Summary of Financial Results for the Fiscal Year Ended March 31, 2009

May 11, 2009

MegaChips Corporation (Stock code: 6875, Tokyo Stock Exchange)
(URL: http://www.megachips.co.jp/)
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Scheduled date of the Ordinary General Meeting of Shareholders: June 24, 2009
Scheduled date of payment of dividends: June 3, 2009
Scheduled date of filing of securities report: June 24, 2009

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2009

(From April 1, 2008 to March 31, 2009) (Figures are rounded down to the nearest one million yen.)

(1) Consolidated operating results (%: Year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2009	52,771	4.1	4,812	39.7	4,892	48.0	2,672	2.3
Year ended March 31, 2008	50,671	13.4	3,444	17.9	3,304	15.2	2,612	71.9

	Net income per share	Fully diluted earnings per share	Ratio of profit to shareholders' equity for the year	Ratio of ordinary profit to total assets	Ratio of ordinary profit to sales
	Yen	Yen	%	%	%
Year ended March 31, 2009	110.21	110.11	12.7	14.3	9.1
Year ended March 31, 2008	105.60	105.22	12.7	9.8	6.8

(Reference): Gain or loss on equity method investment: - million yen for the year ended March 31, 2009, - million yen for the year ended March 31, 2008

(2) Consolidated financial condition

	Total assets	Net assets	Net worth ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2009	33,115	20,564	62.1	849.02
Year ended March 31, 2008	35,329	21,436	60.7	876.66

(Reference): Net worth: Year ended March 31, 2009: ¥20,564 million
Year ended March 31, 2008: ¥21,436 million

(3) Consolidated cash flow condition

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2009	10,959	-1,082	-2,064	14,265
Year ended March 31, 2008	2,340	-1,558	1,071	6,530

2. Dividends

(Record date)	Dividend per share: First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual	Aggregate dividends (annual)	Dividend propensity (consolidated)	Ratio of dividends to net assets (consolidated)
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2008	0.00	0.00	0.00	32.00	32.00	782	30.3	3.8
Year ended March 31, 2009	–	–	–	33.00	33.00	799	29.9	3.8
Year ended March 31, 2010 (forecast)	–	–	–	–	–		–	

(Note 1) The Company paid dividends once a year by making the end of the fiscal year the record date based on its dividend policy. However, the expected amount of the year-end and annual dividend is shown as "–", because the amount has not been specifically determined. Refer to (3) Basic principles concerning the distribution of profits and the dividends for the fiscal year under review and the next fiscal year, 1. Operating Results of "Qualitative Information, Financial Statements and Other Information" on page 6 for details of the dividend policy.

(Note 2) Because of the resolution passed at the Annual General Shareholders Meeting for the 18th fiscal year held on June 25, 2008 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. Therefore, "–" was indicated for the ends of the first quarter, second quarter and third quarter from the fiscal year ended March 31, 2009.

3. Forecast of consolidated operating results for the year ending March 31, 2010

(From April 1, 2009 to March 31, 2010)

(Percentages denote the rate of increase or decrease from the previous year in "Full-year" and from the same quarter of the previous year in "Six-month period ending September 30, 2009.")

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending September 30, 2009	25,700	-5.2	2,400	-14.3	2,300	-17.0	1,320	1.3	54.50
Full-year	53,500	1.4	5,000	3.9	5,000	2.2	2,800	4.8	115.60

4. Others

(1) Changes in important subsidiaries (changes in specific subsidiaries associated with changes in the scope of consolidation) during the period: None

(Note) Refer to 2. State of Corporate Group of "Qualitative Information, Financial Statements and Other Information" on page 10 for details.

(2) Changes in accounting principles, procedures, disclosure method, etc. of pertaining to the preparation of consolidated financial statements (those to be stated as Changes in the Important Matters Forming the Basis for Preparing Consolidated Financial Statements):

1) Changes associated with changes in accounting standards: Yes

2) Other changes: None

(Note) Refer to 4. Change of important matters fundamental to the preparation of consolidated financial statements of

"Qualitative Information, Financial Statements and Other Information" on page 22 for details.

(3) 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:

Year ended March 31, 2009:	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:

Year ended March 31, 2009:	446,282
Year ended March 31, 2008:	451,552

(Note) Refer to "Per-share information" on page 36 for the number of shares which is the basis for the calculation of net income per share (consolidated basis).

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2009

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

(1) Non-consolidated operating results (%: Year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2009	52,764	4.2	4,913	37.7	4,773	41.7	2,482	-33.3
Year ended March 31, 2008	50,658	–	3,567	–	3,367	154.5	3,719	197.8

	Net income per share	Fully diluted earnings per share
	Yen	Yen
Year ended March 31, 2009	102.38	102.28
Year ended March 31, 2008	150.35	149.81

(2) Non-consolidated financial condition

	Total assets	Net assets	Net worth ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2009	33,165	20,624	62.2	851.51
Year ended March 31, 2008	33,504	19,628	58.6	802.69

(Reference): Net worth: Year ended March 31, 2009: ¥20,624 million
Year ended March 31, 2008: ¥19,628 million

* Explanation for the proper use of the forecast of operating results and other special notes

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.

Qualitative Information, Financial Statements and Other Information

1. Operating Results

(1) Analysis of operating results

(i) General Financial Results Condition

In the fiscal year under review, the Japanese economy slid into a recession as the shock waves from the slowdown in global economic activity caused by the global financial crisis reached the domestic economy, resulting in a reduction in company profits and capital investment, and a deteriorating employment situation.

In the electronics industry, of which the Group is a part, some consumer electronics maintained a steady performance but, on the whole, the market for the electronics industry declined in comparison to the same period of the previous year.

Under these circumstances, the Group focused its efforts on expanding its business and on developing and selling products by providing optimal solutions to meet customer needs based on the Group's unique technologies, such as telecommunications, compressing and decompressing images, sound and music.

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 communication/broadcasting infrastructure, such as for 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, on a consolidated basis, sales, operating income and ordinary income amounted to ¥52,771 million (a 4.1% increase from the previous fiscal year), ¥4,812 million (a 39.7% increase) and ¥4,892 million (a 48.0% increase) respectively. Net income for the year amounted to ¥2,672 million (a 2.3% increase). In the system business, note that the unprofitable section of the MegaChips brand system business that has been focusing on an unspecified large number of customers was discontinued in the second quarter in order to concentrate on the customer-specific part of the system business, resulting in a ¥631 million loss associated with the liquidation of this part of this business.

(ii) Business Overview by Segment

a. LSI Business

With respect to customer-specific LSIs, demand for LSIs for storing game software (custom memories) remained strong, with consolidated sales totaling ¥44,565 million (an increase of 3.5% from the same period last year). With respect to application-specific LSIs, demand for LSIs for processing images for digital cameras and tuner modules for receiving "one-seg" terrestrial digital broadcasts remained strong but sales promotions for LSIs for receiving "one-seg" terrestrial digital broadcasts were curtailed by declining profit margins due to falling prices, so that consolidated sales declined by 20.2%, to ¥4,004 million. As a result, consolidated sales for the entire LSI business increased 1.1%, to ¥48,569 million. Operating income increased 12.9% to ¥4,791 million, partly due to the contribution from application-specific LSIs, such as highly profitable products and income from development fees and license fees.

b. System Business

Demand for customer-specific image monitoring systems for security and monitoring applications remained strong, with consolidated sales reaching ¥4,201 million (an increase of 61.0%) and an operating income totaling ¥22 million (up from an operating loss of ¥737 million for the same period last year).

(iii) Prospect for operating results in general for the next fiscal year

As for the economic outlook for the year to come, the slowdown in economic activity caused by the global financial crisis is expected to continue, and difficult economic circumstances are expected to continue for the domestic economy as well, with reductions in company profits and capital investment, and a deteriorating employment situation.

As for the social environment surrounding the businesses of the Group, demand for digital appliances is also expected to continue on a downward trend due to the deterioration in global market conditions. On the other hand, however, an increasingly sophisticated information society is expected to come to fruition, with the ongoing digitization of broadcasting and the expansion of wired and wireless broadband networks. At the same time, it is also seems that initiatives for creating a low-carbon, recycling-oriented society where people live in harmony with nature are also likely to receive greater emphasis, with the objective of global environmental sustainability.

Under these circumstances, the Group intends to further its businesses by concentrating on its customer-focused business, which will be achieved by maximizing the Company's technical capabilities and providing optimal solutions that meet customers' needs.

In our LSI business, the Group will focus on developing and selling the system LSIs that are required in order to further expand its businesses directed towards prominent customers in areas such as games, amusement, digital cameras, audio visual devices that support Hi-Vision (high definition video). The Group will also actively engage in developing electronic components businesses such as boards and modules that utilize system LSIs, and will work on strengthening its product lineup and supply capacity. The Group will also aim to enlarge its profit-earning opportunities by providing energy-efficient, environmentally-friendly products that target the eco/energy field, the market for which is expected to expand in the future.

In the system business, the Group will focus on customer-specific systems that specialize in applications for specific customers and concentrate its efforts on developing a fuller lineup of digital visual monitoring system products for security purposes as well as winning new customers.

Thus, the Group will strive to consolidate its high profit-earning basis and sharpen its competitive edge of the LSI business on a medium- and long-term range and improve profitability of the system business, and create new added values by promoting the fusion and synergy of its LSI business and system business.

Consolidated sales, operating income and ordinary income for the next fiscal year are expected to account for ¥53,500 million (a 1.4% increase from the fiscal year under review), ¥5,000 million (a 3.9% increase) and ¥5,000 million (a 2.2% increase) respectively. Net income for the next fiscal year is expected to account for ¥2,800 million (a 4.8% increase).

The forecast of consolidated sales for each business segment is ¥48,600 million for the LSI business (a 0.1% increase) and ¥4,900 million for the system business (a 16.6% increase).

(2) Analysis of the financial position

(i) Changes in the financial position (consolidated)

Total assets at the end of the fiscal year under review amounted to ¥33,115 million (a decrease of ¥2,214 million from the end of the previous fiscal year). The main contributing factors behind this change compared to the end of the previous fiscal year were decreases in trade notes and trade accounts receivable (¥6,953 million), investment securities (¥2,647 million) and goods and products (¥419 million), which were only partly counterbalanced by increases in cash and deposits (¥8,035 million).

Total liabilities amounted to ¥12,551 million (a decrease of ¥1,341 million). The main contributing factors behind this change compared to the end of the previous fiscal year were an increase in accrued corporate income taxes (¥1,343 million) on the one hand, and decreases in notes payable and trade accounts payable (¥1,468 million) and short-term borrowings (¥1,000 million).

