

**Macronix International Co., Ltd.**

**Financial Statements for the  
Three Months Ended March 31, 2012 and 2011 and  
Independent Accountants' Review Report**

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

The Board of Directors and the Shareholders  
Macronix International Co., Ltd.

We have reviewed the accompanying balance sheets of Macronix International Co., Ltd. (the "Company") as of March 31, 2012 and 2011 and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

Except as stated in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements," issued by the Auditing Committee of the Accounting Research and Development Foundation (ARDF) of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 7 to the financial statements, we did not review the financial statements for the three months ended March 31, 2012 and 2011 of the investees accounted for by the equity method of accounting. The carrying values of those investments as of March 31, 2012 and 2011 amounted to NT\$2,910,174 thousand and NT\$3,379,150 thousand, respectively. The related investment net loss for the three months ended March 31, 2012 and 2011 amounted to NT\$175,753 thousand and NT\$105,344 thousand, respectively. These amounts as well as the related financial information of the investees as disclosed in Note 25 to the financial statements were based on the investees' unreviewed financial statements for the same periods.

Based on our reviews, except as discussed in the preceding paragraph that the carrying values of equity-method investments, equity in losses of equity-method investees, as well as the related disclosures of the investment information were based on unreviewed financial statements of the investees, and except for the effects of such adjustment, if any, as might have been made had we applied review procedures on the financial statements of the investees referred to in the preceding paragraph, we are not aware of any material modifications that should be made to the financial statements as of and for the three months ended March 31, 2012 and 2011 referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

April 25, 2012

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the accountants' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language accountants' review report and financial statements shall prevail.*

**MACRONIX INTERNATIONAL CO., LTD.**

**BALANCE SHEETS**

**MARCH 31, 2012 AND 2011**

**(In Thousands of New Taiwan Dollars, Except Par Value)**

**(Reviewed, Not Audited)**

ASSETS	2012		2011		LIABILITIES AND SHAREHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 17,120,701	26	\$ 19,934,931	31	Short-term bank loans (Note 11)	\$ 125,465	-	\$ 4,272,445	7
Notes and accounts receivable, net (Notes 2, 3 and 5)	2,218,088	3	2,332,775	4	Notes and accounts payable	1,845,209	3	2,070,429	3
Receivables from related parties, net (Notes 2, 3 and 20)	891,712	1	966,360	1	Payables to related parties (Note 20)	144,983	-	173,314	-
Other receivables, net (Note 20)	145,844	-	195,662	-	Income tax payable (Notes 2 and 18)	331,409	-	760,300	1
Inventories (Notes 2 and 6)	7,272,563	11	4,961,786	8	Accrued expenses	1,731,991	3	1,771,479	3
Deferred income tax assets - current (Notes 2 and 18)	361,225	1	323,525	-	Accrued bonuses to employees, directors and supervisors (Notes 2 and 14)	530,775	1	1,339,469	2
Other current assets	587,284	1	713,298	1	Payables for equipment	536,613	1	4,517,636	7
Total current assets	28,597,417	43	29,428,337	45	Current portion of long-term bank loans (Notes 12, 21 and 23)	1,979,718	3	111,237	-
<b>LONG-TERM INVESTMENTS (Notes 2, 7, 8, 9 and 23)</b>					Other current liabilities	78,526	-	53,474	-
Investments accounted for using equity method	2,910,174	5	3,379,150	5	Total current liabilities	7,304,689	11	15,069,783	23
Available-for-sale financial assets - noncurrent	779,974	1	882,337	2	<b>LONG-TERM LIABILITIES</b>				
Financial assets carried at cost - noncurrent	98,056	-	159,556	-	Long-term bank loans, net of current portion (Notes 12, 21 and 23)	17,712,852	27	3,379,236	5
Total long-term investments	3,788,204	6	4,421,043	7	Long-term notes payable	-	-	1,050	-
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 21)</b>					Total long-term liabilities	17,712,852	27	3,380,286	5
Cost:					<b>OTHER LIABILITIES</b>				
Land	598,076	1	598,076	1	Accrued pension cost (Notes 2 and 13)	379,690	-	363,473	1
Buildings and structures	21,611,256	33	20,743,502	32	Others	1,694	-	2,591	-
Machinery equipment	76,358,093	115	62,572,311	96	Total other liabilities	381,384	-	366,064	1
Research and development equipment	5,392,172	8	1,566,440	2	Total liabilities	25,398,925	38	18,816,133	29
Transportation equipment	25,546	-	26,677	-	<b>SHAREHOLDERS' EQUITY (Notes 2, 14, 15, 16 and 23)</b>				
Leasehold improvements	2,419	-	2,419	-	Capital stock, \$10 par value				
Miscellaneous equipment	993,994	1	925,505	2	Authorized - 6,550,000 thousand shares				
	104,981,556	158	86,434,930	133	Issued - 3,392,197 thousand shares in 2012 and 3,378,175 thousand shares in 2011	33,921,967	51	33,781,743	52
Less: Accumulated depreciation	73,403,115	111	67,720,383	104	Capital surplus				
Construction in progress and prepayments for equipment	1,918,464	3	11,887,114	18	Treasury stock transactions	25,075	-	18,704	-
Net property, plant and equipment	33,496,905	50	30,601,661	47	Donation	37	-	37	-
<b>INTANGIBLE ASSETS (Note 2)</b>					Long-term investments	3,685	-	2,073	-
Software, net	242,605	-	65,695	-	Employee stock options	317,653	-	332,702	1
Deferred charges, net	600	-	13,924	-	Retained earnings				
Net intangible assets	243,205	-	79,619	-	Legal capital reserve	2,407,003	4	1,630,512	2
<b>OTHER ASSETS</b>					Unappropriated earnings	3,994,438	6	9,759,166	15
Deferred income tax assets - noncurrent (Notes 2 and 18)	177,552	1	387,097	1	Other adjustments				
Restricted assets - noncurrent (Note 21)	164,177	-	36,210	-	Unrealized gains on financial instruments	641,767	1	875,901	1
Other assets	26,197	-	32,483	-	Cumulative translation adjustments	(74,528)	-	(88,156)	-
Total other assets	367,926	1	455,790	1	Treasury stock (at cost) - 3,757 thousand shares	(142,365)	-	(142,365)	-
<b>TOTAL</b>	<b>\$ 66,493,657</b>	<b>100</b>	<b>\$ 64,986,450</b>	<b>100</b>	Total shareholders' equity	41,094,732	62	46,170,317	71
					<b>TOTAL</b>	<b>\$ 66,493,657</b>	<b>100</b>	<b>\$ 64,986,450</b>	<b>100</b>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche review report dated April 25, 2012)

