
MegaChips Corporation

**Results for the Fiscal Year
ended March 31, 2011(FY3/11)**

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

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FY3/11 Business Results

FY3/11 Consolidated Performance

1Q Results

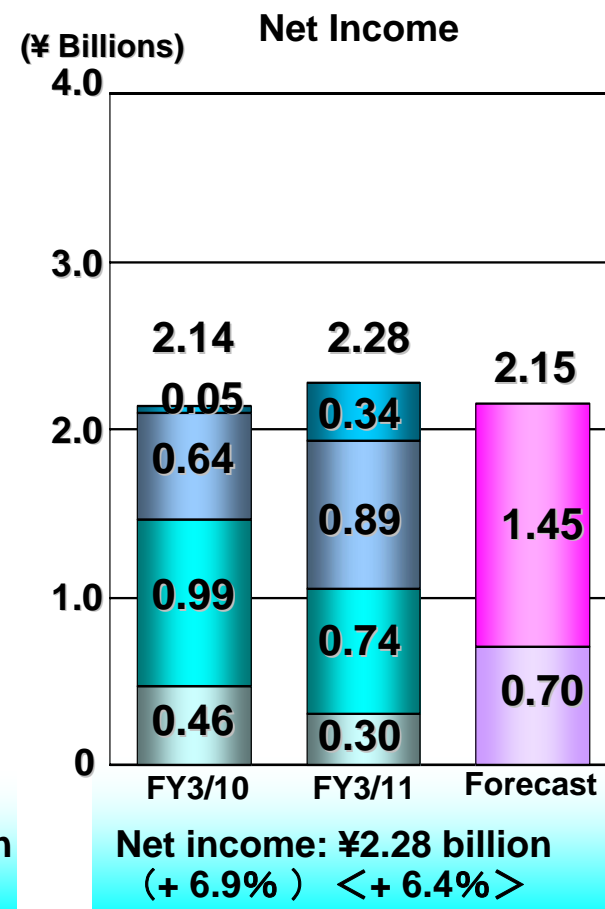
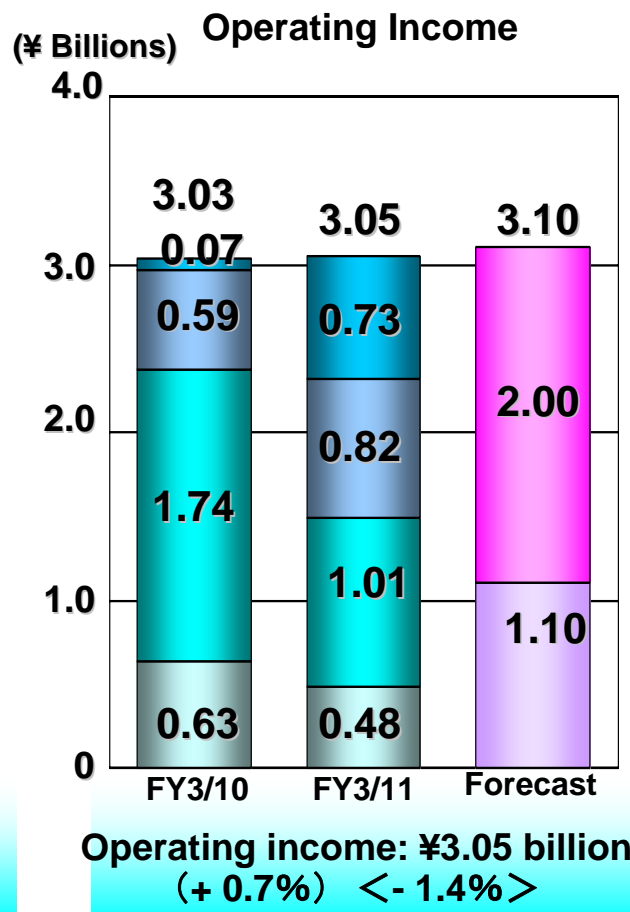
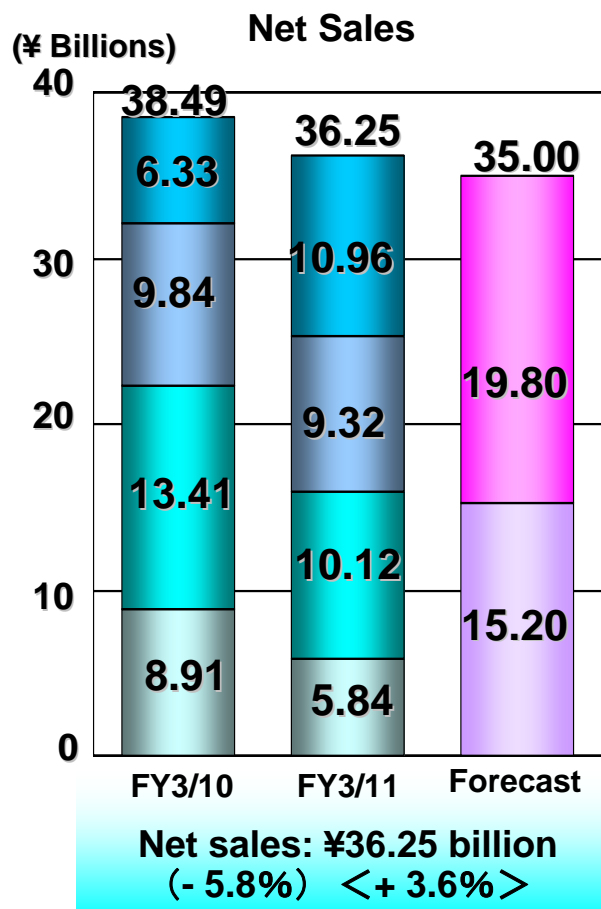
2Q Results

