

(Translation)

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Name of the Company: MegaChips Corporation
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Director
(Code No. 6875, the First Section of the Tokyo Stock Exchange)
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**Notice of Committees to be Established upon Determination of
Basic Policies of Internal Control**

MegaChips Corporation (the "Company"), at the meeting of its Board of Directors held today, made a decision on its basic policies of internal control as required by laws or ordinances. Notice is hereby given that to materialize the basic policies, effectively integrate the functions relating to internal control within its Group horizontally and establish an effective system of internal control to enhance the qualities of execution of business, the Company has determined to establish an Internal Control Committee and organize related committees under the control thereof, as described below:

Description

1. Purpose of the establishment of committees:

All officers and employees of the Company and its group companies (collectively, the "Company") recognize that a continuous growth of the Company will be brought by responding in sincerity to the expectations of the society with its unique cutting-edge high technology and earning social confidence. Basically, for that purpose, the Company is required to comply with law and disclose important information in a sincere and timely manner and will develop products in good qualities by making the best use of its high technology, exert thorough quality control efforts and take eco-friendly measures to discharge its social responsibility steadily.

Hence, counting on a check and balance system for securing transparency and objectivity of management and legitimacy of the performance by its Directors and Executive Officers of their duties, the Company will appoint one outside Director and three outside Statutory Auditors who shall have no direct conflict of interest with the Company to supervise the execution of business from the perspective of third parties.

Its Board of Directors will formulate a basic policy of internal control and each Director will give a report on the state of implementation of internal control periodically or from time

to time whenever necessary, and direct or supervise employees to give such report. For the purpose of the execution of business, the Company will implement concrete measures, including the establishment of internal rules and a system for strict implementation of such internal rules, and promote management by placing emphasis on corporate governance.

The Company has assigned the duties of compliance with law, risk management and internal audits to its Quality Assurance Department and legal sections, among others. However, upon the enforcement of the new Corporation Law of Japan, the Company has determined to integrate its group-wide functions of internal control horizontally and delegate more efficient and effective functions of internal audits to the newly established committees, with the aim of enhancing the qualities of management and business development.

2. Outline of each committee to be established:

- (1) Internal Control Committee [Chairman: President of the Company, Secretariat: Officers in charge of financing]

The Internal Control Committee will exercise general control over the Compliance Committee, the CSR Committee, the Information Disclosure Committee and the Investment and Alliance Committee that constitute the internal control system operated by management. The Committee also is expected to formulate business continuation plans (BCPs) in the future.

- (2) Compliance Committee [Chairman: Executive Officer in charge of legal affairs, Secretariat: Legal Team]

Based on the basic rule that any corporation exists in accordance with law, the Compliance Committee will endeavor to make all officers and employees well aware of the Company's codes of conduct as its corporate social obligations that they should not only comply with law but also not act in contravention of ethics, social morals or conscience. For that purpose, the Committee will bring the attitude of compliance with law home to all officers and employees of the group companies through education and training. The Committee also will discuss matters concerning revisions to the compliance system, problems concerning compliance that may have any material effect on management of the Company and problems concerning compliance in which any Director or Executive Officer is found to be involved, and report its resultant actions taken thereon to the Internal Control Committee and the President.

- (3) CSR Promotion Committee [Chairman: Executive Officer in charge of general affairs, Secretariat: General Affairs Team]

The CSR Promotion Committee will engage in planning and promoting activities for the Group to fulfill its responsibilities to develop basic technologies of good qualities that can contribute to society and develop and supply products by taking advantage of its unique cutting-edge high technologies, and accordingly make profits, which will be distributed to its shareholders, be appropriated for its social action programs and benefit its employees.

With regard to environmental protection, the Company will establish an environment

management system based on ISO 14001 and promote management with due considerations to global environmental protection. The Company will be ecologically conscious and make its products more sophisticated, downsized, power-saving and recyclable, reduce chemicals that may have adverse effects on the environment, save resources, save energy and recycle products and resources. The Company regards all these activities as fundamental corporate responsibilities.

With regard to its commitment to society, the Company will generate new jobs in the local communities to which it belongs, specifically, and respect the interests of its employees and other stakeholders, with the aim of becoming a company that has a strong sense of responsibility and is respected by society.

- (4) Information Disclosure Committee [Chairman: Officer in charge of information disclosure to Tokyo Stock Exchange, Secretariat: Publicity and IR Team]

The Information Disclosure Committee will exercise general control over important information of the whole group companies, judge the importance thereof and review all matters to be disclosed, and investigate, plan, execute and evaluate the internal control environments concerning information disclosure and financial reports.

The Company regards disclosure to be as important a matter as the distribution of profits to its shareholders from the perspective of the protection of its investors. Hence, the Company will disclose information valuable to its investors in a timely and accurate manner, as well as in a positive, continuous and honest manner based on facts, to win great trust from its shareholders and build up an appealing corporate image in the securities market and in society. For that purpose, the Company will establish regulations of the Information Disclosure Committee and other rules to fairly run the Committee and release financial reports faithfully.

- (5) Investment and Alliance Committee [Chairman: Executive Officer in charge of financing, Secretariat: Financing Team]

To increase the corporate value of the Group continuously, the Investment and Alliance Committee will arrange information collection concerning equity participation and the formation of alliances aimed at complementing business activities of the Group and investigations and judgments concerning investment, make proposals therefor to the Board of Directors and review synergistic effects after any equity participation semiannually, whereby following up the developments of investment on a timely basis.