# MACRONIX INTERNATIONAL CO., LTD.

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

(Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
GROSS SALES	\$ 5,128,155		\$ 6,586,654	
SALES RETURNS AND ALLOWANCES	<u>44,851</u>		<u>13,916</u>	
NET SALES (Notes 2 and 20)	5,083,304	100	6,572,738	100
COST OF SALES (Notes 2, 6, 17 and 20)	<u>4,369,613</u>	<u>86</u>	<u>3,838,601</u>	<u>58</u>
GROSS PROFIT	713,691	14	2,734,137	42
REALIZED INTERCOMPANY PROFIT (Note 2)	<u>3,945</u>	<u>-</u>	<u>8,066</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>717,636</u>	<u>14</u>	<u>2,742,203</u>	<u>42</u>
OPERATING EXPENSES (Notes 17 and 20)				
Sales and marketing	208,198	4	211,347	4
General and administrative	344,160	7	400,442	6
Research and development	<u>951,658</u>	<u>18</u>	<u>863,435</u>	<u>13</u>
Total operating expenses	<u>1,504,016</u>	<u>29</u>	<u>1,475,224</u>	<u>23</u>
INCOME (LOSS) FROM OPERATION	<u>(786,380)</u>	<u>(15)</u>	<u>1,266,979</u>	<u>19</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 23)	37,536	1	29,666	1
Gain on disposal of assets, net (Note 2)	5,702	-	9,334	-
Reversal of allowance for doubtful accounts (Notes 2, 3 and 5)	-	-	34,567	1
Others (Note 20)	<u>13,921</u>	<u>-</u>	<u>16,912</u>	<u>-</u>
Total non-operating income and gains	<u>57,159</u>	<u>1</u>	<u>90,479</u>	<u>2</u>
NON-OPERATING EXPENSES AND LOSSES				
Equity in losses of equity-method investees, net (Notes 2 and 7)	175,753	4	105,344	2
Foreign exchange loss, net (Note 2)	123,441	2	14,509	-
Interest expense (Notes 10 and 23)	57,385	1	-	-
Others	<u>73</u>	<u>-</u>	<u>916</u>	<u>-</u>
Total non-operating expenses and losses	<u>356,652</u>	<u>7</u>	<u>120,769</u>	<u>2</u>
INCOME (LOSS) BEFORE INCOME TAX	(1,085,873)	(21)	1,236,689	19
INCOME TAX EXPENSE (Notes 2 and 18)	<u>5,298</u>	<u>-</u>	<u>174,434</u>	<u>3</u>
NET INCOME (LOSS)	<u>\$ (1,091,171)</u>	<u>(21)</u>	<u>\$ 1,062,255</u>	<u>16</u>

(Continued)

# MACRONIX INTERNATIONAL CO., LTD.

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

(Reviewed, Not Audited)

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	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 19)				
Basic	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>	<u>\$ 0.37</u>	<u>\$ 0.32</u>
Diluted	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>	<u>\$ 0.36</u>	<u>\$ 0.31</u>

Certain pro forma information (after income tax) is shown as follows, based on the assumption that the Company's stock held by subsidiaries is treated as an investment instead of treasury stock (Note 16):

	2012	2011
NET INCOME (LOSS)	<u>\$(1,091,171)</u>	<u>\$ 1,062,255</u>
EARNINGS (LOSS) PER SHARE		
Basic	<u>\$(0.32)</u>	<u>\$0.32</u>
Diluted	<u>\$(0.32)</u>	<u>\$0.31</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche review report dated April 25, 2012)

(Concluded)

# MACRONIX INTERNATIONAL CO., LTD.

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (1,091,171)	\$ 1,062,255
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,807,462	1,176,619
Amortization	21,309	15,179
Realized intercompany profit	(3,945)	(8,066)
Provision (reversal of allowance) for doubtful accounts	20,021	(34,567)
Gain on disposal of assets, net	(5,702)	(9,334)
Equity in losses of equity-method investees, net	175,753	105,344
Deferred income taxes	5,298	63,946
Net changes in operating assets and liabilities:		
Notes and accounts receivable	172,910	(237,133)
Receivables from related parties	448,532	53,936
Other receivables	(33,886)	132,615
Inventories	(873,774)	(1,139,840)
Other current assets	(180,227)	(284,997)
Notes and accounts payable	(291,284)	200,663
Payables to related parties	(1,875)	15,588
Income tax payable	(3,726)	107,715
Accrued expenses	(340,695)	(101,284)
Accrued bonuses to employees, directors and supervisors	-	190,253
Other current liabilities	16,161	(25,975)
Accrued pension cost	19,539	(1,030)
Net cash provided by (used in) operating activities	<u>(139,300)</u>	<u>1,281,887</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in restricted assets	-	(33,503)
Acquisitions of investments accounted for using equity method	-	(113,892)
Proceeds from disposal of financial assets carried at cost	19,500	-
Acquisitions of property, plant and equipment	(791,505)	(3,258,571)
Proceeds from disposal of property, plant and equipment	14,646	8,877
Increase in intangible assets	(193,438)	(10,354)
Decrease in other assets	2,395	1,899
Net cash used in investing activities	<u>(948,402)</u>	<u>(3,405,544)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (decrease) in short-term bank loans	(1,675,023)	1,466,365
Increase in long-term bank loans	2,170,000	1,200,000
Repayment of long-term bank loans	(83,762)	(2,117,096)
Increase (decrease) in guarantee deposits	(172)	248
Proceeds from exercise of employee stock options	70,757	155,514
Net cash provided by financing activities	<u>481,800</u>	<u>705,031</u>

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# MACRONIX INTERNATIONAL CO., LTD.

