

Summary of Financial Results for the Nine-Month Period Ended December 31, 2008
(For the Fiscal Year Ending March 31, 2009)

January 30, 2009

MegaChips Corporation

(Stock code: 6875, Tokyo Stock Exchange)

(URL: <http://www.megachips.co.jp/>)

Representative: Yukihiro Ukai, President and Representative Director

Contact: Masayuki Fujii,

Tel: +81-6-6399-2884

Director, Officer and General Manager of Finance & Accounting Office

Scheduled day for quarterly report submission: February 13, 2009

1. Consolidated Financial Results for the Nine-Month Period Ended December 31, 2008, of the Fiscal Year Ending March 31, 2009

(From April 1, 2008 to December 31, 2008)

(Figures are rounded down to the nearest one million yen.)

(1) Consolidated operating results (accumulated)

(%: Year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine-Month Period Ended December 31, 2008	43,203	—	4,583	—	4,729	—	2,564	—
Nine-Month Period Ended December 31, 2007	40,079	21.4	2,788	16.8	2,697	14.1	2,167	75.3

	Net income per share	Fully diluted earnings per share
	Yen	Yen
Nine-Month Period Ended December 31, 2008	105.72	105.66
Nine-Month Period Ended December 31, 2007	87.46	87.09

(2) Consolidated financial condition

	Total assets	Net assets	Net worth ratio	Net assets per share
	Million yen	Million yen	%	Yen
Nine-Month Period Ended December 31, 2008	37,264	20,925	56.2	864.01
Year ended March 31, 2008	35,329	21,436	60.7	876.66

(Reference): Net worth:

Nine-Month Period Ended December 31, 2008: ¥20,925 million

Year ended March 31, 2008: ¥21,436 million

2. Dividends

(Record date)	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
Fiscal 2007	Yen 0.00	Yen 0.00	Yen 0.00	Yen 32.00	Yen 32.00
Fiscal 2008	—	—	—	—	—
Fiscal 2008 (forecast)	—	—	—	—	—

(Note 1) Dividend forecast revision during the quarter under review: None

(Note 2) As stated above, the dividend per share at the end of the fiscal year ending March 31, 2009 has not yet been determined. (The forecast dividend per share at the end of the fiscal year is described using the “—” sign). The Company’s dividend policy is to consider consolidated financial results and its financial conditions in each fiscal year and pay a dividend per share calculated from the total dividend payment, which is about 30% of consolidated net income, or a 10 yen dividend per share, whichever is higher.

(Note 3) Because of the resolution passed at the Annual General Shareholders Meeting for the 18th fiscal year to partially amend the Articles of Incorporation, the record dates (June 30, September 30, and December 31) as stipulated in Article 50, Paragraph 3 of the Company’s Articles of Incorporation were abolished.

3. Forecast of consolidated operating results for the year ending March 31, 2009

(From April 1, 2008 to March 31, 2009)

(%: Year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	53,500	5.6	4,800	39.3	4,900	48.3	2,620	0.3	108.18

(Note 1) Consolidated financial forecast revision during the quarter under review: Yes

(Note 2) Net income is about the same level as the previous fiscal year ended March 31, 2008, mainly due to an increase in profits associated with the tax effect of the loss carried forward inherited in an absorption merger with a consolidated subsidiary, which amounted to approximately 770 million yen.

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

(Note) For more details, please see Page 5, "4. Other" of "Qualitative Information, Financial Statements and Other Information"

(3) Changes in accounting principles, procedures, disclosure method, etc. of 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

(Note) For more details, please see Page 5, "4. Other" of "Qualitative Information, Financial Statements and Other Information"

(4) Number of issued shares (shares of common stock):

1) Number of issues shares (including shares of treasury stock) as of the end of the period:

Nine-Month Period Ended December 31, 2008: 24,667,317

Year ended March 31, 2008: 24,904,517

2) Number of shares of treasury stock as of the end of the period:

Nine-Month Period Ended December 31, 2008: 447,833

Year ended March 31, 2008: 451,552

3) Average number of shares during the period (consolidated quarterly accumulated period)

Nine-Month Period Ended December 31, 2008: 24,254,893

Nine-Month Period Ended December 31, 2007: 24,783,462

* 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 and Other Information

1. Qualitative information on consolidated operating results

(1) General Financial Results Condition

The Japanese economy in the nine-month period ended on December 31, 2008, entered a recession as the ripple effects from the economic slowdown induced by the global financial crisis began to affect the Japanese economy, manifesting itself in falls in corporate profits and capital investment, which in turn worsened employment.