Total net assets amounted to ¥20,564 million (a decrease of ¥872 million). The main contributing factors behind this change compared to the end of the previous fiscal year were an increase in retained earnings (¥1,537 million), which was outweighed by a decrease in the revaluation difference of other securities (¥1,995 million). The resulting net worth ratio for the end of the fiscal year under review was 62.1%.

(ii) Cash flow status

Cash and cash equivalents ("net cash") on a consolidated basis at the end of the fiscal year under review increased by ¥7,735 million from the previous fiscal year to reach a total of ¥14,265 million.

The state of cash flows for the fiscal year under review is as follows:

Cash flow provided by operating activities was ¥10,959 million (an increase of ¥8,619 million from the previous fiscal year). This was principally due to a ¥1,450 million decrease in trade accounts payable on the one hand, and a 38.1% increase in income before income taxes and others to ¥4,330 million and a ¥6,935 million decrease in trade receivables on the other hand.

Cash flow used in investing activities was ¥1,082 million (a ¥476 million decrease from the previous fiscal year). This was principally due to the payment of ¥865 million for long-term prepaid expenses. As a result, free cash flows (the sum of cash flows from operating activities and cash flows from investing activities) resulted in receipts of ¥9,877 million (an increase of ¥9,096 million from the previous fiscal year).

Cash flow used by financing activities was ¥2,064 million (compared to receipts of ¥1,071 million for the previous fiscal year). This was due to factors such as a ¥1,000 million decrease in short-term borrowings and dividend payments of ¥771 million.

The following table shows the trends of the indices of cash flows for the Group.

	Year ended March 31, 2006 (from April 1, 2005 to March 31, 2006)	Year ended March 31, 2007 (from April 1, 2006 to March 31, 2007)	Year ended March 31, 2008 (from April 1, 2007 to March 31, 2008)	Year ended March 31, 2009 (from April 1, 2008 to March 31, 2009)

Net worth ratio (%)	70.2	60.9	60.7	62.1
Net worth ratio on a market value basis (%)	201.1	191.3	88.7	116.4
Ratio of interest-bearing debt to cash-flow (%)	-	-	341.8	63.9
Interest coverage ratio	-	-	22.3	117.1

(Notes) 1. Each of the indices is calculated as follows:

Net worth ratio: Net worth/Total assets

Net worth ratio on a market value basis: Aggregate market value of listed stock/Total assets

Ratio of interest-bearing debt to cash-flow: Interest-bearing debt/Cash provided by operating activities

Interest coverage ratio: Cash provided by operating activities/ Interest payments

2. Each of the indices is calculated based on financial data on a consolidated basis.
3. The aggregate market value of listed stock is calculated based on the closing stock price at the end of each fiscal year multiplied by the total number of shares issued as of the end of each fiscal year.
4. Interest-bearing debt covers all debt with interest being paid which is stated in the balance sheet.

(3) Basic principles concerning the distribution of profits and the dividends for the fiscal year under review and the next fiscal year

To date, the basic policy for distributing dividends has been to take into consideration its consolidated operating results and its financial circumstances, and then pay a dividend within an amount distributable calculated as either (a) about 30% of net income (on a consolidated basis) divided by the total number of shares or (b) ¥10 per share, whichever amount is greater.

In accordance with this policy, with respect to distributing retained earnings for the fiscal year under review, the Company decided to pay an annual dividend of ¥33 per share as an ordinary dividend. For the previous period, the Company paid an annual dividend of ¥32 per share, consisting of an ordinary dividend of ¥23 per share and a special dividend of ¥9 per share.

With regard to the acquisition of its own shares from the stock market during the fiscal year under review, the Company acquired a total of 237,200 shares, with a total value of ¥299 million. These shares were retired on June 30, 2008.

Meanwhile, at a meeting of its Board of Directors held on May 11, 2009, the Company decided to change the distribution policy as described below. These changes will take effect with the distribution for the next fiscal year.

Senior management of the Company regards the appropriate distribution of profits to its shareholders as an important management issue, and is working to distribute profits in line with earnings. The basic policy is as follows:

(i) To maintain the internal reserves required to maintain a healthy financial position that can withstand variations in the business environment and to make investments for the medium- to long-term growth of the Company (such as investments in human resources, investments to accelerate the achievement of a suitable business portfolio, and investments to develop original products and undertake the basic research for creating innovative new technology as a high-tech fabless company dedicated to research and development), aiming to continuously improve our corporate value.

(ii) The distribution of retained earnings shall be determined by taking into consideration such factors as the consolidated operating results, financial circumstances, and investment plans, but in principle the amount to be distributed shall be either a dividend payout ratio of about 30% or about 2% of the consolidated dividend on equity (DOE), whichever is greater. (However, this amount may, following due consideration, be increased or decreased in cases where there are special factors affecting the financial results.) Specifically, the annual dividend to be distributed per share shall be determined as either (a) or (b) below, whichever is greater.

a. Calculate the aggregate amount of dividends as an amount equivalent to about 30% of the consolidated net income, and divide this amount by the number of shares that have been issued at the end of the period, minus the number of shares held by the Company at the end of the period.

b. Calculate the aggregate amount of dividends as an amount equivalent to about 2% of the consolidated dividend on equity (DOE), and divide this amount by the number of shares that have been issued at the end of the period, minus the number of shares held by the Company at the end of the period.

(iii) The Company shall endeavor to return profits to shareholders by acquiring its own shares expeditiously, taking into consideration such as market conditions, movements of stock prices, and the Company's financial circumstances in order to improve the efficiency of capital.

In accordance with this basic policy, the Company has decided to distribute dividends as follows:

(i) In accordance with the Articles of Incorporation approved at the 16th Ordinary General Meeting of Shareholders held on June 23, 2006 and Article 459(1) of the Companies Act, decisions regarding the distribution of dividends shall be made via a resolution by the Board of Directors, without requiring a resolution by a General Meeting of Shareholders, unless otherwise stipulated by law.

(ii) Dividends shall be distributed once every year to those Shareholders or Registered Pledgees of Shares listed or registered in the final shareholder registry as March 31 of every year. However, dividends may be distributed by prescribing a different record date, following a resolution by the Board of Directors in accordance with the Companies Act and the Articles of Incorporation.

The Company intends to appropriate retained earnings for the next fiscal year by distributing dividends in accordance with this policy. Note that the amount of the annual dividend per share is still undecided.

(4) Risk factors in business

(i) Dependence on specific customers

a. Purchasers

The Group principally sells LSIs for storing game software (custom memories) for use in game consoles, LSIs for game consoles and their peripherals, LSIs for receiving "one-seg" terrestrial digital broadcasts, LSIs for image processing for digital cameras, and digital video monitoring systems for security and monitoring applications. However, the proportion of net sales which involves providing LSIs for game software (custom memories) to Nintendo Co., Ltd. ("Nintendo") is particularly high.

Accordingly, the operating results of the Group may vary according to market trends for game software and the game consoles that use these products, as well as according to the extent to which Nintendo adopts the Group's products.

b. Consigned manufacturers (suppliers)

The Group has since its incorporation adopted a model of business as a fabless enterprise to concentrate its management resources on research and development and consign manufacturing of products to third parties, whereby developing products to best meet customer needs based on its unique technological capabilities and expanding business without need to invest in plant and equipment that require a large amount of money. The Group diversifies manufacturing consignments in Japan and overseas, though the rate of consignments to Macronix International Co., Ltd. ("Macronix"), to which the Group consigns manufacturing of LSIs for storing game software (custom memories) supplied to its major customer Nintendo and LSIs for game consoles and their peripherals, is high.

Hence, if for some reason, Macronix stops manufacturing, the operating results of the Group may fluctuate.

The Company has entered into manufacturing consignment agreements with Nintendo and Macronix, respectively. The Company intends to build up good and close relationships with these companies to secure constant supply of products.

(ii) Business

a. Risks in LSI business

The Group has adopted a model of fabless enterprise that possesses no manufacturing plant and equipment of its own and consigns manufacturing all to third parties. In the LSI business, manufacturing of products is consigned to semiconductor manufacturers.

Hence, demand and supply in the semiconductor market may affect the quantities and prices of products to be procured by the Group and the Group may not be able to procure products in such quantities and at such prices as it expects.

The Group's LSIs are used in state-of-the-art digital devices, and the pace of technological innovation in this field is quite rapid, so there is no guarantee that these products will continue to be used. Furthermore, as equipment mounted with the Group's LSIs is exposed to intensive competition and demand volatilities, demand for the Group's LSIs may swing sharply and widely.

b. Risks in system business

For the system business, the Group mainly sells image recording and transmission system products that support the development of digitization in the security and monitoring area. Demand for products in the security and monitoring area fluctuates according to the trend of capital investment in the area and accordingly, the operating results of the Group may be affected.

In addition, the Group has exerted its efforts to maintain its technological edge, including digital image processing and network technologies, and its competitive edge by supplying optimized specific image systems for customers' operations. However, technological renovations in the area are rapid and the trends of technologies and services of other companies may affect the operating results of the Group.

Furthermore, in the event that a totally new market is to be created, the market may not grow as the Group foresees and accordingly, the operating results of the Group may be affected.

c. Risks in strategic investment

In the event that the Group engages in strategic tie-ups, including equity participation, in order to accelerate the growth of its businesses, there is a possibility that the benefits that the Group anticipates, such as business synergies or increased earnings, may not materialize.

d. Research and development

Under the philosophy of expanding business by "Innovation", remaining coexistent with customers by "Credibility" and continuing to make contributions to society by "Creation", the Group has conducted business based on its technological development capabilities. Its competitiveness derives from "Specialization" in products for specific customers and for specific applications in the growing image-, sound- and communication-related market, "Concentration" of its resources on research and development activities to provide most advanced technologies and products to its customers and the showing of its "Uniqueness".

The Group believes that it can continue to develop and launch to the market innovative and attractive new products. However, the industry in which the Group belongs is exposed to rapid technological changes and the rapid prevalence of new technologies and new services or other changes may take place. In case of such any change, there is no assurance that the Group can respond quickly and it may be required to invest a large sum in research and development in response to such change.

Consequently, the operating results of the Group may be affected.

e. Procurement of human resources

The Group, which has conducted business based on its technological development capabilities in the area of image, sound and communication, is required to acquire and maintain excellent engineers. The Group has exerted its efforts to establish a personnel management policy necessary for that purpose and has maintained its excellent technological development capabilities and conducted business. However, if many excellent engineers leave the Group or new recruits cannot be supplied in the future, the Group may become less competitive.