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

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	2012	2011
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (605,902)	\$ (1,418,626)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>17,726,603</u>	<u>21,353,557</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 17,120,701</u>	<u>\$ 19,934,931</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid (excluding capitalized interest)	<u>\$ 64,307</u>	<u>\$ -</u>
Income tax paid	<u>\$ -</u>	<u>\$ 2,774</u>
NON-CASH FINANCING ACTIVITIES:		
Amounts reclassified from fixed assets to deferred assets	<u>\$ 26</u>	<u>\$ -</u>
Current portion of long-term bank loans	<u>\$ 1,979,718</u>	<u>\$ 111,237</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisitions of property, plant and equipment	\$ 458,345	\$ 5,806,417
Net decrease (increase) in payables to contractors and equipment suppliers	<u>333,160</u>	<u>(2,547,846)</u>
Cash paid	<u>\$ 791,505</u>	<u>\$ 3,258,571</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche review report dated April 25, 2012)

(Concluded)

# MACRONIX INTERNATIONAL CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

(Reviewed, Not Audited)

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### 1. GENERAL

Macronix International Co., Ltd. (the "Company"), a Republic of China (ROC) corporation, was incorporated in the Hsinchu Science Park (HSP), Taiwan on December 9, 1989. The Company operates principally as a designer, manufacturer and supplier of integrated circuits and memory chips. The Company also performs design, research and development, consultation, and trade of relevant products.

The Company's shares have been listed on the Taiwan Stock Exchange (TSE) since March 15, 1995. The Company listed a portion of its shares on the NASDAQ Stock Market in the form of American Depositary Shares (ADSs) in May 1996 but delisted on October 29, 2007.

As of March 31, 2012 and 2011, the Company had 4,782 and 4,415 employees, respectively.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

The Company's significant accounting policies are summarized as follows:

#### Foreign Currency

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

### **Accounting Estimation**

Under above guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for sales returns and discounts, allowance for loss on inventories, depreciation of property, plant and equipment, depreciation of intangible asset, asset impairment, pension cost, income tax, bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

### **Classification of Current and Noncurrent Assets and Liabilities**

Current assets include cash and cash equivalents and those assets expected to be converted to cash and cash equivalent, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred and expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

### **Cash Equivalents**

Cash equivalents, consisting of repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

### **Available-for-sale Financial Assets**

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the period. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Fair values of open-end mutual funds and publicly traded stocks are determined using the net assets value and the closing-price at the end of the period, respectively.

Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as reductions to the original cost of investment if such dividends are declared on the earnings of the investee attributable to periods prior to the purchase of the investments. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss on equity securities decreases, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity.

### **Financial Assets Carried at Cost**

Investments without quoted market prices in an active market and whose fair value cannot be reliably measured, such as non-publicly traded stocks, are carried at their original cost. The accounting treatment for cash and stock dividend arising from financial assets carried at cost is the same as that for available-for-sale financial assets. If there is objective evidence of financial asset impairment, a loss is recognized. This impairment loss is irreversible.

## **Impairment of Accounts Receivable**

An allowance for doubtful accounts is provided based on a review of the collectability of accounts receivable. The Company determines the amount of allowance for doubtful accounts by examining the aging analysis of outstanding accounts receivable and current trends in the credit quality of its customers as well as its internal credit policies.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It becoming probable that the debtor will enter bankruptcy or financial re-organization.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

## **Asset Impairment**

If impairment of equity-method investments, property, plant and equipment and intangible assets are assessed on the balance sheet date and the carrying amount of an asset exceeds its recoverable amount, the excess is recognized as loss. If the recoverable amount increases in a future period, the subsequent reversal of the impairment loss is recognized as gain. However, the increased carrying amount of an asset due to reversal of an impairment loss should not exceed the carrying amount that would have been determined (net of depreciation and amortization), had no impairment loss been recognized for the asset in prior years.

For long-term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

## **Allowance for Sales Returns**

Allowance for sales returns and discounts is recognized on the basis of past experience and other relevant factors.

## **Inventories**

Inventories consist of raw materials, supplies and spare parts, work-in-process, finished goods and merchandise. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the balance sheet date.

## **Investments Accounted for Using Equity Method**

Investments in companies wherein the Company holds over 20% ownership or exercises significant influence over the operating and financial policy decisions are accounted for using equity method.

The acquisition cost is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The fair value of the net identifiable assets acquired in excess of the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for using the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

When the Company subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee; however, if the Company has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Company's weighted average ownership percentage in the investee. Profits from side stream transactions with an equity-method investee are eliminated in proportion to the Company's weighted average ownership percentage in the investee. Deferred profit will be recognized while it accrue.

## **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Significant additions, renewals, betterments and interest expense incurred during the construction period are capitalized, while maintenance and repairs are expensed currently.

Depreciation is calculated using the straight-line method over service lives which are initially estimated as follows: buildings and structures, 5 to 20 years; machinery equipment, 5 years; research and development equipment, 5 years; transportation equipment, 5 years; leasehold improvements, 5 years; miscellaneous equipment, 2 to 5 years. Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are deducted from the corresponding accounts, with any gain or loss credited or charged to non-operating gains or losses in the period of sale or disposal.

## **Intangible Assets**

Intangible assets consist of software and technology license fees, which are amortized using the straight-line method over 1 to 5 years or the contract term.

## **Research and Development**

Expenditures on research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred. Expenditures on development activities that meet the criteria for capitalization are recognized as intangible assets and amortized using the straight-line method over service lives.

## **Pension Costs**

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the period in which employees render services.

## **Income Tax**

The Company applies inter-year allocation method for its income tax. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or non-current based on the expected length of time before it is realized or settled.