3Q Results

4Q Results

1H Forecasts

2H Forecasts

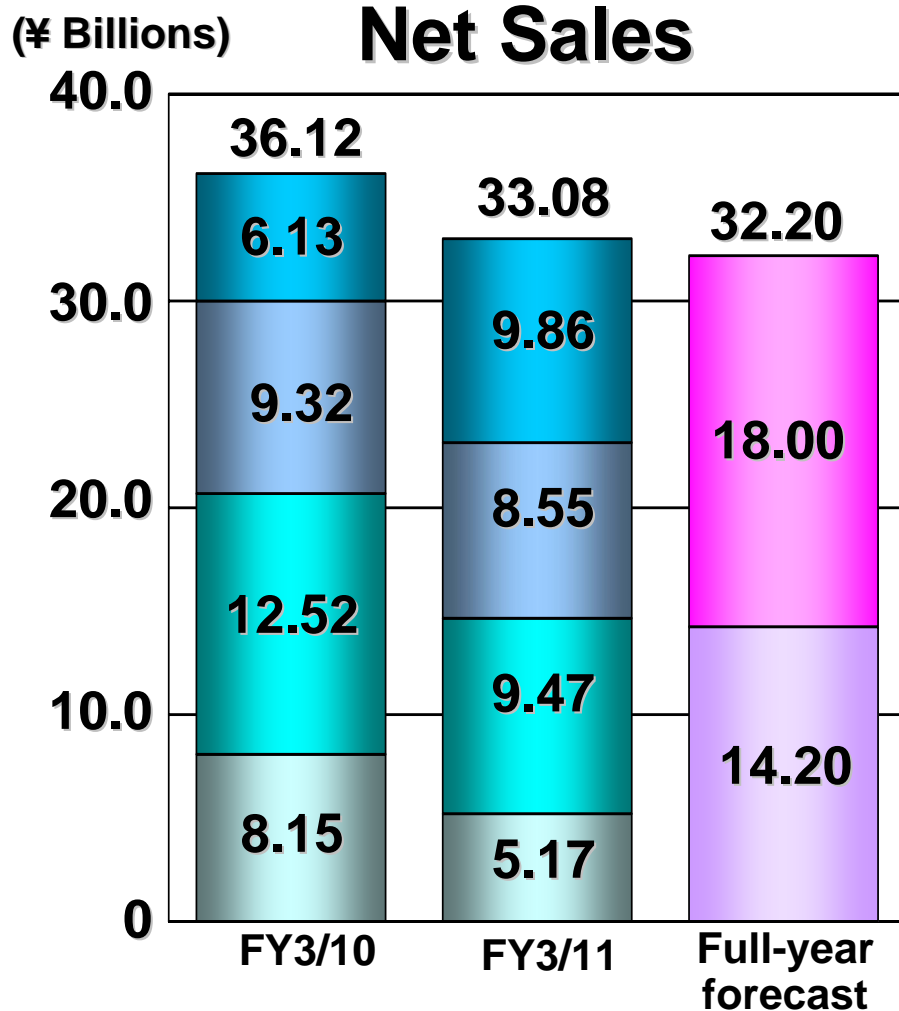


* (): changes from the same period previous fiscal year (%); < > : achievement rate vs. previous full-year forecasts (%)

• The figures for the full-year forecast were released on May 11, 2010.