In the electronic equipment industry, sales of certain consumer electronic equipment remained steady in the nine-month period under review, but the overall electronic equipment market contracted from the same period in the previous fiscal year.

In this environment, and with a business foundation formed by its mainstay customer-specific LSI (ASIC) business, the MegaChips Group continued to focus on its unique technologies in areas such as the compression/extension processing of image, audio, and music data, and communications. We also concentrated on the application-specific LSI (ASSP) business, which offers optimized solutions to customer needs, while allocating management resources to the new electronic parts business, and developing and marketing customer-specific system products.

In particular, business opportunities for the MegaChips Group have been expanding with the digitization of media, such as video, audio, and music, improved LSI performance as a result of advanced semiconductor technologies, and advances in broadband networks, high-speed cell phone networks, and the communication/broadcasting foundations, such as high-definition television broadcasting. For these growth areas, the Group has focused actively on the development and sale of high-performance memory for specific-use applications, system LSI for high-performance digital camera, system LSI for terrestrial digital broadcasting, electronics components that contain MegaChips LSIs, and customer-specific system products that focus on digital video transmission and recording for security/monitoring purposes.

As a result, sales in the nine-month period ended December 31, 2008, stood at 43,203 million yen, operating income at 4,583 million yen, ordinary income at 4,729 million yen, and net income at 2,564 million yen. A business liquidation cost of 586 million yen was incurred as special loss in the six-month period ended September 30, 2008, in the system segment as the unprofitable MegaChips-brand system product business intended for unspecified number of customers was discontinued to focus on the customer-specific system business.

(2) Business Overview by Segment

(i) LSI Business

With respect to customer-specific LSI (ASIC), consolidated sales stood at 36,613 million yen, mainly because of steady sales of LSI for video game software (custom memory). As for application-specific LSI (ASSP), although demand declined for cell phone LSIs for single-segment terrestrial digital broadcast reception, demand was steady for image processing LSIs for digital cameras and tuners for single-segment terrestrial digital broadcast reception. For this reason, consolidated sales stood at 3,537 million yen. As a result of the above, sales in the overall LSI business reached 40,151 million yen, and operating income stood at 4,513 million yen with the contribution of high-margin, application-specific LSI (ASSP) products, development cost income, licensing income, and other

factors.

(ii) System Business (Customer-Specific System)

Sales in the system business stood at 3,051 million yen and operating income at 69 million yen, thanks to steady sales of customer-specific digital video monitoring system for security/monitoring purposes.

2. Qualitative information on consolidated financial condition

(1) Changes in the financial position (consolidated)

Total assets at the end of the nine-month period under review were 37,264 million yen, an increase of 1,935 million yen from the end of the fiscal year ended March 31, 2008. The main factor was an increase in trade notes and accounts receivable of 4,911 million yen from the end of the previous consolidated fiscal year, while cash and deposits fell 543 million yen and investment securities declined 2,148 million yen.

Total liabilities stood at 16,338 million yen, an increase of 2,446 million yen from the end of the previous fiscal year, as an increase of short-term borrowings of 3,000 million yen and unpaid corporate and other taxes of 747 million yen offset a decrease in trade notes and accounts payable of 973 million yen.

Net assets declined 510 million yen from the end of the previous consolidated fiscal year, to 20,925 million yen. As a result, the net worth ratio declined 7.5%, to 56.2%.

(2) Cash Flow Status

Cash and cash equivalents (hereinafter referred to as “net cash”) at the end of the nine-month period under review decreased 743 million yen from the end of the previous consolidated fiscal year to 5,786 million yen.

Individual cash flows for the nine-month period ended December 31, 2008, are as follows:

Cash used in operating activities was 1,765 million yen, as income before income taxes and others of 4,131 million yen was more than offset by an increase in notes and accounts receivable of 4,918 million yen and a decrease in accounts payable of 965 million yen, among other factors.

Cash used in investing activities was 867 million yen, reflecting 646 million yen in long-term prepayment expenses and a 90 million yen outlay for the purchase of investment securities, among other factors. As a result, free cash flow, which combines cash flow from operating activities and cash flow from investing activities, was a 2,633 million yen cash outflow.

Cash generated by financing activities was 1,934 million yen, as an increase in short-term borrowings of 3,000 million yen offset cash dividend paid of 770 million yen and the purchase of treasury stocks worth 300 million yen, among other factors.