Any tax credits arising from purchases of machinery, equipment and technology, research and development expenditures, personnel training expenditures and investment in important technology-based enterprises are recognized using the flow-through method.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's tax provision.

Income tax on unappropriated earnings at a rate of 10% is expensed in the year of shareholders' approval to retain earnings which is the year subsequent to the year the earnings are generated.

## **Stock-based Compensation**

Employee stock options granted or modified in the period from January 1, 2004 to December 31, 2007 are accounted for under the interpretations issued by the Accounting Research and Development Foundation (ARDF). The Company adopted the intrinsic value method, under which the compensation expense was recognized on a straight-line basis over the employee vesting period. Employee stock options that were granted or modified after December 31, 2007 are accounted for using fair value method in accordance with SFAS No. 39, "Accounting for Share-based Payment" (SFAS No. 39). The Company did not grant or modify any employee stock options since January 1, 2008.

## **Bonuses to Employees, Directors and Supervisors**

The Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors," which requires companies to record bonuses paid to employees, directors and supervisors as expenses rather than as appropriations of earnings.

## **Treasury Stock**

The Company's stock held by subsidiaries is treated as treasury stock and reclassified from investments accounted for using equity method into treasury stock. The gains on disposal of treasury stock held by subsidiaries and cash dividends received by subsidiaries from the Company deducted from the Company's investment gains and adjusted under capital surplus - treasury stock transactions.

## **Revenue Recognition**

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Sales prices are determined at fair value taking into account related sales discounts agreed on by the Company and its customers. Since the receivables from sales are collectible within one year and sales transactions are frequent, fair value of receivables is equivalent to the nominal amount of the cash to be received.

Royalties are recognized when:

- a. It is probable that the economic benefits of a transaction will flow to the Company; and
- b. The revenue can be measured reliably.

Royalties are recognized on an accrual basis in accordance with the substance of the contract.

If a contract meets the recognition criteria for sales of goods and the following conditions, royalties are recognized at the time of sale:

- a. The amount of the royalties is fixed or the royalties are nonrefundable;
- b. The contract is noncancellable;
- c. The contract permits the licensee to exploit the assigned rights freely; and
- d. The licensor has no remaining obligations to perform.

## **3. ACCOUNTING CHANGES**

### **Recognition and Measurement of Financial Instruments**

On January 1, 2011, the Company prospectively adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Company are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when the debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. The adoption resulted in an increase of \$34,567 thousand in net income and of \$0.01 in basic EPS after income tax for the period ended March 31, 2011.

### **Operating Segments**

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." This statement supersedes SFAS No. 20, "Segment Reporting." The statement requires identification and disclosure of operating segments on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. This newly issued SFAS No. 41 did not have significant effect on the Company's disclosure of operating segments.

#### 4. CASH AND CASH EQUIVALENTS

	<b>March 31</b>	
	<b>2012</b>	<b>2011</b>
Cash on hand and petty cash	\$ 75	\$ 150
Checking and savings accounts	1,520,505	3,779,345
Time deposits	15,550,000	16,055,360
Cash equivalents - repurchase agreements collateralized by bonds	<u>50,121</u>	<u>100,076</u>
	<u>\$ 17,120,701</u>	<u>\$ 19,934,931</u>

#### 5. NOTES AND ACCOUNTS RECEIVABLE

	<b>March 31</b>	
	<b>2012</b>	<b>2011</b>
Notes receivable	\$ 7,523	\$ 11,872
Accounts receivable	2,243,697	2,330,374
Less: Allowance for doubtful accounts	20,021	-
Allowance for sales returns and discounts	<u>13,111</u>	<u>9,471</u>
	<u>2,210,565</u>	<u>2,320,903</u>
	<u>\$ 2,218,088</u>	<u>\$ 2,332,775</u>

Movements of the allowance for doubtful accounts were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2012</b>	<b>2011</b>
Balance, beginning of period	\$ -	\$ 31,330
Provision (reversal of provision) for doubtful accounts	<u>20,021</u>	<u>(31,330)</u>
Balance, end of period	<u>\$ 20,021</u>	<u>\$ -</u>

Movements of the allowance for sales returns and discounts were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2012</b>	<b>2011</b>
Balance, beginning of period	\$ 10,473	\$ 12,980
Provision (reversal of provision) for sales returns and discounts	<u>2,638</u>	<u>(3,509)</u>
Balance, end of period	<u>\$ 13,111</u>	<u>\$ 9,471</u>

## 6. INVENTORIES

	<u>March 31</u>	
	<u>2012</u>	<u>2011</u>
Finished goods and merchandise	\$ 920,919	\$ 765,005
Work in process	5,911,488	3,542,786
Raw materials	297,885	477,391
Supplies and spare parts	<u>142,271</u>	<u>176,604</u>
	<u>\$ 7,272,563</u>	<u>\$ 4,961,786</u>

The allowance for inventory losses as of March 31, 2012 and 2011 was \$689,177 thousand and \$447,911 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2012 and 2011 was \$4,369,613 thousand and \$3,838,601 thousand, respectively. The cost of goods sold for the three months ended March 31, 2012 and 2011 included \$136,524 thousand and \$5,083 thousand write-downs of inventories, respectively.