• Net income for the previous fiscal year (FY3/10) includes a reimbursement of 110 million yen in corporate tax due to a review of the scope of application of tax credits for R&D costs.

Net Sales for LSI Business



Net sales : ¥33.08billion

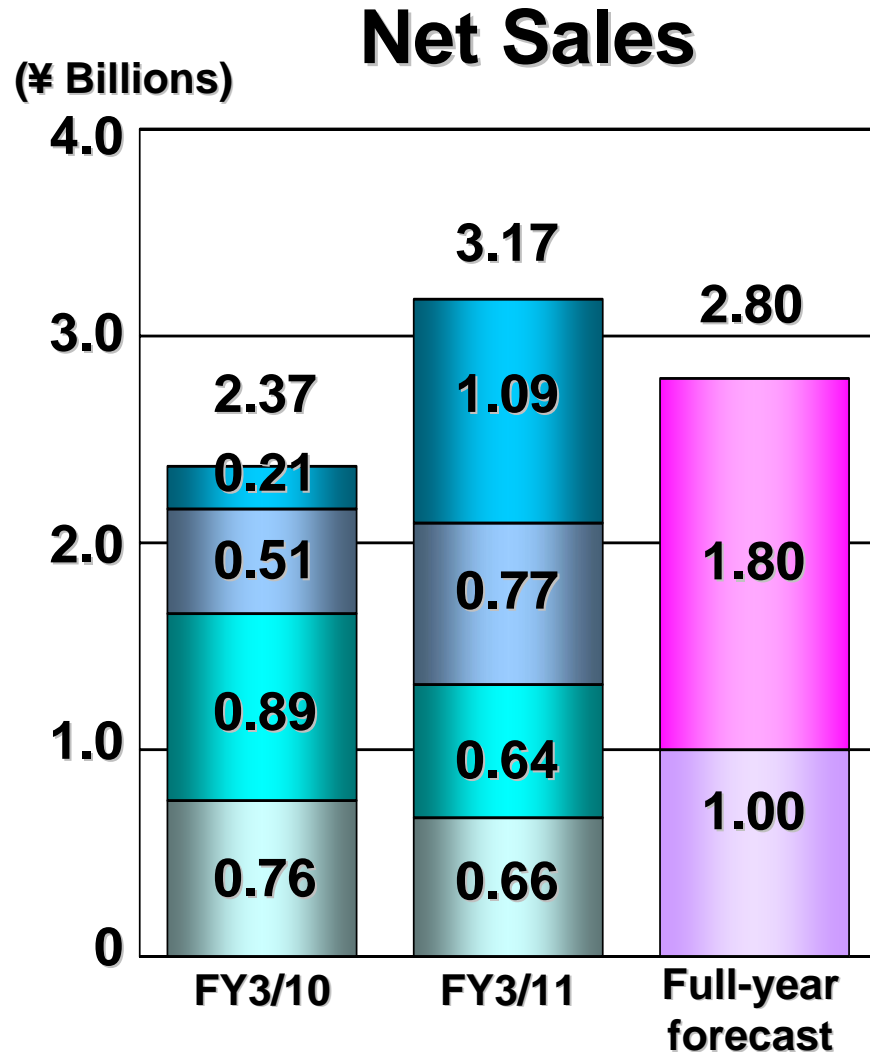
YoY basis: - 8.4%

Comparison to full-year forecast
(initial): + 2.7%

- Sales have decreased compared to the same period in the previous fiscal year due to a drop in the demand for our mainstay product: LSIs for storing hand-held game software.
- Sales are proceeding as planned forecast.

*The figures for the full-year forecast were released on May 11, 2010.

Net Sales for Systems Business



Net sales: **¥2.08billion**
YoY basis: **+ 34.1%**
Comparison to full-year forecast
(initial): **+ 13.5%**

- *Demand for customer-specific video surveillance systems was solid, and sales exceeded the year-ago level.*
- *Sales also exceeded the forecast.*

*The figures for the full-year forecast were released on May 11, 2010.

