

(Translation)

FILE NO. 82-4861

December 9, 2003

Dear Sirs,

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
Executive Officer, Corporate
Planning, in charge of Accounting,
Finance and IR
(TEL 06-6399-2884)

Notice of Corporate Separation Involved in Shift to a System of Holding Company

On August 21, 2003, MegaChips Corporation (the "Company") publicized that it would shift the MegaChips Group to a system of pure holding company consisting of a holding company and three operating companies respectively engaging in LSI business, system business and audio authoring business as of April 1, 2004. It is hereby notified that as part of the procedure, the Company at the meeting of its Board of Directors held on December 9, 2003, resolved to make a corporate separation, as described below:

I. Reason for the corporate separation

The Company has determined that to make a leap forward in the coming broadband era, it is vital to create a business environment under which each division of business can maximize its characteristics and increase its capabilities of growth and competition through the efficient allocation of management resources, independence of each division of business and speedy decision-making and decided on the restructuring of the businesses by establishing a system of pure holding company.

II. Outline of the divisions of business to be separated

1. Outline of the separation of the divisions of business

(1) LSI business

MegaChips Corporation will separate its LSI business and incorporate a company "MegaChips LSI Solutions Inc." to which its LSI business will be transferred (*bunsha-gata shinsetu bunkatsu*). Upon the separation, MegaChips LSI Solutions Inc. will issue 10,000 shares of common stock, all of which will be allocated and delivered to "MegaChips Corporation".

(2) System business

MegaChips Corporation will separate its system business and transfer the same to "MegaChips System Solutions Inc." (previously called MegaFusion Corporation) (*bunsha-gata kyushu bunkatsu*). Upon the separation, "MegaChips System Solutions Inc." will issue 22,600 shares of common stock, all of which will be allocated and delivered to "MegaChips Corporation".

2. Principal operating results and financial positions of the divisions of business to be separated

(Million yen)

	Division of business to be separated to MegaChips LSI Solutions Inc. (Interim financial period ended September 30, 2003)	Division of business to be separated to MegaChips System Solutions Inc. (Interim financial period ended September 30, 2003)	MegaChips Corporation (Separated company /before separation) (Interim financial period ended September 30, 2003) (Non-consolidated)
Assets	9,612	911	19,569
Liabilities	3,216	189	4,071
Sales	10,280	766	11,046
Gross profit	2,262	65	2,328
Operating profit	1,692	(300)	854

3. Items and amounts of assets and liabilities of the divisions of business to be separated

(1) Division of business to be transferred to MegaChips LSI Solutions Inc.

(Millions of yen)

Item	Assets	Item	Liabilities
Current assets:	9,485	Current liabilities	3,216
Trade accounts receivable	8,666	Trade accounts payable	3,193
Inventories	771	Accounts payable	13
Other current assets	47	Other current liabilities	8
Fixed assets:	127	Fixed liabilities	-
Tangible fixed assets	10	Total liabilities	3,216
Intangible fixed assets	22		
Investment securities	39		
Other investments, etc.	13	Total shareholders' equity	6,396
Deferred tax assets (long-term)	41		
Total assets	9,612	Total liabilities and shareholders' equity	9,612

(2) Division of business to be transferred to MegaChips System Solutions Inc.

(Millions of yen)

Item	Assets	Item	Liabilities
Current assets:	726	Current liabilities	189
Trade accounts receivable	190	Trade accounts payable	172
Inventories	528	Accounts payable	16
Other current assets	7	Fixed liabilities	-
Fixed assets:	184	Total liabilities	189
Tangible fixed assets	4		
Intangible fixed assets	52	Total shareholders' equity	722
Other investments, etc.	127		
Total assets	911	Total liabilities and shareholders' equity	911

III. Schedule of the corporate separation (expected)

December 9, 2003: Meetings of the Boards of Directors for approval of corporate separation plan and corporate separation agreement

Signing of corporate separation agreement

February 24, 2004: Extraordinary General Meetings of Shareholders (for approval of corporate separation plan and corporate separation agreement)

April 1, 2004: Date for separation of the divisions of LSI business, system business and audio authoring business

April 2, 2004: Relocation of head office of MegaChips System Solutions Inc.