## 7. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>March 31</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Carrying Amount</u>	<u>% of Owner- ship</u>	<u>Carrying Amount</u>	<u>% of Owner- ship</u>
Macronix America Inc.	\$ 240,460	100.00	\$ 228,076	100.00
Macronix (BVI) Co., Ltd.	1,620,305	100.00	1,629,339	100.00
Hui Ying Investment, Ltd.	31,159	100.00	26,859	100.00
Run Hong Investment, Ltd.	81,382	100.00	119,002	100.00
Magic Pixel Inc.	135,958	72.54	38,484	30.81
MaxRise Inc.	33,553	79.70	103,648	79.70
Infomax Communication Co., Ltd.	411,890	92.69	699,379	92.69
Mxtran Inc.	217,136	88.15	319,444	88.15
MoDioTek Co., Ltd.	138,331	70.88	214,743	70.88
MXB Inc.	<u>-</u>	-	<u>176</u>	50.00
	<u>\$ 2,910,174</u>		<u>\$ 3,379,150</u>	

Investment income (loss) recognized under the equity method that was based on unreviewed financial statements of the investees was summarized as follows:

	<u>Three Months Ended March 31</u>	
	<u>2012</u>	<u>2011</u>
Macronix America Inc.	\$ 1,644	\$ 11,423
Macronix (BVI) Co., Ltd.	(13,396)	45,825
Hui Ying Investment, Ltd.	(1,491)	(1,234)
Run Hong Investment, Ltd.	(9,218)	(10,232)

(Continued)

	<b>Three Months Ended March 31</b>	
	<b>2012</b>	<b>2011</b>
Magic Pixel Inc.	\$ (31,029)	\$ (13,455)
MaxRise Inc.	(17,747)	(21,258)
Infomax Communication Co., Ltd.	(56,489)	(67,900)
Mxtran Inc.	(26,303)	(27,667)
MoDioTek Co., Ltd.	(21,724)	(20,821)
MXB Inc.	<u>-</u>	<u>(25)</u>
	<u>\$ (175,753)</u>	<u>\$ (105,344)</u> (Concluded)

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>March 31</b>	
	<b>2012</b>	<b>2011</b>
Publicly traded stocks	<u>\$ 779,974</u>	<u>\$ 882,337</u>

## 9. FINANCIAL ASSETS CARRIED AT COST

	<b>March 31</b>	
	<b>2012</b>	<b>2011</b>
Non-publicly traded stocks	<u>\$ 98,056</u>	<u>\$ 159,556</u>

The above investments did not have quoted market prices in an active market and fair value could not be determined using established valuation techniques. Therefore, these equity securities were carried at cost.

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Three Months Ended March 31, 2012</b>				
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Cost:					
Land	\$ 598,076	\$ -	\$ -	\$ -	\$ 598,076
Buildings and structures	21,479,586	131,670	-	-	21,611,256
Machinery equipment	75,224,280	1,293,363	70,532	(89,018)	76,358,093
Research and development equipment	2,120,639	3,201,263	18,748	89,018	5,392,172
Transportation equipment	26,103	2,100	2,657	-	25,546
Leasehold improvements	2,419	-	-	-	2,419
Miscellaneous equipment	985,023	9,034	36	(27)	993,994
Construction in progress and prepayments for equipment	<u>6,097,549</u>	<u>(4,179,085)</u>	<u>-</u>	<u>-</u>	<u>1,918,464</u>
	<u>106,533,675</u>	<u>\$ 458,345</u>	<u>\$ 91,973</u>	<u>\$ (27)</u>	<u>106,900,020</u>
Accumulated depreciation:					
Buildings and structures	14,274,274	\$ 298,285	\$ -	\$ -	14,572,559
Machinery equipment	55,390,754	1,378,051	61,620	3,253	56,710,438
Research and development equipment	1,158,360	109,170	18,748	(3,253)	1,245,529
Transportation equipment	17,568	712	2,451	-	15,829
Leasehold improvements	2,419	-	-	-	2,419
Miscellaneous equipment	<u>835,134</u>	<u>21,244</u>	<u>36</u>	<u>(1)</u>	<u>856,341</u>
	<u>71,678,509</u>	<u>\$ 1,807,462</u>	<u>\$ 82,855</u>	<u>\$ (1)</u>	<u>73,403,115</u>
	<u>\$ 34,855,166</u>				<u>\$ 33,496,905</u>

	<b>Three Months Ended March 31, 2011</b>				
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
<b>Cost:</b>					
Land	\$ 598,076	\$ -	\$ -	\$ -	\$ 598,076
Buildings and structures	20,445,410	316,560	18,468	-	20,743,502
Machinery equipment	60,817,179	1,776,746	105,347	83,733	62,572,311
Research and development equipment	1,635,510	23,406	8,743	(83,733)	1,566,440
Transportation equipment	26,677	-	-	-	26,677
Leasehold improvements	2,419	-	-	-	2,419
Miscellaneous equipment	923,650	18,954	14,144	(2,955)	925,505
Construction in progress and prepayments for equipment	8,216,363	3,670,751	-	-	11,887,114
	<u>92,665,284</u>	<u>\$ 5,806,417</u>	<u>\$ 146,702</u>	<u>\$ (2,955)</u>	<u>98,322,044</u>
<b>Accumulated depreciation:</b>					
Buildings and structures	13,193,185	\$ 270,347	\$ 18,468	\$ -	13,445,064
Machinery equipment	51,579,362	849,002	105,347	76,049	52,399,066
Research and development equipment	1,110,882	35,543	8,743	(76,049)	1,061,633
Transportation equipment	15,198	762	-	-	15,960
Leasehold improvements	2,419	-	-	-	2,419
Miscellaneous equipment	792,375	20,965	14,144	(2,955)	796,241
	<u>66,693,421</u>	<u>\$ 1,176,619</u>	<u>\$ 146,702</u>	<u>\$ (2,955)</u>	<u>67,720,383</u>
	<u>\$ 25,971,863</u>				<u>\$ 30,601,661</u>

Information on interest capitalization is summarized as follows:

	<b>Three Months Ended March 31</b>	
	<b>2012</b>	<b>2011</b>
Total interests	\$ 76,208	\$ 22,892
Capitalized interests	18,823	22,892
Capitalization rate	1.48%	1.35%

## 11. SHORT-TERM BANK LOANS

	<b>March 31</b>	
	<b>2012</b>	<b>2011</b>
Letter of credit loan: US\$4,252 thousand, with interest rates which ranged 0.84%-2.04% in 2012; US\$99,329 thousand and JPY3,808,920 thousand, with interest rates which ranged 0.77%-1.43% in 2011	<u>\$ 125,465</u>	<u>\$ 4,272,445</u>

