

For immediate release

May 11, 2009

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 Director
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Notice of Decision on the Distribution of Retained Earnings and Changes to Policy for Future Distributions

Notice is hereby given that MegaChips Corporation (the “Company”), at a meeting of its Board of Directors held today, adopted a resolution for the distribution of retained earnings with the record date fixed on March 31, 2009 in accordance with the policy on the distribution of retained earnings that it has previously announced, as described below:

Description

1. Content of dividends

	Amount Determined (for the year ended March 31, 2009)	Most recent forecast of dividends (publicized on January 30, 2009)	Previous results (for the year ended March 31, 2008)
Record date	March 31, 2009	Same as on the left	March 31, 2008
Dividend per share	¥33.00	Undecided	¥32.00
Aggregate amount of dividends	¥799 million	-	¥782 million
Effective date	June 3, 2009	-	June 4, 2008
Source of dividends	Retained earnings	-	Retained earnings

2. Reasons

The Company, which regards the distribution of profits to its shareholders as an important issue of management, has distributed retained earnings while taking into consideration increasing internal reserves necessary to strengthen its financial base and expand business.

As for the specific distribution policy, the Company will, taking into consideration its operating results and its financial circumstances, pay a dividend within an amount distributable under law, calculated as either (a) 30% of net income (on a consolidated basis) divided by the total number of shares or (b) ¥10 per share, whichever amount is greater. With regard to the purchase of its own shares on the stock market, the Company recognizes it as an effective means to distribute profits to the shareholders. Hence, the Company will use such means expeditiously by taking into consideration movements of its stock prices on the market, its financial

status and other factors.

In accordance with this policy, the Company decided, with respect to distributing retained earnings for the fiscal year under review (the year ended March 31, 2009), to pay an annual dividend of ¥33 per share as an ordinary dividend. For the previous period (the year ended March 31, 2008), an annual dividend of ¥32 per share was distributed, consisting of an ordinary dividend of ¥23 and a special dividend of ¥9. With regard to the acquisition of its own shares from the stock market during the fiscal year under review (the year ended March 31, 2009), the Company acquired a total of 237,200 shares, with a total value of ¥299 million. These shares were retired on June 30, 2008.

(For reference)

Breakdown of annual dividends:

Record date	Dividend per share				
	First quarter-end	Interim period-end	Third quarter-end	Year-end	Annual
Results for the year ended March 31, 2009	-	-	-	¥33.00 (Ordinary dividend: ¥33.00)	¥33.00 (Ordinary dividend: ¥33.00)
Results for the year ended March 31, 2008	-	-	-	¥32.00 (Ordinary dividend: ¥23.00) (Special dividend: ¥9.00)	¥32.00 (Ordinary dividend: ¥23.00) (Special dividend: ¥9.00)

3. Schedule

June 2, 2009: Documents concerning dividends will be sent, together with the notice of the Ordinary General Meeting of Shareholders, attached documents and reference documents.

June 3, 2009: The payment of dividends will commence.

4. Changes to the basic policy regarding the distribution of profits

The Company, at the meeting of its Board of Directors held today, decided to change the distribution policy as described below. These changes will take effect with the distribution for the next period (the year ending March 31, 2010).

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:

- (1) 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.
- (2) 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, 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.
- (3) 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:

- (1) 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.
- (2) 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.