

(Translation)

September 14, 2005

Name of the Company: MegaChips Corporation

Representative: Shigeki Matsuoka
President and Representative
Director

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

Person to contact: Masayuki Fujii
Director and Executive Officer
(TEL 06-6399-2884)

Notice of Incorporation of Subsidiary in Hong Kong
by the Company's Consolidated Subsidiaries

The MegaChips Group has determined to incorporate a local subsidiary in Hong Kong through joint investment by MegaChips LSI Solutions Inc. and MegaChips System Solutions Inc., both consolidated subsidiaries of MegaChips Corporation (the "Company"), and made an application for incorporation thereof. Recently the competent regulatory authorities have authorized the incorporation. Hence, notice is hereby given as described below:

Description

1. Reason for the incorporation of a sub-subsidiary (a local subsidiary in Hong Kong):

To expand LSI business and system business in the Chinese market in the future, the MegaChips Group, through its investment subsidiary in Taiwan, acquired the shares of Macronix International Co., Ltd. (Taiwan Stock Exchange: 2337, NASDAQ: MXICY; "Macronix") and appointed a director of Macronix in May 2005, whereby building closer personnel and capital relationships. The incorporation of the local subsidiary in Hong Kong is intended to strengthen the mutual support system of both companies, whereby accelerating the expansion of the businesses in the future.

2. Outline of the sub-subsidiary (a local subsidiary in Hong Kong):

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|-----------------|---|
| (1) Trade name: | MegaChips (Hong Kong) Limited |
| (2) Location: | Unit 05 of 12th Floor, The Metropolis Office
Tower, 10 Metropolis Drive, Hung Hom,
Kowloon, Hong Kong |

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| (3) Representative: | President
Yoshimasa Hayashi (Director of the Company
and Senior Managing Director of MegaChips LSI
Solutions Inc.) |
| (4) Directors: | Shigeki Matsuoka (President and Representative
Director of the Company)

Akira Takata (Executive Officer of the Company,
in charge of Chinese business) |
| (5) Incorporation: | September 12, 2005 |
| (6) Commencement of business: | Mid-October 2005 (expected) |
| (7) Major contents of business: | Sale of and provision of support for LSI products
and system products of the MegaChips Group in
the Chinese market and businesses pertaining and
relating to import and sale of products of
Macronix International Co., Ltd. |
| (8) Settlement of accounts: | December 31 of each year |
| (9) Shareholders (shareholding
ratios): | MegaChips LSI Solutions Inc. (70%)
MegaChips System Solutions Inc. (30%) |
| (10) Capital: | HK\$4,900,000 (approximately ¥70,000,000) |

3. Effect on the operating results in the future:

The incorporation of the sub-subsidiary will have no significant effect on the Company's consolidated operating results for the year ending March 31, 2006.

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