## 12. LONG-TERM BANK LOANS

	<b>March 31</b>	
	<b>2012</b>	<b>2011</b>
Repayable semi-annually from December 2012 to December 2015, with annual floating interest which ranged 1.54% -1.55% in 2012 and at 1.30% in 2011	\$ 15,030,000	\$ 2,500,000
Repayable semi-annually from March 2013 to September 2014, with annual floating interest at 1.81% in 2012	1,600,000	-
Repayable according to an agreed loan payment term to maturity date, with annual floating interest at 1.54% in 2012 and 1.35% in 2011	1,500,000	600,000

(Continued)

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Repayable quarterly from March 2013 to September 2014, with annual floating interest at 1.65% in 2012	\$ 500,000	\$ -
Repayable quarterly from March 2013 to March 2015, with annual floating interest at 1.62% in 2012	400,000	-
Repayable semi-annually from March 2012 to September 2014, with annual floating interest at 1.81% in 2012	333,333	-
Repayable monthly from May 2003 to April 2016, with annual floating interest at 1.84% in 2012 and ranged 1.62%-1.67% in 2011	279,237	347,621
Repayable quarterly from September 2013 to September 2014, with annual floating interest at 2.08% in 2012	50,000	-
Repayable semi-annually from June 2008 to June 2011, with annual floating interest at 2.17% in 2011	<u>-</u>	<u>42,852</u>
	19,692,570	3,490,473
Less: Current portion	<u>1,979,718</u>	<u>111,237</u>
	<u>\$ 17,712,852</u>	<u>\$ 3,379,236</u> (Concluded)

For expansion of production capability and for long-term operation needs, the Company made a Syndicated Loan of \$18 billion for 5 years, with Taiwan Cooperative Commercial Bank and 14 other financial organizations in September 2010. The line of credit has been used \$16.53 billion as of March 31, 2012.

The loan agreement requires the maintenance of certain financial ratios based on semi-annual and annual consolidated financial statements.

The details of long-term loans pledged as collateral are shown in Note 21.

### 13. PENSION PLANS

The Company's pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. The rate of contribution by an employer to employees' personal pension accounts should not be less than 6% of each employee's monthly salary or wage. Such pension costs were \$46,022 thousand and \$41,976 thousand for the three months ended March 31, 2012 and 2011, respectively.

The Company's pension plan under the Labor Standards Law is a defined benefit pension plan. Under this pension plan, an employee should receive a lump sum payment of retirement benefits equal to two base units for each year of service for the first 15 years, and one base unit for each year of service exceeding 15 years; the maximum is 45 units. Benefit payments are calculated on the basis of years of employment and the average monthly basic compensation for the last six months prior to retirement. The Company's monthly contribution to the pension fund (the Fund) is at 2% of employee salaries. The Fund is deposited in the Bank of Taiwan, a government-designated custodian of pension funds, in the name of Company's Pension Fund Administration Committee. The pension fund balances in BT as of March 31, 2012 and 2011 were \$750,951 thousand and \$755,217 thousand, respectively. The net periodic pension costs based on a defined benefit pension plan for the three months ended March 31, 2012 and 2011 were \$5,451 thousand and \$4,961 thousand, respectively.

The net periodic pension costs based on executive pension plan for the three months ended March 31, 2012 and 2011 were \$21,212 thousand and \$1,014 thousand, respectively.

## 14. SHAREHOLDERS' EQUITY

### Capital Surplus

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock may be appropriated as stock dividends, which is limited to a certain percentage of the Company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term investments may not be used for any purpose.

### Retained Earnings Distribution and Dividends Policy

The Company's Articles of Incorporation provide that any profit after annual closing should be used first to cover income tax and accumulated deficit. Then appropriate for legal reserve 10% of the remaining amount (until the amount of the legal reserve equals the amount of the Company's capital stock) and appropriate for (or reverse) special reserve in accordance with law. Appropriation for remuneration to directors and supervisors should be made at 2% of the remaining amount. Any remaining amount will be added to the undistributed earnings from previous years and distributed in the following manner: (a) shareholders' dividends - 85%; (b) employees' bonus - 15%. Employees' bonus will be distributed in the same form as the distribution of dividends to shareholders on a proportionate basis.

Distributions, except for the remuneration to directors and supervisors, may be made in the form of cash dividend or stock dividend, as determined by the shareholders at an Annual General Meeting. Both the shareholders' bonus and employees' bonus take the form of cash dividend as the first choice. Nevertheless, it still depends on the Company's financial, sales or operating condition. The Company's Articles of Incorporation provide that no more than 50% of the current year's total amount of distributable earnings can be made in the form of stock dividend. Furthermore, with the approval of the shareholders at such meetings, the dividend and bonus may be held wholly or partially as retained earnings for distribution in future years.

Employees eligible to receive stock dividends may include employees of affiliated companies if they meet the criteria set by the board of directors.

Due to the net loss for the three months ended March 31, 2012, there was no accrual for bonus to employees and remuneration to directors and supervisors. For the three months ended March 31, 2011, the accrued bonus to employees was \$169,773 thousand, and the accrued remuneration to directors and supervisors was \$20,480 thousand. The bonus to employees represented 16% of net income. The remuneration to directors and supervisors was 1.8% of net income. Material differences between such estimated amounts and the amounts proposed by the board of directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

The Company no longer has supervisors since June 10, 2009. The required duties of supervisors are being fulfilled by the audit committee.

Legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the Integrated Income Tax System that became effective on January 1, 1998, ROC resident shareholders are allowed a tax credit from their proportionate share in the income tax paid by the Company on earnings generated since January 1, 1998.