3. Qualitative information on forecast of consolidated operating results

The business forecast for the fiscal year ending March 31, 2009, announced on October 30, 2008, was revised. For details, please refer to the Announcement Concerning Revision on Business Forecast for the Fiscal Year Ending March 31, 2009, which was released on January 30, 2009.

4. Other

- (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

- (i) Appraisal method for inventory assets

With respect to the calculation of inventory assets at the end of the nine-month consolidated fiscal period ended December 31, 2009, a physical stocktaking was not carried out, and instead a method of reasonably calculating inventory based on physical inventory figures at the end of the previous fiscal year was adopted. In addition, with respect to a write-down of book values, the actual sale value is estimated for inventory assets whose profitability has clearly decreased.

- (ii) Calculation method for depreciation cost of fixed assets

With respect to the assets calculated with the age-life method, the portion of depreciation costs for the consolidated fiscal year under review is included.

- (iii) Calculation of tax expenses

With respect to tax expenses, a reasonable estimate is made for the effective tax rate after the application of tax effect accounting on pretax net income for the consolidated fiscal year under review, including the nine-month period ended December 31, 2008, and the estimated tax rate is multiplied by pretax net income for the third quarter period under review. The amount of adjustment for corporate and other taxes is included in the category of Corporate and other taxes.

- (3) Changes in accounting principles, procedures, disclosure method, etc. of pertaining to the preparation of consolidated quarterly financial statements

- (i) Application of Accounting Standard for Quarterly Financial Reporting

Starting in the current consolidated fiscal year, the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Standard No. 12) and the “Implementation Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14) are applied. In addition, quarterly consolidated financial statements are produced in compliance with “Quarterly Consolidated Financial Statements Rules.”

- (ii) Changes in appraisal standard and method for important assets

Previously, the calculation for inventory assets held for ordinary sales purposes was based on the cost method by the gross average method. However, beginning in the first consolidated quarter under review, the Accounting Standards for Measurement of Inventory Assets, ASBJ Statement No. 9 dated July 5, 2006, is applied. Accordingly, measurement standards for the values entered in balance sheets was changed to the cost method by the gross average method of devaluing book value upon decline of profitability. The effect of the change on income is minimal.

5. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheet

		(Thousand yen)
	End of the consolidated third quarter accounting period (As of December 31, 2008)	Condensed consolidated balance sheets covering the end of the previous consolidated fiscal year (As of March 31, 2008)
ASSETS		
Current Assets:		
Cash and deposits	5,986,227	6,530,199
Trade notes and accounts receivable	22,565,122	17,653,931
Goods and products	1,141,415	1,427,215
Goods in process	282,893	335,168
Materials and supplies	535,064	496,795
Deferred tax assets	246,484	246,484
Other current assets	351,469	168,038
Allowance for doubtful accounts	-1,579	-1,229
Total current assets	31,107,097	26,856,603
Fixed assets:		
Tangible fixed assets		
Buildings and appurtenances	240,781	242,552
Accumulated depreciation	-140,511	-125,248
Buildings and appurtenances (net)	100,269	117,303
Other tangible fixed assets	320,813	266,803
Accumulated depreciation	-214,012	-163,715
Other (net)	106,801	103,087
Total tangible fixed assets	207,071	220,391
Intangible fixed assets		
Other intangible fixed assets	125,670	177,705
Total intangible fixed assets	125,670	177,705
Investments and other assets		
Investment securities	2,666,612	4,814,902
Long-term prepayment expenses	2,522,874	2,525,456
Long-term deposits	200,000	400,000
Deferred tax assets	104,122	-
Other investments and other assets	334,923	339,271
Allowance for doubtful receivables	-3,596	-4,933
Total investments and other assets	5,824,935	8,074,697
Total fixed assets	6,157,678	8,472,794
Total assets	37,264,775	35,329,398

(Thousand yen)

	End of the consolidated third quarter accounting period (As of December 31, 2008)	Condensed consolidated balance sheets covering the end of the previous consolidated fiscal year (As of March 31, 2008)
LIABILITIES		
Current liabilities:		
Trade notes and trade accounts payable	3,046,966	4,020,461
Short-term borrowings	9,000,000	6,000,000
Accrued corporate income taxes	1,306,091	558,253
Allowances	187,701	258,814
Other current liabilities	750,992	830,821
Total current liabilities	14,291,750	11,668,350
Long-term liabilities:		
Long-term borrowings	2,000,000	2,000,000
Deferred tax liabilities	6,513	165,573
Other long-term liabilities	40,591	58,561
Total long-term liabilities	2,047,104	2,224,135
Total liabilities	16,338,855	13,892,485
NET ASSETS		
Shareholders' equity		
Capital	4,840,313	4,840,313
Additional paid in capital	6,181,300	6,181,300
Retained earnings	10,442,683	9,012,581
Treasury stock	-662,305	-718,718
Total shareholders' equity	20,801,992	19,315,477
Revaluation and exchange differences, etc.		
Revaluation difference of other securities	255,245	2,090,734
Foreign exchange translation adjustment	-131,317	30,700
Total revaluation and exchange differences, etc.	123,928	2,121,435
Total net assets	20,925,920	21,436,912
Total liabilities and net assets	37,264,775	35,329,398