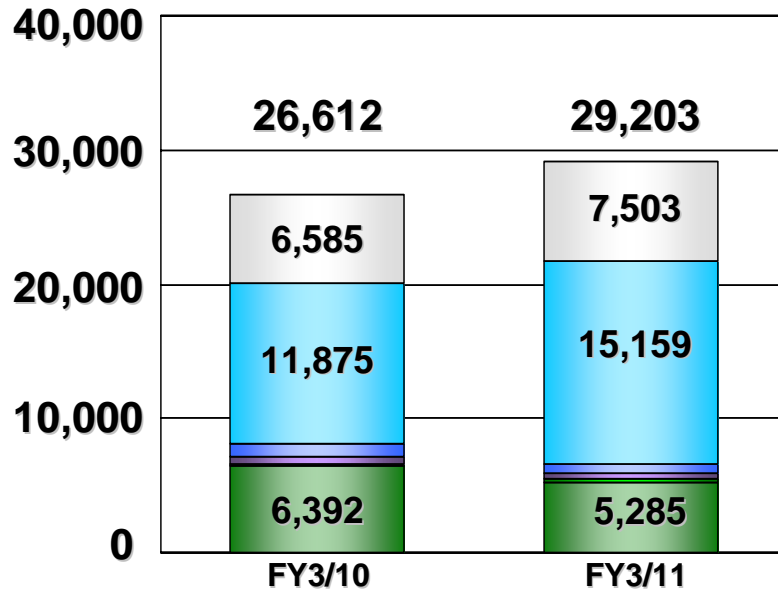
FY3/11 Summary of Consolidated Performance

(¥ Millions)		FY3/11 Results (1)	FY3/10 Results (2)	FY3/11 Forecast (3)	YoY change (1)/(2)	Vs. forecast (1)/(3)
LSI Business	Net sales	33,080	36,124	32,200	- 8.4%	+ 2.7%
	Operating income	3,728	4,212	3,600	- 11.5%	+ 3.6%
Systems Business	Net sales	3,178	2,371	2,800	+ 34.1%	+ 13.5%
	Operating income	- 574	- 1,141	- 500	—	—
Company-wide expenses		99	35	0	—	—
Consolidated	Net sales	36,259	38,495	35,000	- 5.8%	+ 3.6%
	Operating income	3,055	3,034	3,100	+ 0.7%	- 1.4%
	Ordinary income	3,320	3,101	3,100	+ 7.1%	+ 7.1%
	Net income	2,288	2,140	2,150	+ 6.9%	+ 6.4%
	Net income per share (¥)	94.64	88.19	88.51	+ 7.3%	+ 6.9%

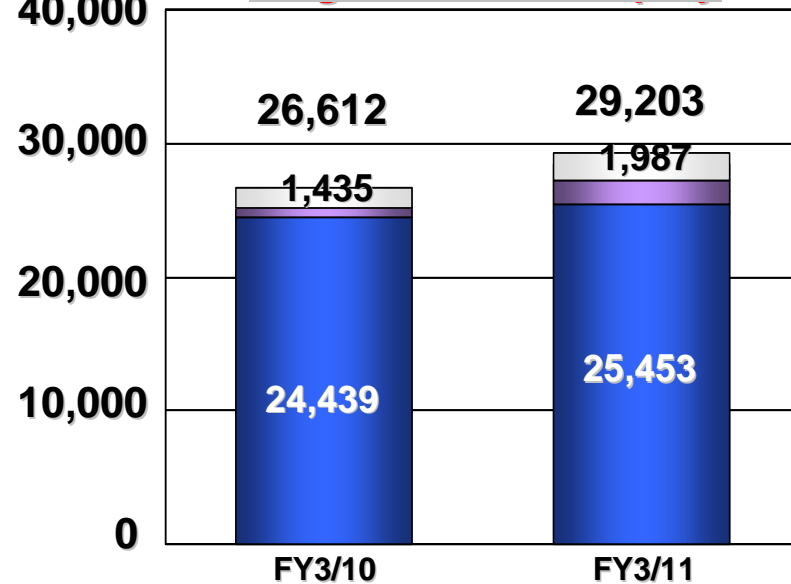
★Net income for the previous fiscal year (FY3/10) includes a corporate tax reimbursement of 110 million yen following a review of the scope of application of tax credits for R&D costs.