- (6) Risk Management Committee [Chairman: President of the Company, Secretariat: Legal Team]

The Risk Management Committee is a committee that will be established temporarily to manage any risk when any emergency occurs. The Committee will consist of the president, executive officers in charge of financing and legal affairs, each team of corporate planning, publicity and IR and financing of each group company and any other person to be appointed.

The Committee will cope with any abusive M&A that may damage the corporate value

of the Group and the occurrence of any accident or event that may reduce its corporate value.

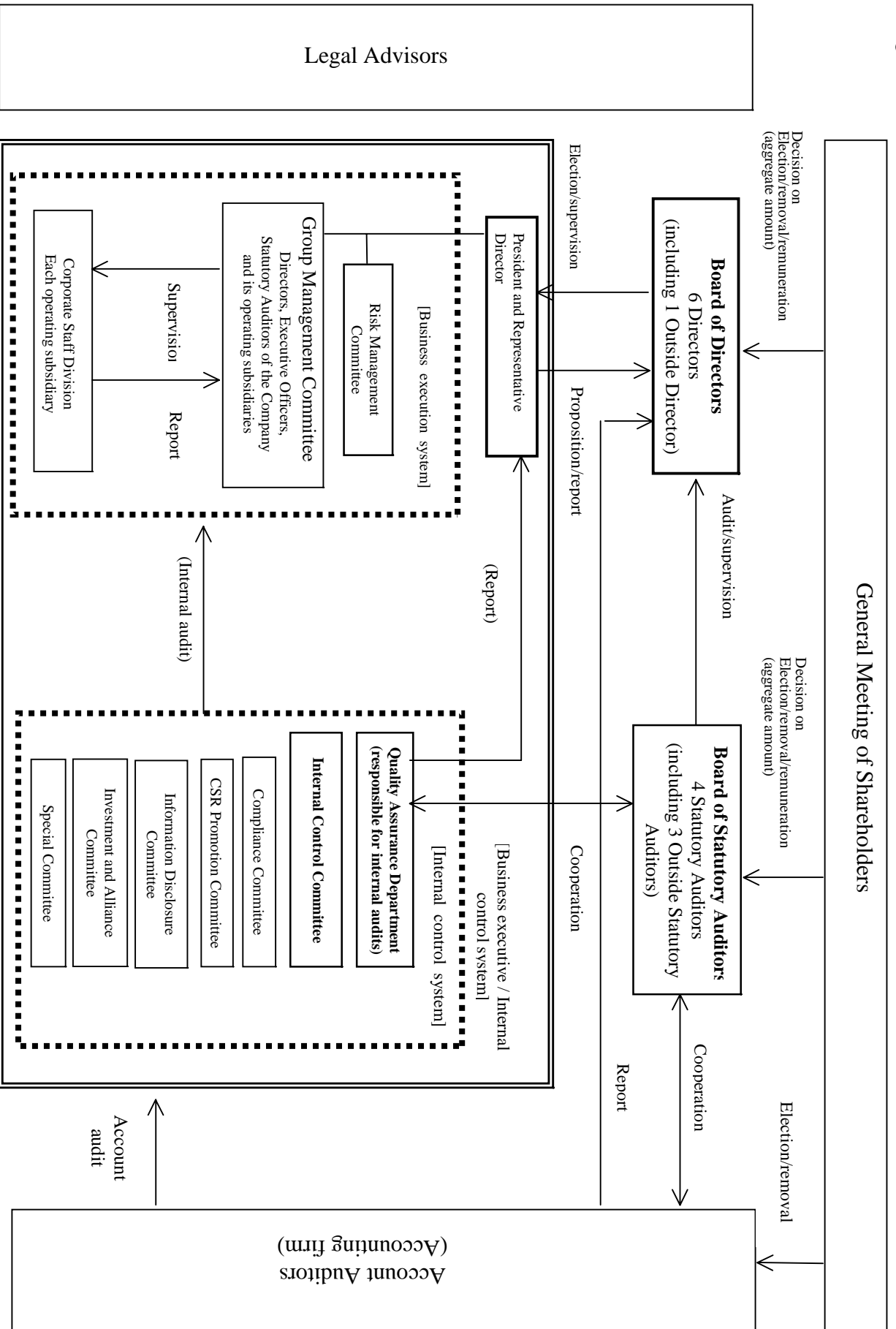
(7) Special Committee [Chairman: Related Executive Officer]

By resolution of the Board of Directors, a Special Committee will be established from time to time whenever necessary to carry out any specific object.

* Additional explanation
Quality Assurance Department

The Quality Assurance Department, under the direct control of the President of the Company, has conducted internal audits. Its auditing functions have been strengthened to assure compliance with the rules and the group-wide functioning of internal control. The role of internal control of daily operations of each division is assigned to the Quality Assurance Department placed under the direct control of the President. It operates under the system under which it conducts internal audits on behalf of the President, report its audit results to the President and Statutory Auditors and in the event of any trouble, give an order of remedy in accordance with instructions of the President and monitor the development of remedy.

3. Organization chart:



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