

(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 |