(iii) Management

a. Purchase defense measures

The Company recognizes that purchase defense measures and the protection of the interests of its shareholders from abusive purchasers are important issues for corporate management, and always collects information on recent business takeovers.

b. Account auditors

For any reason on the part of the Company or in the event that the account auditors violate or contravene with laws or ordinances or the Company considers that the account auditors offended public order or morals, the Board of Statutory Auditors of the Company shall accordingly deliberate on the dismissal or non-reappointment of the account auditors. In the event that it considers it adequate to dismiss or not to reappoint the account auditors, it shall request the Board of Directors to make the "dismissal or non-reappointment of the account auditors" a proposition to be submitted to its General Meeting of Shareholders and the Board of Directors shall deliberate thereon.

c. Risk concerning the establishment of internal control systems

The Group has recognized the emphasis on compliance with law and the establishment of corporate governance as its important managerial issues and has exerted its efforts to strengthen the same and enhance risk management. Since May 2006, the Group has instituted fundamental policies on internal control pursuant to the Companies Act, and has made efforts to improve internal control systems pursuant to the Financial Instruments and Exchange Law, and to operate in accordance with these rules. Accordingly, the Group has managed its businesses properly and lawfully, and has also made progress in establishing, improving and evaluating these internal control systems, including internal control with regard to financial reporting.

However, if any extraordinary event not assumed under the internal control systems established by the Group occurs, the credibility and comprehensiveness of financial reporting and information disclosure by the Group may not be assured. In such case, the Company may lose the trust of its stakeholders and it may have a material adverse effect on the financial position and operating results of the Group.

Note, however, that no such events have occurred thus far.

(iv) Intellectual property rights

The Group, which is an R&D-oriented fabless enterprise, recognizes that the protection of its intellectual property rights is material to its business development. Hence, the Group has exerted its efforts to build up its internal system concerning intellectual property rights and strengthen cooperation with patent law offices to actively file applications for patents and trademarks and make them registered to protect the products and services offered by the Group, and simultaneously investigate rights of other companies thoroughly to prevent infringement of their rights.

However, there exists no assurance that all patents or trademarks for which the Group files applications will be registered. Additionally, as it is impossible to fully investigate technologies and rights of other companies prior to publication thereof, the Group may infringe intellectual property rights of other companies and litigation may be filed against the Group. In such case, the operating results of the Group may be affected.

As of the date hereof (May 11, 2009), no litigation has been filed against the Group in respect of any intellectual property right.

2. State of Corporate Group

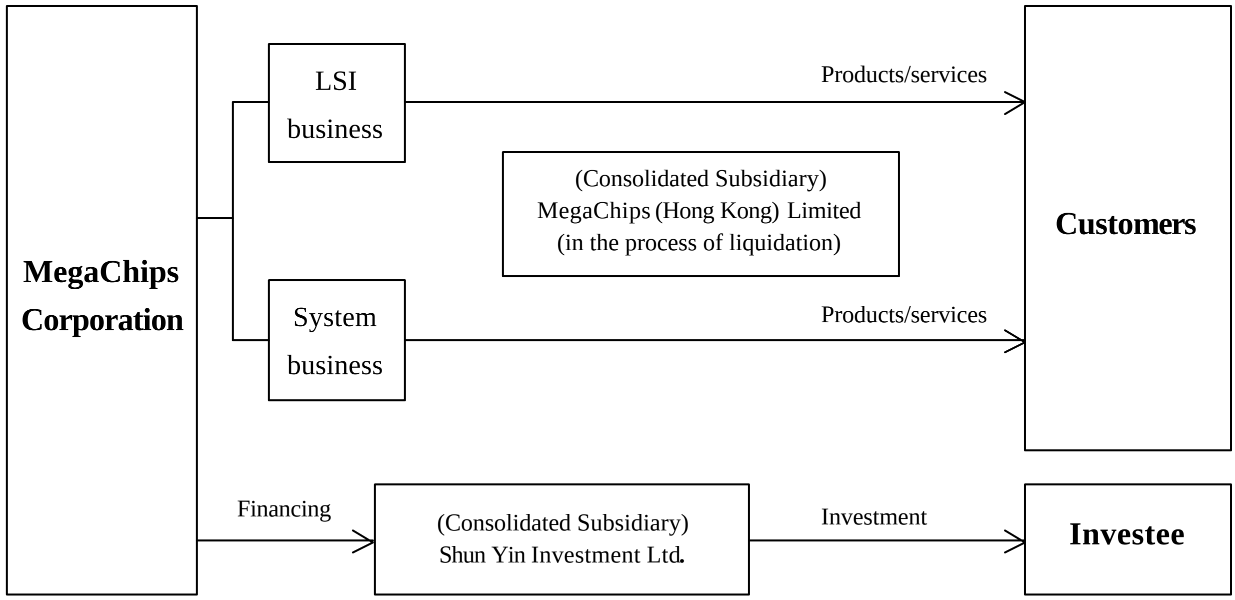
The Company's corporate group (the "Group") is comprised of the Company (MegaChips Corporation) and two subsidiaries (one of which is in the process of liquidation), and principally engages in the development, manufacture and sale of system LSIs and system products.

The content of operations of the Group and the positioning of the Company and its related companies in such operations are described below.

The two business categories described herein are the same as those in the segment information by business category described in "4.(11) Segment information."

(1) LSI business: The Company is responsible for development, with manufacturing consigned to leading semiconductor manufacturers in Japan and overseas. The products are then sold by the Company and by MegaChips (Hong Kong) Limited. Note that MegaChips (Hong Kong) Limited ceased operations in the second quarter and is now in the process of liquidation, following an assessment of the future prospects for business expansion in the China region.

(2) System business: System products are developed by the Company, manufactured by its consigned manufacturers and sold by the Company.



State of related companies

Consolidated subsidiaries

Company	Location	Capital	Main business[1]	Ratio of holding of voting rights	Relationship
Shun Yin Investment Ltd.[2]	Taipei, Republic of China	NT$629,040 thousand	All group (investment business)	100.0%	The subsidiary holds the shares of Macronix International Co., Ltd. and MaxRise Inc., with which the Company has entered into a business alliance.
MegaChips (Hong Kong) Limited[3]	Hung Hom, Kowloon, HongKong	HK$24,900 thousand	LSI business	100.0%	The subsidiary manufactures LSI products and provides support and sales to the Chinese market.

(Notes) 1. In the column of main business, the segment name by business category is listed.

2. The company falls under the category of specified subsidiaries.

3. At a meeting of its Board of Directors on September 19, 2008, the Company adopted a resolution to dissolve this subsidiary, and liquidation proceedings have commenced.

3. Business Policy

(1) Basic management policy

Under the philosophy of expanding business by "Innovation", remaining coexistent with customers by "Credibility" and continuing to make contributions to society by "Creation", the Company has conducted business based on its technological development capabilities as an R&D-oriented, fabless and high-tech enterprise, unique in Japan, since its incorporation in 1990. This competitiveness derives from four main sources: "Specialization" in products for the growing markets associated with digital images, sound and communications; "Concentration" of business resources on research and development activities in order to provide customers with cutting-edge products and technologies; a technology platform founded on technologies associated with images, sound and communications and the Company's competitive advantage in its ability to develop these technologies; and the Company's "Uniqueness" in developing businesses that provide optimal solutions to customers by integrating the Company's knowledge of systems (devices) and LSIs.

Under such philosophy, the Company has pursued a basic policy of distributing returns to its investors by exerting efforts to show consistent growth and increase its value by taking the lead in providing unique system LSIs, electronic devices, including boards and modules, utilizing these system LSIs and system products in the market.

(2) Targeted management indexes

As targeted management indices, the Company shall continue to place emphasis on consolidated return on equity (ROE), consolidated return on assets (ROA) and consolidated cash flows. In addition, the Company has defined "operating income per employee" as an index of operating efficiency, and shall work to increase this index, as well as continuing to work to increase the ratio of operating income to sales on a consolidated basis.

(3) Medium- to long-term management strategy and issues to be addressed

With the development of LSI technologies, the penetration of digital technologies in broad areas and the prevalence of high-speed telecommunications infrastructures, an advanced information society is expected to arrive. In response to such changes in the society, the Company feels entrusted with the mission of "contributing to materializing people's security and safety, happy life and rich communication by providing unique products based on its high technologies to the world." The Company desires to contribute to creating an affluent future society in which people can feel happy, by providing products offering innovative, new values to the world, as well as unique products big business would not be able to produce, and utilizing its high technologies. The Company's medium- to long-term management strategies are as follows:

(i) To concentrate on customer-focused business

The Company is particularly good at providing solutions that solve the needs of specific customers, such as customer-specific LSIs and customer-specific systems. This is done by calling on technological capabilities in areas where image, sound and communications technologies are utilized, which enable the Company to develop everything from system LSIs through to system products on its own. Going forward, the Company intends to concentrate further on this kind of "customer-focused business."

The Company will continue to aim to give its customers added value and to enlarge its business together with the businesses of its customers, by providing optimal solutions that meet customer needs. The Company will do this by making the most of its strengths in technologies such as image compression and decompression, digital image processing and communications technologies, and by undertaking other business activities, such as licensing intellectual property and developing products such as modules and boards, as well as system LSIs.

(ii) To create a suitable business portfolio by launching new businesses

The unprecedented economic circumstances that began with the recent financial turmoil have produced significant changes in all kinds of areas. The electronics industry, of which we are a part, is also undergoing significant changes as a result of the current downturn. For a normal company, such changes would present extremely severe challenges, but for an agile fabless company such as MegaChips, which can rapidly realign its vector with the changing times, we perceive such changes as a significant opportunity.

In response to this opportunity, the Company is starting initiatives aimed at the eco/energy field, in addition to the fields that the Company has focused on so far, namely games, digital appliances and security. The eco/energy area is expected to expand in the future, and is less likely to suffer the vagaries of economic circumstances, and so the Company regards this area as the key driver for the Company's growth in the medium- to long-term, and is working to develop businesses in this area. At the same time, the Company will also continue aiming to enlarge its existing business over the medium- to long-term by working to develop a suitable business portfolio, by selecting and concentrating on those businesses with the potential for growth.

(iii) To improve business efficiency by executing reforms to achieve greater profitability

In the accounts for the year ended March 31, 2009, the Company achieved record profits in terms of operating income, ordinary income and net income for the year, making three consecutive years of rising sales and profits. In difficult economic circumstances, the Company believes that it will be important to undertake reforms to achieve higher profitability, and is aiming for further growth by improving business efficiency and eliminating inefficiencies, which will be achieved by using alliances, controlling costs right from the development stage, shortening the production cycle, compressing inventories and improving the efficiency of business activities.

In this way, the Company intends to enlarge its business and respond to a constantly changing society, by using "Innovation" to respond quickly to market changes, gaining "Credibility" by continuing to provide optimal solutions to resolve customer problems, "Creating" attractive solutions by combining the technologies that the Company has cultivated in its LSI and system businesses, and actively engaging in the development of products for new areas, in order to contribute to the creation of an affluent future society.