FY3/11 Consolidated Balance Sheets

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



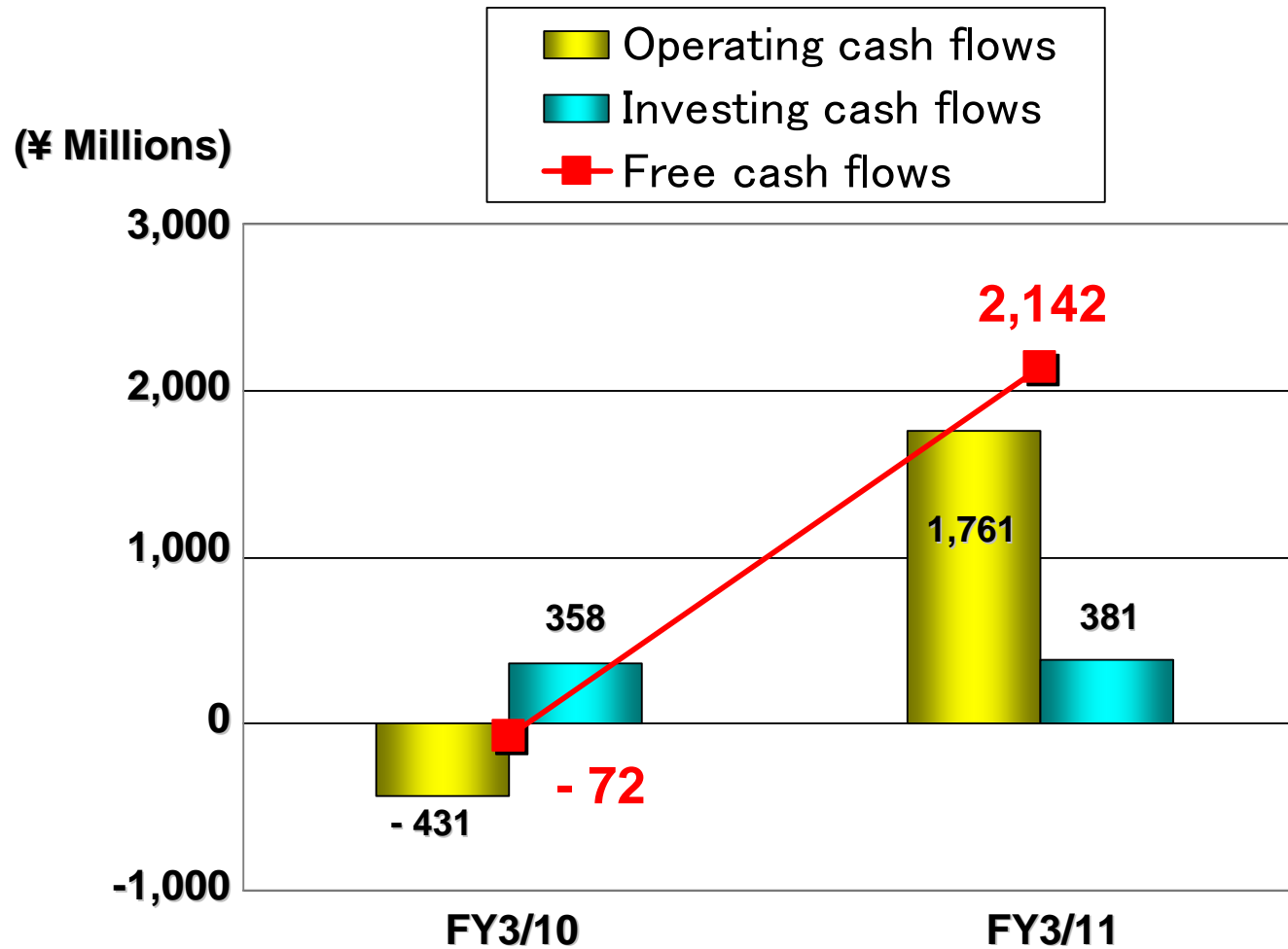
(¥ Millions) **Liabilities/Net Assets: Large amount of equity**



	FY3/10	FY3/11
Cash and cash equivalents	6,585	7,503
Accounts receivable	11,875	15,159
Inventories	946	637
Other current assets	596	444
Tangible/intangible fixed assets	215	172
Investments and other assets	6,392	5,285

	FY3/10	FY3/11
Accounts payable	1,435	1,987
Interest-bearing debt	0	0
Other current liabilities	698	1,717
Other fixed liabilities	38	44
Net assets	24,439	25,453

FY3/11 Consolidated Cash Flows



FY3/12 Medium-Term Management Strategy

Medium-Term Growth Strategy for FY3/12

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

**Achieve recognition as a company
providing service solutions worldwide.**

1. Construct an effective business portfolio by laying a solid foundation for customer-oriented business and developing an in-house products business.

