and securities analysts and receive a proper evaluation, senior management frequently participates in investor relations activities.

## >> Disclosure rules

MegaChips discloses information in accordance with the Financial Instruments and Exchange Law, Company Law and other laws and regulations (“laws and regulations” hereafter) and the Rules for Timely Disclosure of Corporate Information by Issuers of Listed Securities of the Tokyo Stock Exchange, where MegaChips shares are listed. Furthermore, even when not required by laws and regulations or disclosure standards in timely disclosure rules, we aggressively provide information that we believe has an effect on investment decisions by shareholders, investors and securities analysts and other information that we believe is useful to gain a better understanding of MegaChips.

## >> Disclosure method

MegaChips distributes information using the Timely Disclosure network (TDnet) operated by the Tokyo Stock Exchange in accordance with timely disclosure rules. This includes information covered by the disclosure standards of the timely disclosure rules as well as information that we believe has an effect on investment decisions by shareholders, investors and securities analysts. In addition, we quickly post this information on the company Website.

We also provide other information that we believe is useful to gain a better understanding of MegaChips by issuing IR publications or news releases and posting this information on the company Website.

# IR Policy

## >> Forward-looking statements

The information MegaChips discloses may contain forward-looking statements. These statements are based on the judgments of management based on information available when the information was disclosed and thus embody uncertainties and risks (“risks” hereafter). Readers are cautioned to remember that actual results and other developments may differ from these forecasts for a number of reasons. Please refer to the “Cautionary Statement on Risks” section for more information.

## >> Investment decisions

MegaChips discloses information for the purpose of giving people a better understanding of the company and not for the purpose of soliciting investments in securities issued by the company. Investors are asked to reach investment decisions on their own.

## >> Provision of third-party information about MegaChips

Parties other than MegaChips, including securities analysts, the media and a variety of Internet information sites, announce information and forecasts about MegaChips. MegaChips is not in a position to comment on this information or express its support. However, if there is an obvious mistake in this third-party information that could cause a loss of trust in the company or prevent the company from receiving an appropriate evaluation, a correction will be announced and the proper information released.

## >> IR “Quiet Period”

To prevent leaks of information about earnings releases that could affect its stock price as well as to ensure fairness, MegaChips observes a “quiet period” during the five business days prior to the earnings announcement for each quarter. During this period, the company will not make any comments involving financial performance. However, information covered by laws and regulations and timely disclosure rules will be disclosed even during this “quiet period” and management will respond to inquiries about this information.

## >> Other items

Timely Disclosure Declaration (see Tokyo Stock Exchange Website)  
Summary of Timely Disclosure Framework (see Tokyo Stock Exchange Website)  
Standards for Information Disclosure (MegaChips internal regulations)

**Inquiries to:**

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