4. Consolidated financial statements

(1) Consolidated balance sheets

(Thousand yen)

	Previous consolidated fiscal year (ended March 31, 2008)	Consolidated fiscal year under review (ended March 31, 2009)
ASSETS		
Current Assets:		
Cash and deposits	6,530,199	14,565,936
Note and accounts receivable-trade	17,653,931	10,700,231
Inventories	2,259,179	–
Merchandise and finished goods	–	1,007,453
Work in process	–	167,783
Raw materials and supplies	–	383,404
Deferred tax assets	246,484	434,033
Other	168,038	205,531
Allowance for doubtful accounts	-1,229	-760
Total current assets	26,856,603	27,463,613
Noncurrent assets:		
Property, plant and equipment		
Buildings	242,552	–
Accumulated depreciation	-125,248	–
Buildings, net	117,303	–
Buildings and accompanying facilities	–	240,576
Accumulated depreciation	–	-145,939
Buildings and accompanying facilities, net	–	94,637
Other	266,803	328,684
Accumulated depreciation	-163,715	-235,139
Other, net	103,087	93,544
Total property, plant and equipment	220,391	188,182
Intangible assets		
Other	177,705	108,653
Total intangible assets	177,705	108,653
Investments and other assets		
Investment securities	[*1] 4,814,902	[*1] 2,167,100
Long-term prepaid expenses	2,525,456	2,347,032
Long-term time deposits	400,000	100,000
Deferred tax assets	–	431,007
Other	339,271	312,961
Allowance for doubtful accounts	-4,933	-3,448
Total investments and other assets	8,074,697	5,354,654
Total noncurrent assets	8,472,794	5,651,489
Total assets	35,329,398	33,115,103

(Thousand yen)

	Previous consolidated fiscal year (ended March 31, 2008)	Consolidated fiscal year under review (ended March 31, 2009)
LIABILITIES		
Current liabilities:		
Accounts payable-trade	4,020,461	–
Notes and accounts payable-trade	–	2,551,852
Short-term loans payable	6,000,000	5,000,000
Current portion of long-term loans payables	–	2,000,000
Income taxes payable	558,253	1,901,413
Provision for bonuses	258,814	307,830
Other	830,821	744,061
Total current liabilities	11,668,350	12,505,156
Noncurrent liabilities:		
Long-term loans payable	2,000,000	–
Deferred tax liabilities	165,573	5,287
Other	58,561	40,591
Total noncurrent liabilities	2,224,135	45,878
Total liabilities	13,892,485	12,551,035
NET ASSETS		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus	6,181,300	6,181,300
Retained earnings	9,012,581	10,550,311
Treasury stock	-718,718	-660,018
Total shareholders' equity	19,315,477	20,911,906
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,090,734	95,449
Foreign currency translation adjustment	30,700	-443,287
Total valuation and translation adjustments	2,121,435	-347,838
Total net assets	21,436,912	20,564,068
Total liabilities and net assets	35,329,398	33,115,103

(2) Consolidated statements of income

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)		Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)	
Net sales		50,671,795		52,771,460
Cost of sales		42,832,602	*1	43,671,726
Gross profit		7,839,193		9,099,733
Selling, general and administrative expenses	*1*2	4,394,288	*2*3	4,286,879
Operating income		3,444,905		4,812,854
Non-operating income				
Interest income		15,760		8,640
Dividends income		42,737		201,713
Interest on refund of income taxes and other		1,107		–
Reversal of allowance for doubtful accounts		218		1,953
Miscellaneous income		2,600		14,030
Total non-operating income		62,424		226,338
Non-operating expenses				
Interest expenses		105,158		93,612
Commitment fee		52,386		6,904
Loss on transfer of receivables		–		30,919
Loss on investment in partnership		9,045		331
Foreign exchange losses		33,595		11,434
Miscellaneous loss		2,367		3,290
Total non-operating expenses		202,553		146,492
Ordinary income		3,304,776		4,892,701
Extraordinary income				
Gain on sales of investment securities		15,276		118,440
Total extraordinary income		15,276		118,440
Extraordinary loss				
Loss on valuation of investment securities		–		39,644
Loss on sales of golf club memberships		–		9,500
Loss on liquidation of business	*3	167,899	*4	631,025
Other	*4	15,417		–
Total extraordinary losses		183,316		680,170
Income before income taxes and minority interests		3,136,735		4,330,970
Income taxes-current		540,367		2,151,088
Income taxes-deferred		-15,836		-492,229
Total income taxes		524,530		1,658,859
Net income		2,612,205		2,672,111

(3) Consolidated statements of changes in net assets

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	4,840,313	4,840,313
Balance at the end of current period	4,840,313	4,840,313
Capital surplus		
Balance at the end of previous period	6,181,300	6,181,300
Balance at the end of current period	6,181,300	6,181,300
Retained earnings		
Balance at the end of previous period	8,497,051	9,012,581
Changes of items during the period		
Dividends from surplus	-445,983	-782,494
Net income	2,612,205	2,672,111
Disposal of treasury stock	-3,799	-1,091
Retirement of treasury stock	-1,646,893	-350,794
Total changes of items during the period	515,529	1,537,729
Balance at the end of current period	9,012,581	10,550,311
Treasury stock		
Balance at the end of previous period	-1,883,049	-718,718
Changes of items during the period		
Purchase of treasury stock	-500,524	-300,197
Disposal of treasury stock	17,962	8,102
Retirement of treasury stock	1,646,893	350,794
Total changes of items during the period	1,164,331	58,699
Balance at the end of current period	-718,718	-660,018
Total shareholders' equity		
Balance at the end of the previous period	17,635,616	19,315,477
Changes of items during the period		
Dividends from surplus	-445,983	-782,494
Net income	2,612,205	2,672,111
Purchase of treasury stock	-500,524	-300,197
Disposal of treasury stock	14,163	7,010
Retirement of treasury stock	–	–
Total changes of items during the period	1,679,860	1,596,429
Balance at the end of current period	19,315,477	20,911,906

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	1,889,059	2,090,734
Changes of items during the period		
Net changes of items other than shareholders' equity	201,675	-1,995,285
Total changes of items during the period	201,675	-1,995,285
Balance at the end of current period	2,090,734	95,449
Foreign currency translation adjustment		
Balance at the end of the previous period	168,892	30,700
Changes of items during the period		
Net changes of items other than shareholders' equity	-138,192	-473,987
Total changes of items during the period	-138,192	-473,987
Balance at the end of current period	30,700	-443,287
Total valuation and translation adjustments		
Balance at the end of the previous period	2,057,951	2,121,435
Changes of items during the period		
Net changes of items other than shareholders' equity	63,483	-2,469,273
Total changes of items during the period	63,483	-2,469,273
Balance at the end of current period	2,121,435	-347,838
Total net assets		
Balance at the end of previous period	19,693,567	21,436,912
Changes of items during the period		
Dividends from surplus	-445,983	-782,494
Net income	2,612,205	2,672,111
Purchase of treasury stock	-500,524	-300,197
Disposal of treasury stock	14,163	7,010
Retirement of treasury stock	–	–
Net changes of items other than shareholders' equity	63,483	-2,469,273
Total changes of items during the period	1,743,344	-872,843
Balance at the end of current period	21,436,912	20,564,068

(4) Consolidated statements of cash flow

(Thousand yen)

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
Net cash provided bt (used in) operating activities		
Income before income taxes and minority interests	3,136,735	4,330,970
Depreciation and amortization	167,654	190,113
Amortization of long-term prepaid expenses	140,207	941,581
Increase (decrease) in allowance for doubtful accounts	2,976	-1,953
Increase (decrease) in provision for bonuses	47,909	49,016
Interest and dividends income	-58,497	-210,354
Interest expenses	105,158	93,612
Loss (gain) on investments in partnership	9,045	331
Loss on retirement of noncurrent assets	34	1,360
Loss (gain) on sales of investment securities	-15,276	-118,440
Loss (gain) on valuation of investment securities	–	39,644
Loss (gain) on sales of golf club memberships	–	9,500
Loss on liquidation of business	92,598	95,545
Decrease (increase) in notes and accounts receivable-trade	643,848	6,935,452
Decrease (increase) in inventories	-743,048	657,430
Increase (decrease) in notes and accounts payable-trade	-604,581	-1,450,244
Decrease (increase) in other current assets	21,208	83,443
Increase (decrease) in other current liabilities	85,094	2,044
Other, net	57,916	10,505
Subtotal	3,088,986	11,659,559
Interest and dividends income received	58,460	210,472
Interest expenses paid	-83,645	-94,087
Income taxes paid	-946,995	-816,873
Income taxes refund	223,432	895
Net cash provided by (used in) operating activities	2,340,237	10,959,966
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-139,280	-84,310
Purchase of intangible assets	-73,196	-66,320
Purchase of investment securities	-110,800	-91,583
Proceeds from sales of investment securities	55,475	10,963
Collection of loans receivable	3,996	3,996
Purchase of long-term prepaid expenses	-1,252,391	-865,037
Payments for guarantee deposits	-45,161	-3,246
Proceeds from collection of guarantee deposits	2,447	5,503
proceeds from sales of golf club memberships	–	8,000
Other, net	80	6
Net cash provided by (used) in investing activities	-1,558,829	-1,082,028
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	2,000,000	-1,000,000
Purchase of treasury stock	-500,524	-300,197
Proceeds from disposal of treasury stock	14,163	7,010
Cash dividends paid	-442,265	-771,117
Net cash provided by (used in) financing activities	1,071,373	-2,064,303
Effect of exchange rate change on cash and cash equivalents	-60,151	-77,897
Net increase (decrease) in cash and cash equivalents	1,792,629	7,735,736
Cash and cash equivalents at beginning of period	4,737,569	6,530,199
Cash and cash equivalents at end of period	6,530,199	14,265,936

(5) Notes on assumptions regarding surviving companies

Not applicable

(6) Important matters fundamental to the preparation of consolidated financial statements