(2) Consolidated quarterly statement of income
 (For the consolidated third-quarter accumulated period)

	(Thousand yen)
	Consolidated nine-month accounting period under review (From April 1, 2008 to December 31, 2008)
Net sales	43,203,165
Cost of sales	35,568,679
Gross profit on sales	7,634,485
Selling, general and administrative expenses	3,051,407
Operating income	4,583,078
Non-operating income	
Interest income	7,133
Dividend income	235,679
Gains from investment in partnerships	8,053
Miscellaneous income	16,996
Total non-operating income	267,862
Non-operating expenses	
Interest expense	64,604
Commitment fees	6,904
Loss from sale of receivable	22,600
Exchange losses	25,748
Miscellaneous losses	1,773
Total non-operating expenses	121,630
Ordinary income	4,729,310
Special loss	
Loss on fixed asset retirement	1,145
Loss from revaluation of investment securities	10,738
Loss from business liquidation	586,364
Total special loss	598,248
Income before income taxes and others	4,131,062
Corporate income taxes, etc.	1,566,903
Net income	2,564,158

(3) Consolidated quarterly statement of cash flow

	(Thousand yen)
	Consolidated nine-month accounting period under review (From April 1, 2008 to December 31, 2008)
Operating activities:	
Income before income taxes and others	4,131,062
Depreciation	138,645
Amortization of long-term prepaid expenses	554,467
Increase (decrease) in allowance for bonuses	-132,565
Increase (decrease) in allowance for bonuses for officers	61,452
Interest and dividend income	-242,812
Interest expense	64,604
Loss (gain) on revaluation of investment securities	10,738
Loss from business liquidation	95,672
Decrease (increase) in trade receivable	-4,918,692
Decrease (increase) in inventories	256,698
Increase (decrease) in trade accounts payable	-965,269
Decrease (increase) in other current assets	54,359
Increase (decrease) in other current liabilities	-14,761
Other	9,172
Subtotal	-897,228
Interest and dividends received	7,470
Interest paid	-58,912
Corporate income taxes paid	-817,066
Net cash used in operating activities	-1,765,736
Investing activities:	
Purchase of tangible fixed assets	-74,727
Purchase of intangible fixed assets	-63,687
Purchases of investment securities	-90,935
Payment for long-term prepaid expenses	-646,155
Other	7,658
Net cash used in investing activities	-867,848
Financing activities:	
Net increase (decrease) in short-term debts	3,000,000
Purchase of treasury stocks	-300,118
Cash dividends paid	-770,010
Other	4,969
Net cash provided by financing activities	1,934,840
Translation gain related to cash and cash equivalents	-45,226
Net increase (decrease) in cash and cash equivalents	-743,971
Cash and cash equivalents at beginning of year	6,530,199
Cash and cash equivalents at end of quarter	5,786,227

Starting in the current consolidated fiscal year, the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Standard No. 12)” and the “Implementation Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14) are applied. In addition, quarterly consolidated financial statements are produced in compliance with “Quarterly Consolidated Financial Statements Rules.”

(4) Notes on going concern assumption

Not applicable.

(5) Segment Information

Operating segment information

Nine-month accounting period under review (From April 1, 2008 to December 31, 2008)

(Thousand yen)

	LSI business	System business	Total	Eliminated or group-wide	Consolidated
Net sales					
(1) External customers	40,151,593	3,051,572	43,203,165	-	43,203,165
(2) Inter-segment	9,777	-	9,777	-9,777	-
Total	40,161,370	3,051,572	43,212,943	-9,777	43,203,165
Operating income (loss)	4,513,911	69,977	4,583,889	-810	4,583,078

(Notes) 1. Segment categories represent the categories used for internal control purposes.

