

## Pursuing and Harnessing Technical Innovation

### R&D Policy and Development Themes

MegaChips is pursuing an ambitious R&D program under its policy of supplying system LSIs and system products in the fields of images, audio and communications, and offering service solutions using those system products.

The Company's R&D activities currently focus on the areas relating to the LSI Business and Systems Business shown in the table on the right, in the Development division. More than half of all MegaChips employees are working in R&D.

#### Major R&D Themes

<b>Basic technology R&amp;D</b>	<ul style="list-style-type: none"> <li>Development of algorithms and architectures relating to image compression and decompression, image processing and communications</li> </ul>
<b>LSI product development</b>	<ul style="list-style-type: none"> <li>LSIs for game consoles and other entertainment equipment</li> <li>LSIs for audio and visual equipment</li> <li>LSIs for processing digital camera and other images</li> <li>LSIs for eco-energy-related equipment</li> <li>IP for modules using the LSIs described above and LSIs for image processing systems</li> </ul>
<b>System product development</b>	<ul style="list-style-type: none"> <li>Digital image recording systems</li> <li>Digital image transmission servers</li> <li>Security monitoring cameras</li> <li>Security systems</li> </ul>

### Intellectual Property Strategy

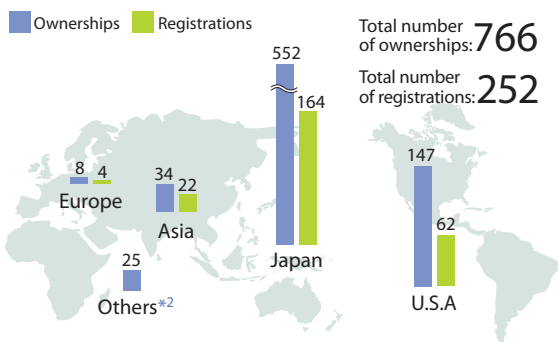
MegaChips protects its rights to technologies and other knowledge that it derives from its R&D activities. These intellectual assets make us even more competitive and underpin our distinctive products and services in the image, audio and communication fields, where technological progress is rapid.

Since we are a fabless technology company focused on R&D, our ideas at the R&D stage, know-how and other intellectual property centered on core and basic technologies constitute the foundation of our competitive

advantage. We therefore define efforts to secure rights for intellectual property as a source of competitiveness and pursue a strategy of obtaining intellectual property in line with the strategies of individual business segments.

As a new initiative, MegaChips has stepped up to develop communications technologies, a traditional area of strength for us, seeking applications in ecology-related businesses. We have swiftly lodged applications to patent these technologies in the fiscal year ended March 31, 2010.

#### Patent Ownerships and Registrations by Region\*1



\*1 The number of cases shown are the cumulative total as of the end of March 2010.

\*2 "Others" denotes the number of applications for patents that are valid under international patent treaties in multiple countries where MegaChips may begin operations in the future.

#### Major Patent Applications (fiscal year ended March 31, 2010)

<b>LSI Business</b>	<ul style="list-style-type: none"> <li>Technologies for semiconductor memory interfaces</li> <li>Image processing technologies (technologies to improve picture quality) and circuit technologies for digital cameras</li> <li>Facial recognition algorithms</li> <li>Transcoder technologies (for a high-quality picture)</li> <li>Mounting technologies for still image compression and decompression (JPEG XR)</li> <li>Technologies for video image compression and decompression</li> <li>Technologies for low power consumption in wireless LAN</li> <li>Hybrid telecommunication technologies, wireless telecommunication technologies and technologies for telecommunications reliability improvement</li> <li>Technologies for energy monitoring and measurement systems</li> <li>Technologies for wireless sensor networks</li> </ul>
<b>Systems Business</b>	<ul style="list-style-type: none"> <li>Mounting technologies for image compression and decompression for surveillance cameras</li> <li>Digital image processing technology for surveillance cameras</li> </ul>