Item	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
1. Matters regarding the scope of consolidation	(1) There are 2 consolidated subsidiaries: Shun Yin Investment Ltd. and MegaChips (Hong Kong) Limited. MegaChips System Solutions Inc. and MegaChips LSI Solutions Inc., which were consolidated subsidiaries in the previous consolidated fiscal year, were merged with the Company on April 1, 2007 and were excluded from the scope of consolidation. (2) There is no non-consolidated subsidiary.	(1) There are 2 consolidated subsidiaries: Shun Yin Investment Ltd. and MegaChips (Hong Kong) Limited. (2) There is no non-consolidated subsidiary.
2. Matters regarding the application of the equity method	An affiliated company to which the equity method is not applied is Mobile Television Inc. Reasons for not applying the equity method: The company to which the equity method is not applied had a negligible effect on consolidated net profit or loss and retained earnings, etc. and no significance as a whole, and was therefore excluded from the scope of consolidation.	An affiliated company to which the equity method is not applied is Mobile Television Inc. Reasons for not applying the equity method: As stated on the left
3. Matters regarding the fiscal year, etc. of consolidated subsidiaries	The closing date of Shun Yin Investment Ltd. and MegaChips (Hong Kong) Limited, consolidated subsidiaries, is December 31. Financial statements as of the closing date are used for the preparation of consolidated financial statements. However, adjustments necessary for consolidation were made for important transactions that were carried out between January 1, 2008 and March 31, 2008, which is the closing date for consolidated financial statements.	The closing date of Shun Yin Investment Ltd. and MegaChips (Hong Kong) Limited, consolidated subsidiaries, is December 31. Financial statements as of the closing date are used for the preparation of consolidated financial statements. However, adjustments necessary for consolidation were made for important transactions that were carried out between January 1, 2009 and March 31, 2009, which is the closing date for consolidated financial statements.
4. Matters regarding accounting standards (1) Valuation standards and method for important assets	(i) Securities Other securities Securities with market value Market value method based on the market prices on closing date (the entire valuation gain and loss was processed using the method for entering directly in net assets, and the cost of sale was calculated based on the moving average method.)	(i) Securities Other securities Securities with market value As stated on the left

Item	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
	Securities without market value Recorded at cost using the moving average method However, money invested in investment partnerships is based on the individual method. An amount equivalent to the amount of equity in the properties of the investment partnership is recorded as "investment securities" under investments and other assets. The amount of investment in investment partnerships is recorded under "investment securities." An amount equivalent to the amount of equity in net profit and loss earned by investment partnerships is recorded under "non-operating profit and expense." At the same time, the amount of "investment securities" was increased or decreased by the above amount. The amount of "investment securities" was also decreased by the amount of dividends from investment partnerships. (ii) Inventory a. Goods in process Recorded at cost using the individual method b. Others Recorded at cost chiefly using the weighted average inventory costing method	Securities without market value As stated on the left (ii) Inventory a. Goods in process Recorded at cost using the individual method (The amount shown on the balance sheet is based on the method for reducing book value due to a decline in profitability.) b. Others Recorded at cost chiefly using the weighted average inventory costing method (The amount shown on the balance sheet is based on the method for reducing book value due to a decline in profitability.)
(2) Depreciation method for important depreciable assets	(i) Tangible fixed assets Tangible fixed assets acquired on and after April 1, 2007: Chiefly the declining balance method Other than the foregoing: Chiefly the old declining balance method Major useful lives are as shown below: Buildings: 3 to 18 years Others: 2 to 15 years (ii) Intangible fixed assets Straight line method However, the straight line method based on the period of possible use within the Company (generally 5 years) is applied to software used by the Company. The straight line method based on the period of possible sale (generally 3 years) is applied to software to be sold on the market.	(i) Tangible fixed assets Tangible fixed assets acquired on and after April 1, 2007: Chiefly the declining balance method Other than the foregoing: Chiefly the old declining balance method Major useful lives are as shown below: Equipment attached to buildings 3 to 18 years Others: 2 to 15 years (ii) Intangible fixed assets As stated on the left

Item	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
	(iii) Long-term prepaid expenses a. Development expenses paid especially for the preparation of mass production: Straight line method based on the period of possible sale (generally 3 years) b. Others Equal amortization	(iii) Long-term prepaid expenses a. Development expenses paid especially for the preparation of mass production: As stated on the left b. Others As stated on the left
(3) Standards for recording important reserves and allowances	(i) Bad debt reserve In preparation for anticipated losses as a result of bad debts, the expected unrecoverable amount is recorded based on an actual bad debt ratio for general receivables, and by individually taking the possibility of collection into consideration for specified receivables, including loans that are likely to be unrecoverable. (ii) Allowance for bonuses In preparation for the payment of bonuses to employees, the expected amount of payment that should be borne in the consolidated fiscal year under review is recorded.	(i) Bad debt reserve As stated on the left (ii) Allowance for bonuses As stated on the left
(4) Method for treatment of important lease transactions	Finance lease transactions other than lease transactions based on which the right of ownership of leased assets is acknowledged as being transferred to lessees are based on the accounting treatment similar to the method for ordinary lease transactions.	? ? ? ? ? ?
(5) Other important matters for the preparation of consolidated financial statements	The accounting treatment of consumption tax is based on the method for excluding consumption tax.	As stated on the left
5. Matters regarding the valuation of assets and liabilities of consolidated subsidiaries	The market value valuation method is adopted for the valuation of all assets and liabilities of consolidated subsidiaries.	As stated on the left
6. Matters regarding the amortization of goodwill and negative goodwill	Goodwill is amortized on a 5-year basis using the straight line method.	As stated on the left
7. Scope of funds for consolidated cash flow statements	The scope of funds includes cash on hand, on-call deposits, and short-term investments with a limited risk of change in value that can be easily converted into cash and will be redeemed within 3 months of the date of acquisition.	As stated on the left

(7) Change of important matters fundamental to the preparation of consolidated financial statements

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
(Change of the depreciation method for tangible fixed assets) With the amendment of the Corporation Tax Law (Law for Partial Amendment of the Income Tax Law (Law No. 6 of March 30, 2007) and the Ordinance for Partial Amendment of the Corporation Tax Law Enforcement Ordinance (Ordinance No. 83 of March 30, 2007)), the Company changed its depreciation method to the method based on the Corporation Tax Law after amendment for tangible fixed assets acquired on and after April 1, 2007. As a result, operating profit, ordinary profit and income before income taxes and others declined by 9,268,000 yen from those based on the previous method.	- - - - - -
(Change of the depreciation method for low value depreciable assets) In the past, all low value depreciable assets were recorded as tangible fixed assets and were depreciated equally over 3 years. However, from the consolidated fiscal year under review, we changed this method to treat all low value depreciable assets as expenses at the time of acquisition. We did this to improve the efficiency of administrative procedures and make our financial structure stronger in consideration of the conditions of use of the above assets. The balance as of the end of the previous consolidated fiscal year was depreciated in a lump sum, and the amount of depreciation was recorded as an extraordinary loss. As a result, operating profit and ordinary profit increased by 300,000 yen and income before income taxes and others declined by 15,116,000 yen from those based on the previous method. The effect on segment information is stated in the relevant section.	- - - - - -
- - - - - -	(Change of the valuation standards and method for important assets) In the past, inventories held for the purpose of ordinary sale were recorded at cost chiefly using the weighted average inventory costing method. However, the Accounting Standard for the Measurement of Inventories (ASB Standard No. 9 dated July 5, 2006) was applied from the consolidated fiscal year under review. Inventories held for the purpose of ordinary sale are therefore recorded at cost chiefly using the weighted average inventory costing method (the amounts shown on the balance sheet are based on the method for reducing book value due to a decline in profitability). As a result, operating profit and ordinary profit decreased by 199,732,000 yen and income before income taxes and others declined by 690,424,000 yen from those based on the previous method. The effect on segment information is stated in the relevant section.

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
- - - - - -	（Change of accounting treatment for lease transactions） In the past, finance lease transactions other than lease transactions based on which the right of ownership of leased assets is transferred were based on the accounting treatment similar to the method for lease transactions. However, the Accounting Standard for Lease Transactions (ASB Standard No. 13 dated June 17, 1993, revised by the No. 1 Subcommittee of the Business Accounting Council on March 30, 2007) and the Guidance on Accounting Standard for Lease Transactions (ASB Guidance No. 16 dated January 18, 1994, revised by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on March 30, 2007) were applied from the consolidated fiscal year under review. As a result, finance lease transactions other than lease transactions based on which the right of ownership of leased assets is transferred are based on the accounting treatment similar to the method for ordinary sales transactions. This had no effect on the financial statements for the consolidated fiscal year under review.

(8) Change of notation method

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
(Consolidated balance sheet) "Long-term prepaid expenses" for investments and other assets were included in "others" under investments and other assets in the previous consolidated fiscal year, but are now shown separately due to a rise in the significance of the amount. The amount of "long-term prepaid expenses" for investments and other assets that were included in "others" under investments and other assets in the previous consolidated fiscal year was 614,152,000 yen. - - - - - -	(Consolidated balance sheet) 1. With the application of the "Partial Amendment of Regulations for Terminology, Forms and Preparation Methods of Financial Statements" (Cabinet Office Ordinance No. 50, August 7, 2008), those indicated as "inventories" in the previous consolidated fiscal year are shown individually and separately as "goods and products," "goods in process" and "materials and supplies" from the consolidated fiscal year under review. The amounts of "goods and products," "goods in process" and "materials and supplies" that were included under inventories in the previous consolidated fiscal year were 1,427,215,000 yen, 335,168,000 yen and 496,795,000 yen, respectively. 2. With the introduction of XBRL into EDINET, the following changes were made to improve the comparability of consolidated financial statements. Those shown as "buildings" in the previous consolidated fiscal year were shown as "equipment attached to buildings" from the consolidated fiscal year under review. Those shown as "trade accounts payable" in the previous consolidated fiscal year were shown as "trade notes and accounts payable" from the consolidated fiscal year under review.
(Consolidated Profit and Loss Statements) "Dividend income" that was included in "miscellaneous income" under non-operating profit during and before the previous consolidated fiscal year is shown separately because the amount of dividend income exceeded 10% of the total non-operating profit. The amount of "dividend income" for the previous consolidated fiscal year was 300,000 yen.	- - - - - -
(Consolidated Statements of Cash Flows) The "expenditure for acquisition of treasury stocks" and the "income from disposition of treasury stock" that are included in cash flows from financing activities were shown as "net decrease in treasury stock" on a net basis in the previous consolidated fiscal year, but are shown on a gross basis in consideration of the period and turnover, etc. of transactions. In the previous consolidated fiscal year, the "expenditure for acquisition of treasury stock" amounted to 815,000 yen, and the "income from disposition of treasury stock" amounted to 28,072,000 yen.	- - - - - -

(9) Additional information

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
(Treatment of mass-production preparation expenses) The Company recorded costs for mass production preparation in long-term prepaid expenses to make it correspond to sales revenue from mass-production products and to make the periodical profits and losses appropriate, and amortized the cost equally over 3 years from the time of commencement of mass production after the completion of development work. In the past, however, part of the mass-production preparation expenses that are included in the outsourced development of mass-production preparation costs was recorded in inventories and treated as cost of sales at the time of recording revenue from outsourced development. However, there were changes in the state of the accrual of costs due to a rise in the number of outsourced development projects and their size. There is therefore a possibility that the calculation of periodical profits and losses will be greatly distorted if the previous method is adopted. As a result, from the consolidated fiscal year under review when mass production is expected to commence for many outsourced development products, the Company decided to calculate the periodical profits and losses properly by recording all mass-production preparation costs in long-term prepaid expenses. As a result, "inventories" decreased by 954,126,000 yen and "long-term prepaid expenses" increased by 1,556,827,000 yen from those based on the previous method. Consequently, cost of sales decreased 602,701,000 yen and operating profit, ordinary profit and income before income taxes and others increased by the same amount. The previous method was applied for the interim period under review. If the method after the change is applied, there will be no impact on profit and loss.	- - - - - -
- - - - - -	(Accounting Standard for Disclosure of Transaction with Related Parties) The Accounting Standard for Disclosure of Transaction with Related Parties (ASB Standard No. 11 dated October 17, 2006) and the Guidance on Accounting Standard for Disclosure of Transaction with Related Parties (ASB Guidance No. 13 dated October 17, 2006) were applied from the consolidated fiscal year under review. This did not cause any change in the scope of the object of disclosure.

