

Media Contact:

Cheryl Taylor
Walt & Company
408.369.7200 x2981
ctaylor@walt.com

FOR IMMEDIATE RELEASE

**Nanochip Raises \$14 Million to Complete Development
of Ultra-High-Capacity Removable Data Storage Chips**

*Series C2 Funding to Support Prototype Development, Design Verification and Sampling
of Removable Chips for Computer, Server and Consumer Electronics Markets*

Fremont, Calif. – Jan. 22 2008 – Nanochip, Inc., a developer of advanced microelectro-mechanical systems (MEMS) silicon data storage chips, today announced the completion of a \$14 million financing round. In conjunction with Intel Capital and JK&B Capital, both investors in earlier rounds, this round was led by an additional world-class investment company. The financing round will allow Nanochip to complete development of its first prototypes later this year to support design verification testing and limited customer sampling in 2009.

Nanochip is developing a new class of ultra-high-capacity storage chips enabling the storage of tens of gigabytes (GB) of data per chip, or the equivalent of many high-definition feature-length videos. By coupling MEMS with nano-probe array technology that far exceeds the expected limits of conventional lithography used in present semiconductor memory, these new chips are designed to meet the growing demand for cost-effective, removable and rewritable data storage for use in a wide range of computing, server and consumer electronics products.

Nanochip's first products are expected to exceed 100 GB per chip set, reaching terabytes (TB) in the future, and at a substantially lower cost compared with flash memory solutions.

"Flash has become the technology of choice for a variety of consumer and business applications where cost-effective, non-volatile solid-state storage is a must," said Keith Larson, vice president and director of manufacturing, memory and digital health sectors for Intel Capital. "However, as flash process technology scaling begins to approach its limits, Nanochip's technology is well positioned to provide memory capacity with exponentially higher storage densities at a cost per gigabyte significantly below that of flash technology. New memory components, such as Nanochip's, will enable new, innovative electronics devices and increase the performance of existing computing and other devices."

“Nanochip continues to make significant progress in the development of its ultra-high-capacity storage chips, and we are delighted to continue to support its development and commercialization efforts,” said Al DaValle, JK&B Capital partner and member of the Nanochip board of directors. “Nanochip is poised to help usher in a technological shift from conventional flash-based storage and micro-sized hard disk drives to ultra-high-capacity MEMS-based memory devices.”

“This support from leading players within the investment community underscores the strength of our technology, business model and hard work,” said Gordon R. Knight, Ph.D., CEO of Nanochip, Inc. “We are well on track to meet our original schedule of reaching full commercialization of our first product offering by 2010.”

Nanochip has been granted seven U.S. patents for its technology, and has applied for 34 more.

About Nanochip

Nanochip, Inc. (www.nanochipinc.com) was formed in 1996 to develop MEMS storage chips for consumer electronic applications. The company's products address the need for low-power, very high-capacity, high-performance, non-volatile memory at a price very competitive in consumer markets. Nanochip is a private company headquartered in Fremont, Calif.

About Intel Capital

Intel Capital, Intel's global investment organization, makes equity investments in innovative technology start-ups and companies worldwide. Intel Capital invests in a broad range of companies offering hardware, software and services targeting enterprise, home, mobility, health, consumer Internet, semiconductor manufacturing, and cleantech. Since 1991, Intel Capital has invested more than US\$6 billion in approximately 1,000 companies in more than 40 countries. In that timeframe, about 157 portfolio companies have gone public on various exchanges around the world and another 187 have been acquired by other companies. In 2007, Intel Capital invested about US\$639 million in 166 deals with approximately 37 percent of funds invested outside the United States. For more information on Intel Capital and its differentiated advantages, visit www.intel.com/capital.

About JK&B Capital

JK&B Capital (www.jkbcaptial.com) is a venture capital firm focused in the software, IT and communications markets with over \$900 million of capital under management. Founded in 1996, JK&B has built a track record of generating exceptional returns for investors by identifying and investing in companies with technologies which have been critical to the growth of the world's information economy.

#