2. Major products in each category

(1) LSI business

LSI as a container for video game software, LSI for home-use video game equipment, LSI for digital camera image processing, LSI for image/audio processing of single-segment digital broadcasting/digital radio broadcasting, LSI for OFDM demodulation for image/audio processing of single-segment digital television broadcasting/digital radio broadcasting/full-segment digital television broadcasting

(2) System business

Image transmission server, digital video recorder, display controller, image camera system for equipment security

Geographical Segments

Consolidated nine-month accounting period (from April 1, 2008 to December 31, 2008)

The Sales volume in Japan accounts for more than 90% of sales in all segments. For this reason, segment information by country/region is omitted.

Sales to Foreign Customers

Consolidated nine-month accounting period (from April 1, 2008 to December 31, 2008)

Overseas sales account for only less than 10% of consolidated sales. For this reason, sales information in foreign countries is omitted.

(6) Note on substantial changes in the amount of shareholders' equity

Consolidated nine-month accounting period (from April 1, 2008 to December 31, 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, shares of treasury stock decreased by ¥50,902 thousand and retained earnings decreased by ¥350,794 thousand at the end of the consolidated third-quarter accumulated period under review.

<Reference materials>

Financial Statements for the same period of the previous consolidated fiscal year

(1) Consolidated quarterly financial statements

(Thousand yen)

Section	Previous consolidated nine-month accounting period (From April 1, 2007 to December 31, 2007) Amount
I. Net sales	40,079,883
II. Cost of sales	34,028,768
Gross profit on sales	6,051,115
III. Selling, general and administrative expenses	3,262,751
Operating income	2,788,363
IV. Non-operating income	15,854
V. Non-operating expenses	106,427
Ordinary income	2,697,789
VI. Special income	1,156
VII. Special loss	112,374
Income before income taxes and others	2,586,571
Tax-related expenses	419,107
Net income	2,167,463

(2) Consolidated quarterly statement of cash flow (Thousand yen)

	Previous consolidated nine-month accounting period (From April 1, 2007 to December 31, 2007)
Section	Amount
I. Operating activities:	
Income before income taxes and others	2,586,571
Depreciation	119,734
Amortization of long-term prepaid expenses	96,202
Decrease in allowance for doubtful receivables	-1,139
Increase in allowance for bonuses	-97,750
Increase in allowance for officers' bonuses	55,275
Increase in trade accounts receivable	-8,182,464
Increase in inventories	-703,499
Increase/decrease in trade accounts payable	-353,506
Others	140,147
Subtotal	-6,340,428
Interest and dividends received	12,185
Interest paid	-31,812
Corporate income taxes paid	-944,105
Corporate income taxes refunded	223,432
Net cash used in operating activities	-7,080,728
II. Investing activities:	
Purchases of tangible fixed assets	-90,310
Purchases of intangible fixed assets	-71,879
Purchases of investment securities	-110,800
Sales of investment securities	8,541
Payment for long-term prepaid expenses	-1,071,038
Payment for guarantee	-43,612
Refund of guarantee	1,869
Refund premiums	2,997
Others	82
Net cash used in investing activities	-1,374,149
III. Financing activities:	
Net increase in short-term debt	8,000,000
Net decrease in treasury stocks	12,849
Cash dividends paid	-441,720
Net cash provided by financing activities	7,571,128
IV. Translation gain related to cash and cash equivalents	-26,492
V. Net increase/decrease in cash and cash equivalents	-910,242
VI. Cash and cash equivalents at the beginning of period	4,737,569
VII. Cash and cash equivalents at the end of period	3,827,327

(3) Segment Information

Operating segment information

Previous consolidated nine-month accounting period (From April 1, 2007 to December 31, 2007)

(Thousand yen)

	LSI business	System business	Total	Eliminated or group-wide	Consolidated
Net sales					
External customers	38,285,651	1,794,232	40,079,883	–	40,079,883
Inter-segment	4,901	–	4,901	-4,901	–
Total	38,290,553	1,794,232	40,084,785	-4,901	40,079,883
Operating expenses	34,893,142	2,339,962	37,233,104	58,415	37,291,520
Operating income (loss)	3,397,410	-545,730	2,851,680	-63,317	2,788,363

Note: Segment categories represent the categories used for internal control purposes.

Geographical Segments

Consolidated nine-month accounting period (from April 1, 2007 to December 31, 2007)

The Sales volume in Japan accounts for more than 90% of sales in all segments. For this reason, segment information by country/region is omitted.

Sales to Foreign Customers

Consolidated nine-month accounting period (from April 1, 2007 to December 31, 2007)

Overseas sales account for only less than 10% of consolidated sales. For this reason, sales information in foreign countries is omitted.