IV. Outline of the parties to the corporate separation (as of September 30, 2003)

(1)	Trade name	MegaChips Corporation	MegaFusion Corporation (MegaChips System Solutions Inc.) * ¹ (Successor company)	MegaChips LSI Solutions Inc. * ² (Newly established company)
(2)	Contents of business	<ul style="list-style-type: none"> •Development, manufacture (by consignment) and sale of LSI products •Development, manufacture (by consignment) and sale of system products 	Development, manufacture (by consignment) and sale of system products	Development, manufacture (by consignment) and sale of LSI products
(3)	Establishment	April 4, 1990	December 8, 1998	April 1, 2004
(4)	Location of head office	1-6, Miyahara 4-chome, Yodogawa-ku, Osaka-shi, Osaka	17-6, Ichiban-cho, Chiyoda-ku, Tokyo	1-6, Miyahara 4-chome, Yodogawa-ku, Osaka-shi, Osaka

		MegaChips Corporation	MegaFusion Corporation	MegaChips LSI Solutions Inc.
(5)	Representative	Shigeki Matsuoka President and Representative Director	Masahiro Shindo President and Representative Director (CEO) * ³	Yukihiro Ukai President and Representative Director (Managing Director of the current MegaChips Corporation)
(6)	Capital	¥4,840 million	¥646 million	¥500 million
(7)	Total number of issued shares	24,661,017 shares	15,075 shares	10,000 shares
(8)	Shareholders' equity	¥15,497 million	¥480 million	¥6,396 million
(9)	Total liabilities and net worth	¥19,569 million	¥1,232 million	¥9,612 million
(10)	Date of settlement of accounts	March 31 of each year	March 31 of each year	March 31 of each year
(11)	Number of employees	171	69	83
(12)	Principal clients	Nintendo Co., Ltd. and other consumer electronics makers, trading firms, etc.	SECOM Co., Ltd. and other commercial equipment makers, sales companies, etc.	Nintendo Co., Ltd. and other consumer electronics makers, trading firms, etc.
(13)	Principle shareholders and shareholding ratios (ratios of voting rights)* ³	Yugen Kaisha Shindo 9.23% Shigeki Matsuoka 7.44% Masahiro Shindo 6.23% Ritsuko Shindo 4.50%	MegaChips Corporation 48.94% Shindo and Associates 9.17% Nikko Citigroup Limited 3.50% Nomura Securities Co., Ltd. 3.44%	-
(14)	Principal correspondent banks	The Bank of Tokyo-Mitsubishi, Ltd. Resona Bank, Limited UFJ Bank Limited Mizuho Corporate Bank, Ltd. The Iyo Bank, Ltd.	Resona Bank, Limited The Bank of Tokyo- Mitsubishi, Ltd. The Mitsubishi Trust and Banking Corporation	-

(15) Relationships between the parties (as of September 30, 2003)

Capital relationship:	MegaChips Corporation holds 48.94% (ratio of voting rights) of the number of issued shares of MegaChips System Solutions Inc. * ⁴
Personnel relationship:	Two (2) Directors of MegaChips Corporation concurrently serve as Directors of MegaChips System Solutions Inc.
Transaction relationship:	MegaChips Corporation sells its system products to MegaChips System Solutions Inc.

- (Notes) 1. MegaFusion Corporation changed its trade name to MegaChips System Solutions Inc. as of October 30, 2003.
2. MegaChips LSI Solutions Inc. is a company to be incorporated upon the corporate separation. Hence, information on the company is given herein as if it were established on April 1, 2004 (the financial figures thereof are those of the division of

LSI business of MegaChips Corporation as of September 30, 2003).

3. Tetsuo Hikawa assumed the office of President and Representative Director (CEO) of MegaChips System Solutions Inc. as of October 30, 2003.
4. MegaChips System Solutions Inc. made a share exchange to make MegaChips Corporation its full parent company as of October 1, 2003.

(16) Business results for the last three business years of the parties to the corporate separation

Business year	MegaChips Corporation			MegaChips System Solutions Inc. (Previous corporate name: MegaFusion Corporation)		
	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
Sales (million yen)	51,347	34,649	27,172	5,461	4,700	3,626
Operating profit (loss) (million yen)	3,177	2,706	1,954	194	283	(205)
Ordinary profit (loss) (million yen)	3,622	2,728	1,954	184	254	(202)
Per-share profit (loss) for the year (yen)	74.53	54.51	15.01	16,865.34	20,459.99	(22,270.64)
Annual dividend per share (yen)	10.00	10.00	10.00	2,500.00	4,000.00	0.00
Shareholders' equity per share (yen)	615.40	643.19	631.24	76,747.84	207,489.78	76,924.19

V. Forecasts of operating results of the parties to the corporate separation

The forecasts of operating results for the year ending March 31, 2004 are based on the projected whole-year figures in the Company's brief statement of accounts for the interim financial period ending March 31, 2004 publicized on November 13, 2003. For the year ending March 31, 2005 or thereafter, expenses to be incurred by the holding company, which are allocated to each operating company, will be amended upon the year-end settlement of accounts.