The appropriations of earnings for 2011 and 2010 had been proposed in the board of directors' meeting on March 13, 2012 and had been approved in the shareholders' meeting on June 10, 2011, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Year 2011</b>	<b>For Year 2010</b>	<b>For Year 2011</b>	<b>For Year 2010</b>
Legal capital reserve	\$ 288,272	\$ 776,491		
Cash dividends	1,288,408	5,735,394	\$0.38	\$1.70
Stock dividends	<u>1,288,408</u>	<u>-</u>	0.38	-
	<u>\$ 2,865,088</u>	<u>\$ 6,511,885</u>		

The bonus to employees and the remuneration to directors and supervisors for 2010 were approved in the shareholders' meeting on June 10, 2011. The appropriations were as follows:

	<b>Bonus to Employees</b>	<b>Remuneration to Directors and Supervisors</b>
Amounts approved in shareholders' meeting	\$ 1,012,129	\$ 139,768
Amounts recognized in respective financial statements	<u>1,008,689</u>	<u>140,527</u>
	<u>\$ 3,440</u>	<u>\$ (759)</u>

The differences between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts reflected in the financial statements for the year ended December 31, 2010 were primarily due to changes in estimates (numbers of the outstanding shares and income tax expense) had been adjusted in profit and loss for the year ended December 31, 2011.

The bonus to employees and the remuneration to directors and supervisors for 2011 in the amounts of \$454,732 thousand and \$51,889 thousand, respectively, were proposed in the board of directors' meeting on March 13, 2012. The amounts of the bonus to employees and the remuneration to directors and supervisors proposed by the board of directors were lower by \$23,115 thousand and \$1,039 thousand compared with the amounts accrued in the financial statements for the year ended December 31, 2011. The differences were primarily due to change in estimates (numbers of the outstanding shares and income tax expense). The differences will be adjusted in profit and loss for the year ended December 31, 2012 after approval in the shareholders' meeting.

The 2011 appropriations of earnings, bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting scheduled for June 6, 2012.

Information about the appropriations of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

## 15. EMPLOYEE STOCK OPTION PLANS

The Company has three employee stock option plans ("2004 Plan", "2005 Plan" and "2007 Plan") approved by the ROC Securities and Futures Bureau (SFB) to grant options up to 200,000 thousand units, 200,000 thousand units and 120,000 thousand units, respectively. Each stock option may subscribe for one new share of common stock of the Company. The options are valid for six years subsequent to the grant dates

and vested at certain percentages subsequent to the second anniversary of the grant date. The options were granted at the exercise price equal to the higher of closing price of the Company's common shares listed on the TSE or the Company's net asset value per common share on the grant date. As stipulated in the plans, the exercise price and quantity are subject to adjustments for any changes in capital structure or cash dividends.

As of March 31, 2012, there were 7,448 thousand of employee stock options exercised for which 7,448 thousand common shares were issued but not yet officially registered with the Ministry of Economic Affairs, ROC.

Information with respect to the Company's stock option plans was as follows:

**Unit: Option Numbers in Thousand and NT\$ Per Share**

	<b>2007 Plan</b>		<b>2005 Plan</b>	
	<b>Number of Outstanding Stock Option Rights</b>	<b>Weighted-average Exercise Price</b>	<b>Number of Outstanding Stock Option Rights</b>	<b>Weighted-average Exercise Price</b>
Three months ended <u>March 31, 2012</u>				
Balance, beginning of period	49,794	\$ 9.5	37	\$ 4.00
Options exercised	(7,448)	9.5	-	-
Options cancelled	<u>(61)</u>	9.5	<u>(37)</u>	4.00
Balance, end of period	<u>42,285</u>	9.5	<u>-</u>	-

	<b>2007 Plan</b>		<b>2005 Plan</b>		<b>2004 Plan</b>	
	<b>Number of Outstanding Stock Option Rights</b>	<b>Weighted-average Exercise Price</b>	<b>Number of Outstanding Stock Option Rights</b>	<b>Weighted-average Exercise Price</b>	<b>Number of Outstanding Stock Option Rights</b>	<b>Weighted-average Exercise Price</b>
Three months ended <u>March 31, 2011</u>						
Balance, beginning of period	68,334	\$ 10.50	19,521	\$ 5.90	40	\$ 7.78
Options exercised	(13,447)	10.50	(4,144)	5.90	(11)	7.60
Options cancelled	<u>(227)</u>	10.50	<u>-</u>	-	<u>(29)</u>	7.85
Balance, end of period	<u>54,660</u>	10.50	<u>15,377</u>	5.90	<u>-</u>	-

The number and exercise prices of outstanding options had been adjusted to reflect the stock dividends and the cancellation of common stock.

As of March 31, 2012, information about the Company's outstanding and exercisable option was as follows:

<b>Exercise Price (NT\$/Per Share)</b>	<b>Options Issued on or After January 1, 2004 and Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number Outstanding (Thousand)</b>	<b>Remaining Contractual Life (In Years)</b>	<b>Exercise Price (NT\$/Per Share)</b>	<b>Number Exercisable (Thousand)</b>	<b>Exercise Price (NT\$/Per Share)</b>
\$9.50	<u>42,285</u>	1.74	\$9.50	<u>42,285</u>	\$9.50

No compensation cost was recognized under the intrinsic value method for the three months ended March 31, 2012 and 2011. Had the Company used the fair value based method to evaluate the options, using the Black-Scholes model, the assumptions and pro forma results of the Company for the three months ended March 31, 2012 and 2011 would have been as follows:

	<b>Three Months Ended March 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Assumptions:</b>		
Risk-free interest rate	1.55%-2.54%	1.55%-2.54%
Expected life (in years)	4.38	4.38
Expected volatility	51.16%-57.50%	51.16%-57.50%
Expected dividend yield	-	-
<b>Net income (loss):</b>		
Net income (loss) as reported	<u>\$ (1,091,171)</u>	<u>\$ 1,062,255</u>
Pro forma net income (loss)	<u>\$ (1,091,171)</u>	<u>\$ 1,057,196</u>
<b>Earnings (Loss) per share (EPS (LPS), NT\$):</b>		
Basic EPS (LPS) as reported	<u>\$(0.32)</u>	<u>\$0.32</u>
Pro forma basic EPS (LPS)	<u>\$(0.32)</u>	<u>\$0.31</u>
Diluted EPS (LPS) as reported	<u>\$(0.32)</u>	<u>\$0.31</u>
Pro forma diluted EPS (LPS)	<u>\$(0.32)</u>	<u>\$0.30</u>