(10) Documented matters

(Related to Consolidated Balance Sheets)

End of the previous consolidated fiscal year (March 31, 2008)	End of the consolidated fiscal year under review (March 31, 2009)
* 1. Those matters related to unconsolidated subsidiaries and affiliated companies are as shown below. Investment securities (stock) 28,488,000 yen	* 1. Those matters related to unconsolidated subsidiaries and affiliated companies are as shown below. Investment securities (stock) 28,488,000 yen
2. The Company and a consolidated subsidiary (MegaChips (Hong Kong) Limited) entered into a global credit facility (commitment line) agreement with their four banks to raise operating funds. The balance of the commitment line for which borrowings were not secured based on the above agreement as of the end of the consolidated fiscal year under review is as shown below. Total amount of commitment line 25,000,000,000 yen Balance of actual borrowings 6,000,000,000 yen Difference 19,000,000,000 yen	2. The Company entered into an overdraft facility agreement with its four banks to raise operating funds. The balance of the overdraft facility for which borrowings were not secured based on the above agreement as of the end of the consolidated fiscal year under review is as shown below. Limit of overdraft facility 21,500,000,000 yen Balance of actual borrowings 5,000,000,000 yen Difference 16,500,000,000 yen

(Related to Consolidated Profit and Loss Statements)

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
- - - - - -	* 1. Reduction of book value due to a decline in the profitability of inventories held for the purpose of ordinary sale Cost of sales 199,732,000 yen Extraordinary loss 490,692,000 yen (Indicated by inclusion in loss on business restructuring)
* 1. The major expense items and amounts of selling, general and administrative expenses are as shown below. Salary 580,174,000 yen Addition to allowance for bonuses 121,400,000 yen Retirement benefit expenses 9,221,000 yen Research and development expenses 1,360,810,000 yen Addition to bad debt reserve 3,194,000 yen	* 2. The major expense items and amounts of selling, general and administrative expenses are as shown below. Salary 624,978,000 yen Addition to allowance for bonuses 134,369,000 yen Retirement benefit expenses 10,694,000 yen Research and development expenses 1,606,128,000 yen
* 2. Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the fiscal year under review 1,360,810,000 yen	* 3. Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the fiscal year under review 1,606,128,000 yen
* 3. This reflects a change to the system business.	* 4. This reflects a change to the system business.
* 4. This is a one-time depreciation expense due to the change of the depreciation method for low value depreciable assets.	- - - - - -

(Notes to Consolidated Statements of Changes in Shareholders' Equity, etc.)

Previous consolidated fiscal year (April 1, 2007 through March 31, 2008)

1. Notes on type and total number of outstanding shares and type and number of treasury stocks

	Number of shares as of the end of the previous consolidated fiscal year (shares)	Increase in number of shares during the consolidated fiscal year under review (shares)	Decrease in number of shares during the consolidated fiscal year under review (shares)	Number of shares as of the end of the consolidated fiscal year under review (shares)
Outstanding shares				
Common shares	25,939,217	–	1,034,700	24,904,517
Total	25,939,217	–	1,034,700	24,904,517
Treasury stock				
Common shares	1,162,360	334,992	1,045,800	451,552
Total	1,162,360	334,992	1,045,800	451,552

(Notes) 1. The decrease of 1,034,700 shares in the number of outstanding common shares was due to the cancellation of treasury stocks.

2. The number of shares of treasury stock (common shares) increased by 334,700 shares with the acquisition of treasury stock by resolution of the Board of Directors and by 292 shares with the acquisition of shares the number of which is less than one stock trade unit.

3. The number of shares of treasury stock (common shares) decreased 1,034,700 shares with the cancellation of treasury stock and 11,100 shares with the exercise of stock acquisition rights.

2. Notes on stock acquisition rights

Category	Breakdown of stock acquisition rights	Type of shares which are the object of stock acquisition rights	Number of shares which are the object of stock acquisition rights(shares)				Balance as of the end of the consolidated fiscal year under review (thousand yen)
			End of the previous consolidated fiscal year	Increase during the consolidated fiscal year under review	Decrease during the consolidated fiscal year under review	End of the consolidated fiscal year under review	
Submitting company (parent company)	Stock options resolved at the ordinary general meeting of shareholders on June 27, 2002	Common share	5,478	–	332	5,146	–
	Stock options resolved at the ordinary general meeting of shareholders on June 25, 2004	Common share	268,500	–	11,100	257,400	–
	Stock options resolved at the ordinary general meeting of shareholders on June 24, 2005	Common share	60,800	–	2,600	58,200	–
Total		–	–	–	–	–	–

(Notes) 1. The decrease in the number of stock options resolved at the ordinary general meeting of shareholders on June 27, 2002 was due to the loss of effect.

2. The decrease in the number of stock options resolved at the ordinary general meeting of shareholders on June 25, 2004 was due to the exercise of stock acquisition rights.

3. The decrease in the number of stock options resolved at the ordinary general meeting of shareholders on June 24, 2005 was due to the loss of effect.

3. Notes on dividends

(1) Amount of dividends paid

Resolution	Type of share	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 14, 2007	Common shares	445,983	18	March 31, 2007	June 4, 2007

(2) Dividends for which the record date is within the consolidated fiscal year under review, but the effective date is within the following consolidated fiscal year

Resolution	Type of share	Total amount of dividends (thousand yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 9, 2008	Common shares	782,494	Retained earnings	32	March 31, 2008	June 4, 2008

Consolidated fiscal year under review (April 1, 2008 through March 31, 2009)

1. Notes on type and total number of outstanding shares and type and number of treasury stocks

	Number of shares as of the end of the previous consolidated fiscal year (shares)	Number of increased shares during the consolidated fiscal year under review (shares)	Number of decreased shares during the consolidated fiscal year under review (shares)	Number of shares as of the end of the consolidated fiscal year under review (shares)
Outstanding shares				
Common shares	24,904,517	–	237,200	24,667,317
Total	24,904,517	–	237,200	24,667,317
Treasury stock				
Common shares	451,552	237,409	242,679	446,282
Total	451,552	237,409	242,679	446,282

(Notes) 1. A decrease of 237,200 shares in the number of outstanding common shares was due to the cancellation of treasury stocks.

2. The number of shares of treasury stock (common shares) increased 237,200 shares with the acquisition of treasury stock by resolution of the Board of Directors and 209 shares with the acquisition of shares the number of which is less than one stock trade unit.

3. The number of shares of treasury stock (common shares) decreased 237,200 shares with the cancellation of treasury stock, 5,400 shares with the exercise of stock acquisition rights and 79 shares with the disposal of treasury stock.

2. Notes on stock acquisition rights

Category	Breakdown of stock acquisition rights	Type of shares which are the object of stock acquisition rights	Number of shares which are the object of stock acquisition rights(shares)				Balance as of the end of the consolidate fiscal year under review (thousand yen)
			End of the previous consolidated fiscal year	Increase during the consolidated fiscal year under review	Decrease during the consolidated fiscal year under review	End of the consolidated fiscal year under review	
Submitting company (parent company)	Stock options resolved at the ordinary general meeting of shareholders on June 27, 2002	Common share	5,146	–	–	5,146	–
	Stock options resolved at the ordinary general meeting of shareholders on June 25, 2004	Common share	257,400	–	6,500	250,900	–
	Stock options resolved at the ordinary general meeting of shareholders on June 24, 2005	Common share	58,200	–	11,000	47,200	–
Total		–	–	–	–	–	–

(Notes) 1. Stock options resolved at the ordinary general meeting of shareholders on June 25, 2004 decreased 5,400 shares due to the exercise of stock acquisition rights and 1,100 shares due to the loss of effect.

2. A decrease in stock options resolved at the ordinary general meeting of shareholders on June 24, 2005 was due to the loss of effect.

3. Notes on dividends

(1) Amount of dividends paid

Resolution	Type of share	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 9, 2008	Common shares	782,494	32	March 31, 2008	June 4, 2008

(2) Dividends for which the record date falls in the consolidated fiscal year under review, but the effective date falls in the following consolidated fiscal year

Resolution	Type of share	Total amount of dividends (thousand yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 11, 2009	Common shares	799,294	Retained earnings	33	March 31, 2009	June 3, 2009

(Notes to Consolidated Statements of Cash Flows)

Previous consolidated fiscal year (April 1, 2007 through March 31, 2008)		Consolidated fiscal year under review (April 1, 2008 through March 31, 2009)	
1. Relationship between the closing balance of cash and cash equivalents and the amount shown on the consolidated balance sheet		1. Relationship between the closing balance of cash and cash equivalents and the amount shown on the consolidated balance sheet	
Cash and deposits	6,530,199,000 yen	Cash and deposits	14,565,936,000 yen
Time deposits with more than 3 months to maturity	–yen	Time deposits with more than 3 months to maturity	-300,000,000 yen
Cash and cash equivalents	6,530,199,000 yen	Cash and cash equivalents	14,265,936,000 yen
2. Details of important non-cash transactions		2. Details of important non-cash transactions	
Cancellation of treasury stock	1,646,893,000 yen	Cancellation of treasury stock	350,794,000 yen

(11) Segment information

(i) Segment information by type of business

Previous consolidated fiscal year (April 1, 2007 through March 31, 2008)

(Thousand yen)

	LSI business	System business	Total	Eliminated or group-wide	Consolidated
I Net sales and operating income (loss)					
Net sales					
(1) External customers	48,062,161	2,609,634	50,671,795	–	50,671,795
(2) Inter-segment	15,776	–	15,776	-15,776	–
Total	48,077,937	2,609,634	50,687,571	-15,776	50,671,795
Operating expenses	43,832,874	3,347,167	47,180,041	46,848	47,226,890
Operating income (loss)	4,245,063	-737,532	3,507,530	-62,624	3,444,905
II Assets, depreciation expense and capital expenditure					
Assets	18,948,795	4,714,587	23,663,382	11,666,015	35,329,398
Depreciation expense	92,085	150,294	242,380	65,481	307,861
Capital expenditure	150,745	1,303,994	1,454,739	115,637	1,570,376

(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 servers, digital video recorders, display controllers, image camera systems for equipment security, security controller terminals, security camera systems, and self-security systems

3. Of operating expenses, operating expenses that cannot be allocated and that are included in the item “Elimination or corporate” amounted to 62,624,000 yen and chiefly consisted of expenses for administrative divisions such as general affair and accounting division.