1. MegaChips Corporation (holding company) (consolidated):

	(Million yen)		
	Year ending March 31, 2004	Year ending March 31, 2005	Year ending March 31, 2006
Sales	23,500	25,100	29,250
Ordinary profit	1,140	1,750	2,630
Profit for the year	120	520	1,330

2. MegaChips LSI Solutions Inc. (company to be incorporated)

(Million yen)

	Year ending March 31, 2004	Year ending March 31, 2005	Year ending March 31, 2006
Sales	20,500	20,000	22,500
Ordinary profit	3,310	2,350	2,700

MegaChips LSI Solutions Inc. will account for ¥380 million of selling, general and administrative expenses for the year ending March 31, 2005 and ¥400 million of selling, general and administrative expenses for the year ending March 31, 2006, respectively, to be incurred as expenses of administrative services provided by MegaChips Corporation (holding company). However, no such expenses are reckoned upon for the year ending March 31, 2004.

3. MegaChips System Solutions Inc.

(Million yen)

	Year ending March 31, 2004	Year ending March 31, 2005	Year ending March 31, 2006
Sales	1,550	3,500	5,100
Ordinary profit	(890)	(470)	10

MegaChips System Solutions Inc. will account for ¥260 million of selling, general and administrative expenses for the year ending March 31, 2005 and ¥260 million of selling, general and administrative expenses for the year ending March 31, 2006, respectively, to be incurred as expenses of administrative services provided by MegaChips Corporation (holding company). However, no such expenses are reckoned upon for the year ending March 31, 2004.

(Note) The Directors, Statutory Auditors and Executive Officers of each company will be publicized separately after the close of the extraordinary General Meeting of Shareholders to be convened on February 24, 2004.

[Information material]

(Translation omitted)

[For reference]

<Establishment of Cameo Interactive Ltd.>

MegaChips System Solutions Inc. will separate its audio authoring business and incorporate a company "Cameo Interactive Ltd." to which its audio authoring business will be transferred (*bunkatsu-gata shinsetu bunkatsu*) as of April 1, 2004. The outline of Cameo Interactive Ltd. is set forth below:

Trade name:	Kabushiki Kaisha Cameo Interactive (In English, Cameo Interactive Ltd.)
Contents of business:	Import, sale and support of products related with audio and multimedia

Location of head office: 1-6, Miyahara 4-chome, Yodogawa-ku, Osaka-shi, Osaka

Representative: Takahiro Sonoda
Chairman and Representative Director
(Currently, Director and Executive Officer of MegaChips System Solutions Inc.)

Shareholder: MegaChips Corporation: 100%

Capital: ¥250 million (expected)

Total number of shares to be issued: 5,000 shares (expected)

Total assets: ¥580 million (as of September 30, 2003)

Date of settlement of accounts: March 31 of each year

Forecast of operating results of Cameo Interactive Ltd.

(Million yen)

	Year ending March 31, 2004	Year ending March 31, 2005	Year ending March 31, 2006
Sales	1,450	1,600	1,650
Ordinary profit	50	60	70

(Note) Cameo Interactive Ltd. will account for ¥90 million of selling, general and administrative expenses for the year ending March 31, 2005 and ¥90 million of selling, general and administrative expenses for the year ending March 31, 2006, respectively, to be incurred as expenses of administrative services provided by MegaChips Corporation (holding company). However, no such expenses are reckoned upon for the year ending March 31, 2004.

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Attention:

Of the current plans, estimates, prospects, strategies, beliefs, etc. of the companies disclosed herein, those which are not historical facts are forward-looking statements. Forecasts of operating results in the future are not limited to any statements using "beliefs," "expectations," "plans," "strategies," "prospects," "estimates," "projections," "possibilities" or their synonyms in the explanations of operating activities and results in the future.

Such statements are based on management's judgments of the companies formed by using the information available as of the date hereof. Hence, actual operating results may substantially differ from these forecasts of operating results due to various material factors in the future. You should not rely solely on these forecasts comprehensively and excessively. Additionally, the companies may not always revise the future forecasts in spite of new information, future events and other results.

Risks and uncertainties include material and unforeseeable influences arising from future events. This document is not prepared to solicit investment. In making investment, you should act on your own judgment.