2. Develop basic technologies from a medium- to long-term perspective.

3. Enhance operating efficiency through reforms to boost revenue.

Medium-Term Growth Strategy_1

1) Construct an effective business portfolio by laying a solid foundation for customer-oriented business and developing in-house products business.

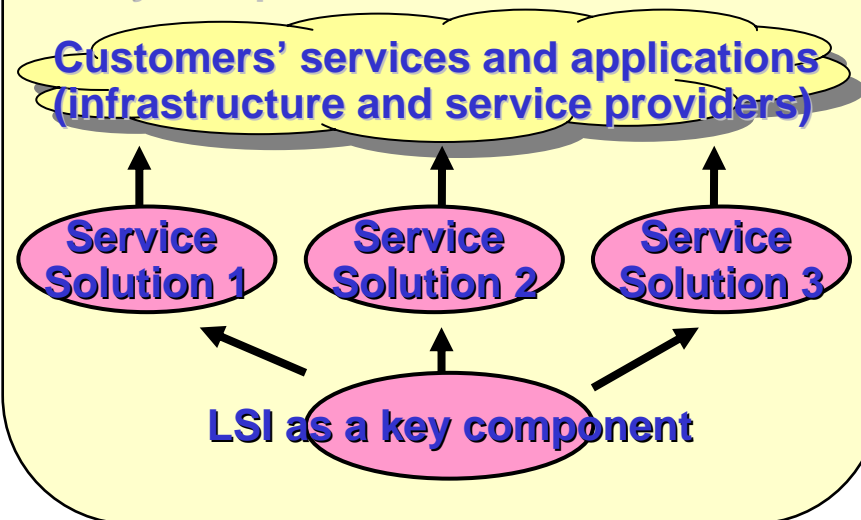
Customer-oriented business

Build businesses where the Company can grow and develop with customers over the long term.

- (1) Optimize business risks with customers.
- (2) Hone core competencies that can be maintained over the long term.
- (3) Expand to provide optimum solutions ranging from system LSI to system products:
 - LSI
 - Boards, modules
 - System products
 - IP

In-house products business

Provide a range of solutions that enable customers to create new services, using competitive LSI and intellectual property as key components.



Medium-Term Growth Strategy_2

2) Develop basic strategies from a medium- to long-term perspective.

- (i) Develop basic technologies to achieve strong core competencies and to create new businesses.**
 - 1: Fields where new markets are imagined**
 - 2: Aim to maintain business initiatives.**
 - 3: Prepare core competencies, not for individual hardware but for total solutions.**

- (ii) Hone core competencies to maintain a sound business over the long term.**
 - 1: Unique business model**
 - 2: Patented technologies**
 - 3: Hardware and software expertise**

Medium-Term Growth Strategy_3

3) Enhance operating efficiency by executing reforms to boost revenue.

- (1) Streamline development and mitigate operational risks through global alliances.**
- (2) Control overall cost from the development stage and reduce prime cost.**
- (3) Shorten production times.**
- (4) Control inventory levels properly.**
- (5) Optimize the allocation and size of the workforce and improve business efficiency.**

