MegaChips

NEWS RELEASE

FOR IMMEDIATE RELEASE

FASF MEMBERSHIP

July 15, 2016

Name of the Company:	MegaChips Corporation
Representative:	Akira Takata, President and CEO
(Code No. 6875, First Section of the Tokyo Stock Exchange)	
Inquiries	Masayuki Fujii Senior Managing Director, Officer and General Manager of the Finance & Legal Headquarters (Tel: +81-6-6399-2884)

Notice Regarding Extraordinary Loss

MagaChips Corporation (the "Company") hereby announces that it will record an extraordinary loss in its consolidated financial results for the first half of the fiscal year ending March 31, 2017 (April 1, 2016 – September 30, 2016).

1. Details of the Extraordinary Loss

Shun Yin Investment Ltd., (Headquarters: Taipei, TAIWAN R.O.C.; hereinafter, "Shun Yin"), a consolidated subsidiary of the Company, has recently suffered a valuation loss arising from its investment securities (those categorized as "available-for-sale securities) in the wake of a significant drop in the share price of Macronix International Co., Ltd. (listed on the Taiwan Stock Exchange; Stock code: 2337; "Macronix"). In response to this development, the Company has decided that it would be appropriate to recognize an impairment loss in its consolidated accounts, resulting in a 1,001 million yen extraordinary loss in relation to the valuation of the investment securities.

Please note that Shun Yin is a foreign subsidiary whose financial year ends in December. The relevant valuation loss on investment securities at this subsidiary will first be booked by Shun Yin in its half-year financial results (for the period from January 1, 2016 through June 30, 2016), which will subsequently be recognized by the Company in its consolidated financial results for the first half (April 1, 2016 to September 30, 2016) of the current fiscal year.

2. Reasons for equity holdings in Macronix

Macronix is a leading semiconductor manufacturer in Taiwan. It supplies its products to the Company under the foundry service agreement, undertaking development and production of the LSI products for electronic entertainment equipment such as game machines that have greatly contributed to the Company's business growth in recent years as one of its core businesses. Ever since the establishment of the Company, Macronix has served as a strategic partner supplying high-quality LSI products to the Company.

The Company concluded a business alliance agreement with Macronix, seeking to find pivotal foundries in the local market and collect market intelligence so that it could successfully expand the Company's LSI business in China and other Asia Pacific countries. At the same time, the Company acquired some Macronix shares (ownership was 2.6% at the time shares were acquired) via Shun Yin and sent the Company's director to Shun Yin as its representative, aiming to establish and maintain close relations with Macronix in terms of human resources and capital.

The Company will maintain its capital relationship with Macronix in line with the strategic partnership between the two companies, and seek to ensure the stable supply of cutting-edge and high quality products to major customers. Macronix's representative will continue to be served by the Company's director, but the Company will conduct a review of its current equity holdings in Macronix.

Please note that the Company has made returns on the equity investment in Macronix to date, including 983 million yen in cash dividends, 64 million yen in stock dividends, and 1,065 million yen as a capital gain on the sale of the shares. Following the recognition of the impairment loss, the Company expects its equity holdings in Macronix to be 685 million yen in terms of book value at the end of the second quarter of the current fiscal year ending March 31, 2017.

3. Future outlook

The potential impact of this matter on the consolidated earnings forecast for the full fiscal year ending March 31, 2017 is currently being examined. In the event an adjustment must be made to the consolidated earnings forecast, the Company will disclose the related information, taking into account business circumstances and other factors.