4. Out of assets, the whole company’s assets included in the item “Elimination or corporate” amounted to 11,666,015,000 yen and chiefly consisted of the surplus working funds (cash and securities) of the Company and assets, etc. for administrative divisions.

5. Long-term prepaid expenses and the amount of reimbursement of long-term prepaid expenses are included in depreciation expense and capital expenditure.

6. Change of accounting standards

(Change of the depreciation method for tangible fixed assets)

As stated in the “Change in important matters fundamental to the preparation of consolidated financial statements,” the depreciation method for tangible fixed assets was changed in the consolidated fiscal year under review. As a result, operating expenses for the consolidated fiscal year under review increased 8,038,000 yen in the LSI business and 1,229,000 yen in the system business from those based on the previous method, and operating income decreased by the same amount, or operating loss increased by the same amount.

(Change of the depreciation method for depreciable assets in small amount)

As stated in the “Change in important matters fundamental to the preparation of consolidated financial statements,” the depreciation method for small-amount depreciable assets was changed in the consolidated fiscal year under review. As a result, operating expenses for the consolidated fiscal year under review increased 402,000 yen in the LSI business and decreased 702,000 yen in the system business from those based on the previous method, and operating income or operating loss decreased by the same amount.

Consolidated fiscal year under review (April 1, 2008 through March 31, 2009)

(Thousand yen)

	LSI business	System business	Total	Eliminated or group-wide	Consolidated
I Net sales and operating income (loss)					
Net sales					
(1) External customers	48,569,924	4,201,535	52,771,460	–	52,771,460
(2) Inter-segment	9,777	–	9,777	-9,777	–
Total	48,579,702	4,201,535	52,781,237	-9,777	52,771,460
Operating expenses	43,788,361	4,179,057	47,967,419	-8,813	47,958,605
Operating income (loss)	4,791,340	22,477	4,813,818	-963	4,812,854
II Assets, depreciation expense and capital expenditure					
Assets	10,923,592	4,050,825	14,974,418	18,140,684	33,115,103
Depreciation expense	440,505	619,419	1,059,925	71,770	1,131,695
Capital expenditure	71,140	830,382	901,522	5,872	907,394

(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, security controller terminals and surveillance cameras

3. Of assets, the overall assets of the Company included in the item "Elimination or corporate" amounted to 18,140,684,000 yen and chiefly consisted of the surplus working funds (cash and securities) of the Company and assets, etc. for administrative divisions.

4. Long-term prepaid expenses and the amount of reimbursement of long-term prepaid expenses are included in depreciation expense and capital expenditure.

5. Change of accounting standards

(Change of the valuation standards and method for important assets)

As stated in the "Change in important matters fundamental to the preparation of consolidated financial statements," the valuation standards and method for inventories held for the purpose of ordinary sale were changed in the consolidated fiscal year under review. As a result, operating expenses for the consolidated fiscal year under review increased 183,136,000 yen in the LSI business and 16,595,000 yen in the system business from those based on the previous method, and operating income decreased by the same amount.

(ii) Segment information by region

Previous consolidated fiscal year (April 1, 2007 through March 31, 2008)

(Thousand yen)

	Japan	Asia	Total	Eliminated or group-wide	Consolidated
I Net sales and operating income (loss)					
Net sales					
(1) External customers	50,462,684	209,111	50,671,795	–	50,671,795
(2) Inter-segment	192,514	–	192,514	-192,514	–
Total	50,655,199	209,111	50,864,310	-192,514	50,671,795
Operating expenses	47,086,180	337,840	47,424,021	-197,130	47,226,890
Operating income (loss)	3,569,018	-128,729	3,440,289	4,616	3,444,905
II Assets	31,211,383	4,217,782	35,429,166	-99,767	35,329,398

(Notes) 1. Countries and regions are divided based on the degree of geographical proximity.

2. The breakdown of countries and regions belonging to the category of Japan is as shown below.
Asia: Taiwan, China (including Hong Kong)

3. Change of accounting standards
(Change of the depreciation method for tangible fixed assets)
As stated in the "Change in important matters fundamental to the preparation of consolidated financial statements," the depreciation method for tangible fixed assets was changed in the consolidated fiscal year under review. As a result, operating expenses increased 9,268,000 yen in "Japan" from those based on the previous method, and operating income decreased by the same amount.
(Change of the depreciation method for depreciable assets in small amount)
As stated in the "Change in important matters fundamental to the preparation of consolidated financial statements," the depreciation method for small-amount depreciable assets was changed in the consolidated fiscal year under review. As a result, operating expenses decreased 300,000 yen in "Japan" from those based on the previous method, and operating income increased by the same amount.

Consolidated fiscal year under review (April 1, 2008 through March 31, 2009)

(Thousand yen)

	Japan	Asia	Total	Eliminated or group-wide	Consolidated
I Net sales and operating income (loss)					
Net sales					
(1) External customers	52,648,103	123,356	52,771,460	–	52,771,460
(2) Inter-segment	104,483	–	104,483	-104,483	–
Total	52,752,586	123,356	52,875,943	-104,483	52,771,460
Operating expenses	47,782,026	304,321	48,086,348	-127,743	47,958,605
Operating income (loss)	4,970,559	-180,965	4,789,594	23,260	4,812,854
II Assets	30,961,883	2,179,885	33,141,768	-26,665	33,115,103

(Notes) 1. Countries and regions are divided based on the degree of geographical proximity.

2. The breakdown of countries and regions belonging to the category of Japan is as shown below.
Asia: Taiwan, China (including Hong Kong)

3. Change of accounting standards
(Change of the valuation standards and method for important assets)
As stated in the "Change in important matters fundamental to the preparation of consolidated financial statements," the standards and method for measuring inventories held for the purpose of ordinary sale were

changed in the consolidated fiscal year under review. As a result, operating expenses increased 199,732,000 yen in "Japan" from those based on the previous method, and operating income decreased by the same amount.

(iii) Sales to foreign customers

Previous consolidated fiscal year (April 1, 2007 through March 31, 2008) and consolidated fiscal year under review (April 1, 2008 through March 31, 2009)

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

(12) Per share information

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)		Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)	
Net assets per share	876.66 yen	Net assets per share	849.02 yen
Net income per share	105.60 yen	Net income per share	110.21 yen
Diluted net income per share	105.22 yen	Diluted net income per share	110.11 yen

(Note) The following shows the basis of calculation of net income per share and diluted net income per share.

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
Net income per share		
Net income (thousand yen)	2,612,205	2,672,111
Amount that does not belong to ordinary shareholders (thousand yen)	–	–
Net income related to common shares (thousand yen)	2,612,205	2,672,111
Average number of common shares during the period	24,735,690	24,246,339
Diluted net income per share		
Net income adjustments (thousand yen)	–	–
Increase in number of common shares	89,692	21,774
(Number of stock acquisition rights)	(89,692)	(21,774)
Outline of latent shares without dilution effect not taken into account for calculation of diluted net income per share	2 types of stock acquisition rights (613 stock acquisition rights)	2 types of stock acquisition rights (503 stock acquisition rights)

(13) Material subsequent events

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
(Acquisition and cancellation of treasury stock) 1. Acquisition of treasury stock A meeting of the Board of Directors on May 9, 2008 resolved to acquire treasury stock (common shares of the Company) by May 30, 2008 to enhance capital efficiency and stock value per share in accordance with the provisions in Article 156 of the Companies Act applied mutatis mutandis pursuant to Paragraph 3, Article 165 of the same Act. The total number of shares to be acquired was set at 250,000 at maximum and the total acquisition value at 300,000,000 yen at maximum. The acquisition of treasury stock was executed as detailed below. (1) Method of acquisition Market purchase through the Tokyo Stock Exchange (2) Number of shares acquired 237,200 (3) Total acquisition value 299,891,000 yen (4) Date of acquisition May 12-19, 2008 2. Cancellation of treasury stock A meeting of the Board of Directors on May 9, 2008 resolved to retire treasury stock acquired pursuant to the resolution to acquire treasury stock mentioned above in accordance with the provision in Article 178 of the Companies Act. (1) Number of shares to be retired 237,200 (2) Scheduled date of cancellation June 30, 2008 (3) Total number of issued shares (including treasury shares) after cancellation 24,667,317	- - - - - -

(14) Omission of disclosure

Disclosure of notes on lease transactions, securities, derivative transactions, retirement benefits, tax effect accounting, stock option, transactions with related parties and business combinations are omitted as the necessity to disclose them in the Summary of Financial Results is considered limited.

These notes will be presented in the Securities Report to be submitted on June 24, 2009 and become available on the Electronic Disclosure for Investors' NETwork (EDINET).

5. Production, Orders and Sales

(1) Production

The following portrays production by business segment for the consolidated fiscal year under review.

Name of Business Segment	Amount (thousand yen)	YoY ratio (%)
LSI business	48,331,229	100.7
System business	3,861,206	148.0
Total	52,192,436	103.2

(Notes) 1. The amounts are based on selling prices.
2. The amounts indicated above do not include consumption and other taxes.
3. Purchases of products from contracted manufacturers account for a large majority of the amount in the LSI business.

(2) Goods purchases

There were no goods purchases during the consolidated fiscal year under review.

(3) Orders

The following portrays orders received by business segment for the consolidated fiscal year under review.

Name of Business Segment	Orders (thousand yen)	YoY ratio (%)	Order backlog (thousand yen)	YoY ratio (%)
LSI business	48,291,699	100.3	557,745	72.7
System business	4,194,050	149.5	269,855	97.3
Total	52,485,749	103.0	827,600	79.3

(Note) The amounts indicated above do not include consumption and other taxes.

(4) Sales

The following portrays sales by business segment for the consolidated fiscal year under review.