FY3/12 Medium-Term Business Plan

Business Plan for FY3/11

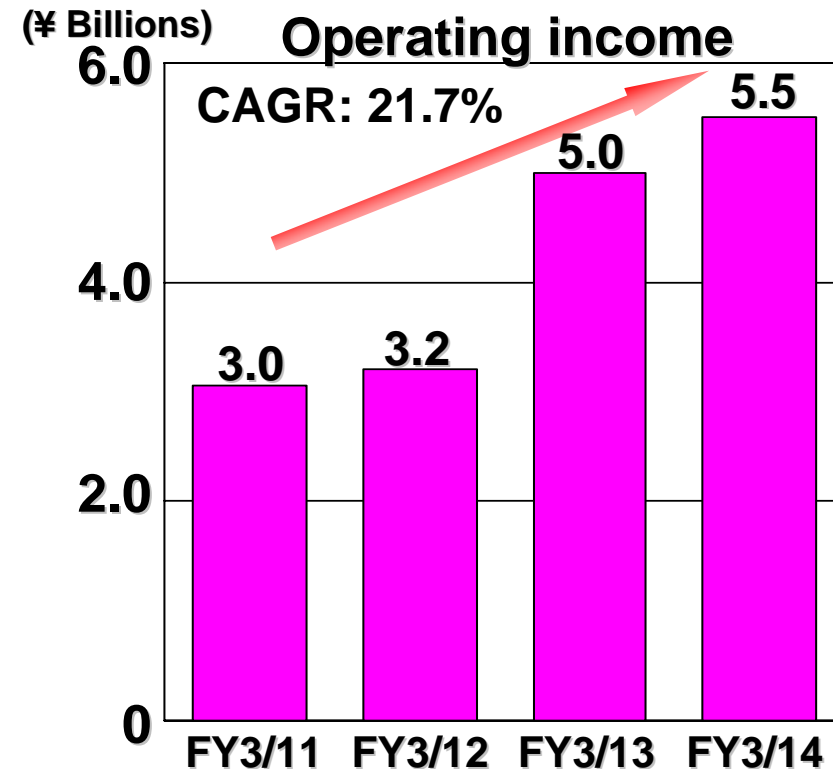
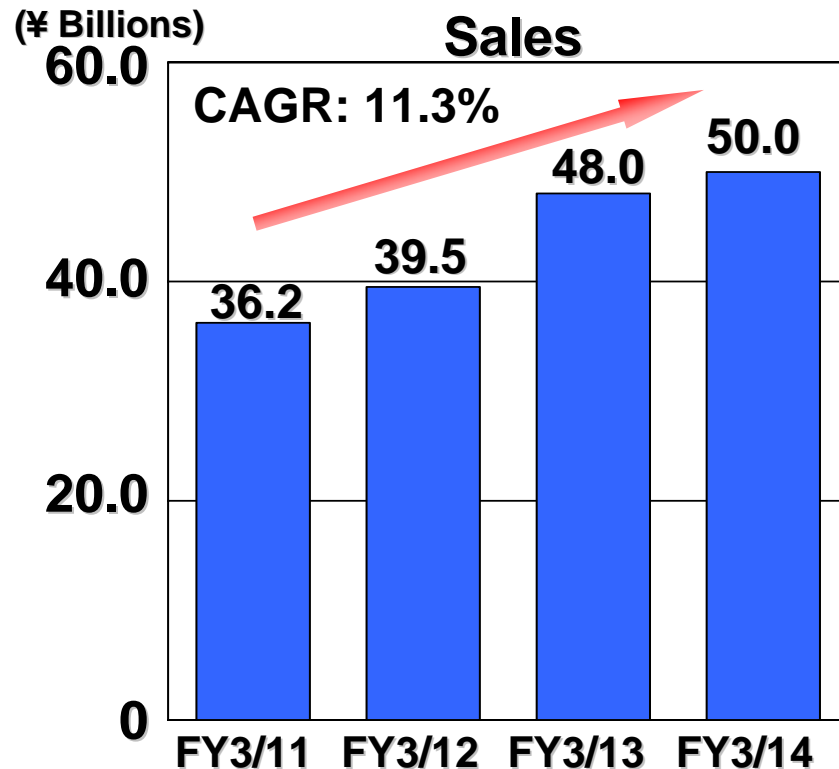
(Millions of yen)		FY3/12 First-half forecast	FY3/12 Full-year forecast	FY3/11 First-half results	FY3/11 Full-year results	YoY change(First- half)	YoY change (Full-year)
Consolidated	Net sales	16,500	39,500	15,970	36,259	+ 3.3%	+ 8.9%
	Operating income	1,300	3,200	1,503	3,055	- 13.5%	+ 4.7%
	Ordinary income	1,300	3,300	1,466	3,320	- 11.4%	- 0.6%
	Net income	900	2,200	1,046	2,288	- 16.4%	- 3.9%
	Net income per share (¥)	37.49	91.63	43.08	94.64	- 13.0%	- 3.2%

★Net income for the previous fiscal year (FY3/11) was boosted by dividend income in non-operating income and gain on sales of securities in extraordinary income.

