

(Translation)

May 9, 2008

Name of the Company: MegaChips Corporation

Representative: Shigeki Matsuoka
President and CEO
(Representative Director)

(Code No. 6875, the First Section of the Tokyo Stock Exchange)

Person to contact: Tetsuo Hikawa
Director, Officer and General
Manager of Corporate Control
Division
(TEL 06-6399-2884)**Notice of Distribution of Retained Earnings**

Notice is hereby given that MegaChips Corporation (the "Company"), at the meeting of its Board of Directors held on May 9, 2008, adopted a resolution for the distribution of retained earnings with the record date fixed on March 31, 2008 in accordance with its previously publicized policy on the distribution of retained earnings, as described below:

Description

1. Content of dividends

	Amount Determined (for the year ended March 31, 2008)	Most recent forecast of dividends (publicized on February 4, 2008)	Previous results (for the year ended March 31, 2007)
Record date	March 31, 2008	Same as on the left	March 31, 2007
Dividend per share	¥32.00	Undecided	¥18.00
Aggregate amount of dividends	¥782 million	-	¥445 million
Effective date	June 4, 2008	-	June 4, 2007
Source of dividends	Retained earnings	-	Retained earnings

2. Reasons

The Company, which regards the distribution of profits to its shareholders as an important issue of management, has distributed retained earnings while taking into consideration increasing internal reserves necessary to strengthen its financial base and expand business. In addition, the Company, at its Ordinary General Meeting of Shareholders held in June 2006, amended its Articles of Incorporation to allow itself to determine the distribution of retained earnings by resolution of the Board of Directors.

As a policy on the distribution of retained earnings, the Company will, based on its operating results on a consolidated basis for each fiscal year and by taking into consideration future business developments and the strengthening of its management base, return its profits to its shareholders by distributing retained earnings equivalent to about 30% of net income on a consolidated basis within an amount distributable under law.

Meanwhile, in response to prospective changes in the business conditions, the Company will appropriate internal reserves for research and development activities that may ignite growth and strategic investments, whereby effectively utilizing internal reserves to expand its business base and strengthen its financial base, all in an effort to continuously enhance its enterprise value.

With regard to the purchase of its own shares on the stock market, the Company recognizes it as an effective means to distribute profits to the shareholders. Hence, the Company will use such means expeditiously by taking into consideration movements of its stock prices on the market, its financial status and other factors.

In accordance with the policy on the distribution of retained earnings mentioned above, the Company, at the meeting of its Board of Directors held on May 9, 2008, determined to pay a dividend of ¥32 per share (ordinary dividend: ¥23, special dividend: ¥9). As a result, the aggregate dividends will amount to ¥782,494,880.

In April 2007, the Company merged its operating subsidiaries to shift from the holding company system to the current corporate system. Due to a tax effect on the merger, net income increased by approximately ¥770 million, which will be distributed as special dividends.

(For reference)

Breakdown of annual dividends:

Record date	Dividend per share				
	First quarter-end	Interim period-end	Third quarter-end	Year-end	Annual
Results for the year ended March 31, 2008	-	-	-	¥32.00 (Ordinary dividend: ¥23.00) (Special dividend: ¥9.00)	¥32.00 (Ordinary dividend: ¥23.00) (Special dividend: ¥9.00)
Results for the year ended March 31, 2007	-	-	-	¥18.00 (Ordinary dividend: ¥18.00)	¥18.00 (Ordinary dividend: ¥18.00)

3. Schedule:

- June 3, 2008: Documents concerning dividends will be sent, together with the notice of the Ordinary General Meeting of Shareholders, attached documents and reference documents therefor.
- June 4, 2008: The payment of dividends will be commenced.

- END -