Name of Business Segment	Amount (thousand yen)	YoY ratio (%)
LSI business	48,569,924	101.1
System business	4,201,535	161.0
Total	52,771,460	104.1

(Notes) 1. The amounts indicated above do not include consumption and other taxes.
2. Inter-segment transactions are offset and eliminated.
3. Sales to major customers and ratio of such sales to total sales

Customer	Amount (thousand yen)	Ratio (%)
Nintendo Co., Ltd.	45,861,478	86.9

6. Non-consolidated financial statements

(1) Balance sheet

(Thousand yen)

	Previous fiscal year (March 31, 2008)	Fiscal year under review (March 31, 2009)
ASSETS		
Current Assets:		
Cash and deposits	6,225,801	14,253,169
Notes receivable-trade	12,093	13,600
Accounts receivable-trade	17,595,142	10,686,108
Finished goods	1,427,215	–
Merchandise and finished goods	–	1,007,453
Raw materials	496,442	–
Work in process	335,168	167,783
Supplies	353	–
Raw materials and supplies	–	383,404
Advance payments-trade	86,923	651
Prepaid expenses	60,098	57,371
Deferred tax assets	246,484	434,033
Other	17,521	156,413
Allowance for doubtful accounts	-1,229	-760
Total current assets	26,502,015	27,159,227
Noncurrent assets:		
Property, plant and equipment		
Buildings	240,576	240,576
Accumulated depreciation	-123,821	-145,939
Buildings, net	116,754	94,637
Tools, furniture and fixtures	261,405	328,684
Accumulated depreciation	-161,525	-235,139
Tools, furniture and fixtures, net	99,879	93,544
Total property, plant and equipment	216,634	188,182
Intangible assets		
Telephone subscription right	2,775	2,775
Software	174,929	105,877
Total intangible assets	177,705	108,653
Investments and other assets		
Investment securities	1,109,136	362,493
Stocks of subsidiaries affiliates	2,245,860	2,160,890
Long-term loans receivable	9,657	5,661
Long-term prepaid expenses	2,525,456	2,347,032
Long-term time deposits	400,000	100,000
Guarantee deposits	301,015	301,856
Claims provable in bankruptcy, claims provable in rehabilitation and other	4,933	3,448
Deferred tax assets	–	431,007
Other	17,500	–
Allowance for doubtful accounts	-4,933	-3,448
Total investments and other assets	6,608,625	5,708,942
Total noncurrent assets	7,002,964	6,005,777
Total assets	33,504,980	33,165,005

(Thousand yen)

	Previous fiscal year (March 31, 2008)	Fiscal year under review (March 31, 2009)
LIABILITIES		
Current liabilities:		
Accounts payable-trade	4,091,902	2,579,261
Short-term loans payable	6,000,000	5,000,000
Current portion of long-term loans payable	–	2,000,000
Accounts payable - other	508,195	360,935
Income taxes payable	555,923	1,901,413
Accrued consumption taxes	45,085	198,462
Accrued expenses	138,304	133,845
Advances received	45,687	–
Deposits received	15,422	15,924
Unearned revenue	4,349	2,192
Provision for bonuses	258,814	307,830
Total current liabilities	11,663,684	12,499,865
Noncurrent liabilities:		
Long-term loans payable	2,000,000	–
Deferred tax liabilities	154,541	–
Other	58,561	40,591
Total noncurrent liabilities	2,213,103	40,591
Total liabilities	13,876,788	12,540,456
NET ASSETS		
Shareholders' equity		
Capital stock	4,840,313	4,840,313
Capital surplus		
Legal capital surplus	6,181,300	6,181,300
Total capital surpluses	6,181,300	6,181,300
Retained earnings		
Legal retained earnings	97,042	97,042
Other retained earnings		
Voluntary retained earnings	3,830,500	3,830,500
Retained earnings brought forward	4,927,322	6,275,199
Total earned surpluses	8,854,864	10,202,741
Treasury stock	-718,718	-660,018
Total shareholders' equity	19,157,760	20,564,336
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	470,431	60,211
Total valuation and translation adjustments	470,431	60,211
Total net assets	19,628,192	20,624,548
Total liabilities and net assets	33,504,980	33,165,005

(2) Statements of income

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Fiscal year under review (From April 1, 2008 to March 31, 2009)
		(Thousand yen)
Net sales	50,658,974	52,764,415
Cost of sales		
Beginning finished goods	–	1,427,215
Purchase of finished goods	39,924,045	38,222,859
Cost of products manufactured	4,110,140	5,758,204
Transfer from other account	596,939	–
Total	44,631,125	45,408,280
Transfer to other account	379,796	738,425
Ending finished goods	1,427,215	1,007,453
Cost of finished goods sold	42,824,113	43,662,401
Gross profit	7,834,861	9,102,013
Selling, general and administrative expenses		
Promotion expenses	290,441	104,025
Directors’ compensation	238,350	235,650
Salaries	565,671	612,182
Provision for bonuses	121,400	134,369
Retirement benefit expenses	9,221	10,694
Depreciation	29,938	34,439
Research and development expenses	1,360,810	1,606,128
Commission fee	336,411	269,960
Provision for allowance for doubtful accounts	3,194	–
Other	1,311,508	1,181,529
Total selling, general and administrative expenses	4,266,948	4,188,979
Operating income	3,567,912	4,913,034
Non-operating income		
Interest income	7,399	6,757
Dividends income	250	100
Fiduciary obligation fee	4,540	533
Reversal from allowance for doubtful accounts	–	1,953
Income from disqualification of unclaimed dividends	–	1,188
Miscellaneous income	3,013	666
Total non-operating income	15,204	11,199
Non-operating expenses		
Interest expenses	105,158	93,612
Commitment fee	52,386	6,904
Loss on transfer of receivables	–	30,919
Loss on investments in partnership	9,045	331
Foreign exchange losses	41,983	15,466
Miscellaneous loss	6,972	3,798
Total non-operating expenses	215,545	151,032
Ordinary income	3,367,570	4,773,201

(Thousand yen)

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Fiscal year under review (From April 1, 2008 to March 31, 2009)
Extraordinary income		
Gain on sales of investment securities	15,276	118,440
Gain on extinguishment of tie-in shares	1,333,493	–
Total extraordinary income	1,348,769	118,440
Extraordinary loss		
Loss on valuation of investment securities	–	39,644
Loss on valuation of stocks of subsidiaries and affiliates	291,434	61,501
Loss on sales of golf club memberships	–	9,500
Loss on liquidation of business	167,899	630,091
Loss from liquidation of subsidiaries	–	11,632
Other	17,320	–
Total extraordinary losses	476,654	752,370
Income before income taxes	4,239,686	4,139,270
Income taxes-current	537,139	2,149,242
Income taxes-deferred	-16,546	-492,229
Total income taxes	520,592	1,657,013
Net income	3,719,094	2,482,257

(3) Statements of changes in net assets

(Thousand yen)

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Fiscal year under review (From April 1, 2008 to March 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	4,840,313	4,840,313
Balance at the end of current period	4,840,313	4,840,313
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	6,181,300	6,181,300
Balance at the end of current period	6,181,300	6,181,300
Total capital surplus		
Balance at the end of previous period	6,181,300	6,181,300
Balance at the end of current period	6,181,300	6,181,300
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	97,042	97,042
Balance at the end of current period	97,042	97,042
Other retained earnings		
Voluntary retained earnings		
Balance at the end of previous period	3,830,500	3,830,500
Balance at the end of current period	3,830,500	3,830,500
Retained earnings brought forward		
Balance at the end of previous period	3,304,904	4,927,322
Changes of items during the period		
Dividends from surplus	-445,983	-782,494
Net income	3,719,094	2,482,257
Disposal of treasury stock	-3,799	-1,091
Retirement of treasury stock	-1,646,893	-350,794
Total changes of items during the period	1,622,418	1,347,876
Balance at the end of current period	4,927,322	6,275,199
Total retained earnings		
Balance at the end of the previous period	7,232,446	8,854,864
Changes of items during the period		
Dividends from surplus	-445,983	-782,494
Net income	3,719,094	2,482,257
Disposal of treasury stock	-3,799	-1,091
Retirement of treasury stock	-1,646,893	-350,794
Total changes of items during the period	1,622,418	1,347,876
Balance at the end of current period	8,854,864	10,202,741
Treasury stock		
Balance at the end of the previous period	-1,883,049	-718,718
Changes of items during the period		
Purchase of treasury stock	-500,524	-300,197
Disposal of treasury stock	17,962	8,102
Retirement of treasury stock	1,646,893	350,794
Total changes of items during the period	1,164,331	58,699
Balance at the end of current period	-718,718	-660,018

(Thousand yen)

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Fiscal year under review (From April 1, 2008 to March 31, 2009)
Total shareholders' equity		
Balance at the end of previous period	16,371,010	19,157,760
Changes of items during the period		
Dividends from surplus	-445,983	-782,494
Net income	3,719,094	2,482,257
Purchase of treasury stock	-500,524	-300,197
Disposal of treasury stock	14,163	7,010
Retirement of treasury stock	–	–
Total changes of items during the period	2,786,750	1,406,576
Balance at the end of current period	19,157,760	20,564,336
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	245	470,431
Changes of items during the period		
Net changes of items other than shareholders' equity	470,185	-410,220
Total changes of items during the period	470,185	-410,220
Balance at the end of current period	470,431	60,211
Total valuation and translation adjustments		
Balance at the end of previous period	245	470,431
Changes of items during the period		
Net changes of items other than shareholders' equity	470,185	-410,220
Total changes of items during the period	470,185	-410,220
Balance at the end of current period	470,431	60,211
Total net assets		
Balance at the end of previous period	16,371,256	19,628,192
Changes of items during the period		
Dividends from surplus	-445,983	-782,494
Net income	3,719,094	2,482,257
Purchase of treasury stock	-500,524	-300,197
Disposal of treasury stock	14,163	7,010
Retirement of treasury stock	–	–
Net changes on items other than shareholders' equity	470,185	-410,220
Total changes of items during the period	3,256,935	996,355
Balance at the end of current period	19,628,192	20,624,548

(4) Notes on going concern assumption

Not applicable.

7. Other

(1) Candidates for directors to be elected (on June 24, 2009)

New Position	Name	Current Position
Director, Officer and General Manager of the LSI Business Division No. 1 in the Business Headquarters	Tetsuo Furuichi	Officer and General Manager of the LSI Business Division No. 1 in the Business Headquarters
Outside director	Kunihiro Yamada	–

(2) Director expected to retire (on June 24, 2009)

New Position	Name	Current Position
Officer and General Manager of the Electronic Device & Module Business Division in the Business Headquarters	Keizo Higuchi	Director, Officer and General Manager of the Electronic Device & Module Business Division in the Business Headquarters