Medium-term Target

Medium-term Target for FY3/14

● **CAGR 21.7% from FY3/11 to FY3/14**



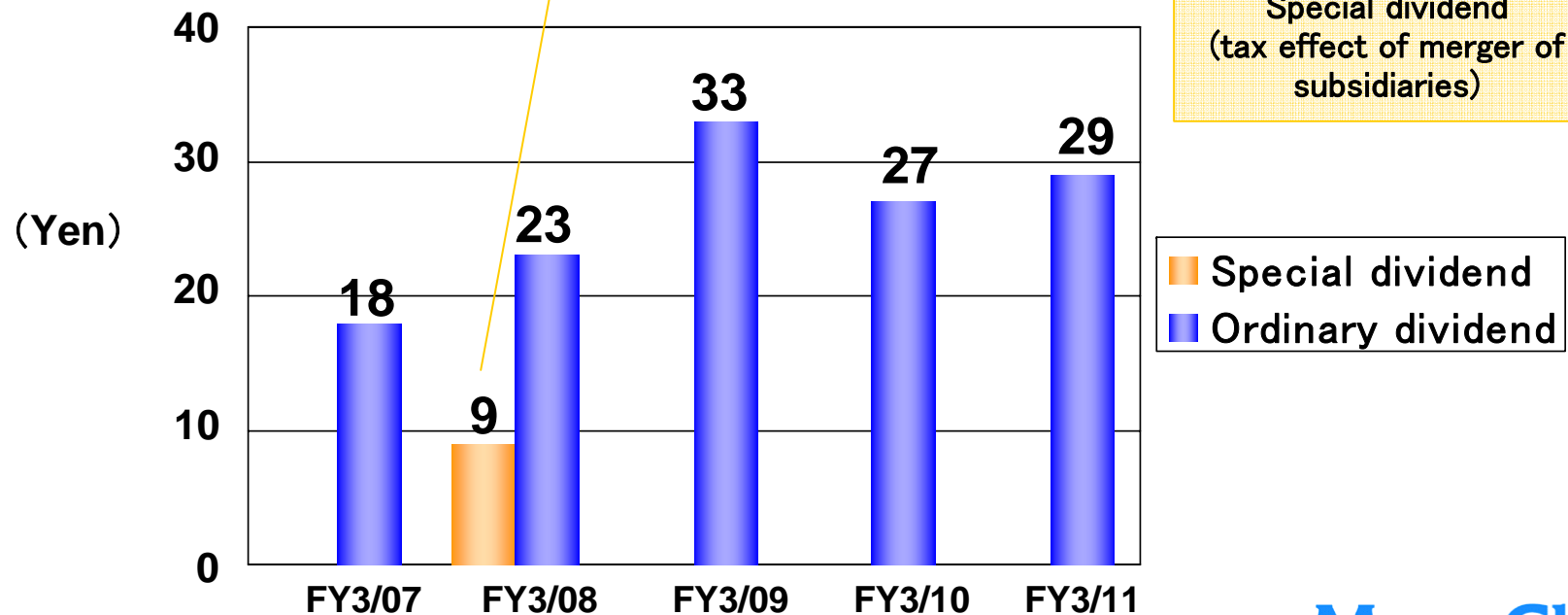
★ To achieve further growth in the medium to long term, we plan to post research and development expenses of **0.5 billion yen** as a Company-wide expense **each year** from the fiscal year ending March 2012.

* CAGR: Compound Annual Growth Rate

Performance Indicators (Profit Allocation)

Dividend policy

- ① 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.
- ② 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.
- ③ 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)

● **Construct an effective business portfolio by laying a solid foundation for customer-oriented business and developing a business for in-house products.**

Expand to provide optimum solutions and lay a stronger foundation for the existing customer-oriented business. Start an in-house products business in which the Company provides solutions for customers to create new services, and establish a balanced business portfolio.

● **Develop basic strategies from a medium- to long-term perspective.**

Seek to establish a sound business portfolio, including businesses other than existing businesses. Aim to achieve strong core competencies to acquire new businesses.

● **Enhance operating efficiency by executing reforms for higher revenue.**

Increase operating efficiency using global alliances, controlling prime costs from the development stage, shortening production times, and controlling inventory levels. At the same time, help protect the global environment by eliminating wastage.

>> 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 and 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)

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