## 16. TREASURY STOCK

As of March 31, 2012 and 2011, the information about the Company's issued shares held by the subsidiary was as follows:

<b>Company</b>	<b>Shares (Thousand)</b>	<b>Original Carrying Value</b>	<b>Market Value</b>
<u>March 31, 2012</u>			
Hui Ying Investment, Ltd.	3,757	<u>\$ 142,365</u>	<u>\$ 41,324</u>
<u>March 31, 2011</u>			
Hui Ying Investment, Ltd.	3,757	<u>\$ 142,365</u>	<u>\$ 73,256</u>

The subsidiary holding the Company's issued shares retain shareholders' rights and privileges on these shares, except for the right to participate in the Company's issuance of capital stock for cash and the right of vote.

## 17. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSES

	Three Months Ended March 31					
	2012			2011		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 607,046	\$ 515,749	\$ 1,122,795	\$ 687,122	\$ 573,247	\$ 1,260,369
Insurance	51,481	28,621	80,102	45,480	25,806	71,286
Pension	31,329	41,356	72,685	28,494	19,457	47,951
Others	<u>32,693</u>	<u>20,732</u>	<u>53,425</u>	<u>30,394</u>	<u>18,002</u>	<u>48,396</u>
	<u>\$ 722,549</u>	<u>\$ 606,458</u>	<u>\$ 1,329,007</u>	<u>\$ 791,490</u>	<u>\$ 636,512</u>	<u>\$ 1,428,002</u>
Depreciation	<u>\$ 1,626,630</u>	<u>\$ 180,832</u>	<u>\$ 1,807,462</u>	<u>\$ 1,070,692</u>	<u>\$ 105,927</u>	<u>\$ 1,176,619</u>
Amortization	<u>\$ 8,674</u>	<u>\$ 12,635</u>	<u>\$ 21,309</u>	<u>\$ 2,674</u>	<u>\$ 8,613</u>	<u>\$ 11,287</u>

## 18. INCOME TAX

- a. A reconciliation of income tax expense based on “income (loss) before income tax” at statutory rate (17%) and income tax currently payable was as follows:

	Three Months Ended March 31	
	2012	2011
Income tax expense based on “income (loss) before income tax” at statutory rate	\$ (184,598)	\$ 210,237
Tax effect of the following:		
Permanent differences	29,630	29,217
Temporary differences	(75,945)	(18,025)
Investment tax credits	-	(77,682)
Tax-exempt income	<u>-</u>	<u>(33,259)</u>
Income tax currently payable	<u>\$ (230,913)</u>	<u>\$ 110,488</u>

- b. Income tax expense consisted of the following:

	Three Months Ended March 31	
	2012	2011
Income tax currently payable	\$ -	\$ 110,488
Net change in deferred income tax assets:		
Loss carryforward	(230,913)	-
Investment tax credits	-	77,682
Temporary differences	99,513	17,624
Other adjustment in valuation allowance	<u>136,698</u>	<u>(31,360)</u>
Income tax expense	<u>\$ 5,298</u>	<u>\$ 174,434</u>

c. Net deferred income tax assets consisted of the following:

	<b>March 31</b>	
	<b>2012</b>	<b>2011</b>
Current deferred income tax assets		
Loss carryforward	\$ 230,913	\$ -
Investment tax credits	882,774	1,454,742
Temporary differences	<u>303,771</u>	<u>197,716</u>
	1,417,458	1,652,458
Valuation allowance	<u>(1,056,233)</u>	<u>(1,328,933)</u>
	<u>\$ 361,225</u>	<u>\$ 323,525</u>
Non-current deferred income tax assets		
Investment tax credits	\$ 444,924	\$ 589,542
Temporary differences	<u>1,591,530</u>	<u>1,734,414</u>
	2,036,454	2,323,956
Valuation allowance	<u>(1,858,902)</u>	<u>(1,936,859)</u>
	<u>\$ 177,552</u>	<u>\$ 387,097</u>

As of March 31, 2012, the Company's tax credits were as follows:

<b>Regulatory Basis of Tax Credits</b>	<b>Items</b>	<b>Total Creditable Amounts</b>	<b>Remaining Creditable Amounts</b>	<b>Expiry Year</b>
Income Tax Law	Loss carryforward	<u>\$ 230,913</u>	<u>\$ 230,913</u>	2023
Statute for Upgrading Industries	Purchase of machinery equipment	\$ 74,397	\$ 74,397	2012
		30,295	30,295	2013
		<u>7,349</u>	<u>7,349</u>	2014
		<u>\$ 112,041</u>	<u>\$ 112,041</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 663,759	\$ 663,759	2012
		<u>544,176</u>	<u>544,176</u>	2013
		<u>\$ 1,207,935</u>	<u>\$ 1,207,935</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 4,000	\$ 4,000	2013
		3,722	3,722	2014
		<u>7,722</u>	<u>7,722</u>	
		<u>\$ 7,722</u>	<u>\$ 7,722</u>	

The Company's profits attributable to the following expansion and construction projects were exempted from income tax:

	<b>Tax-exemption Period</b>
Expansion of Construction Project in 2004	January 1, 2011 to January 31, 2014

The tax returns through 2008 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2008 tax return and had applied for a re-examination. Nevertheless, the Company has provided for the income tax assessed appropriately by the tax authorities.

d. The integrated income tax information

	<b>March 31</b>	
	<b>2012</b>	<b>2011</b>
The balance of imputation tax credits account	<u>\$ 184,671</u>	<u>\$ 18,871</u>
Unappropriated earnings generated before January 1, 1998	<u>\$ -</u>	<u>\$ -</u>

The estimated and actual tax creditable ratio for distribution of earnings of 2011 and 2010 earnings were 3.63% and 8.11%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Company is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2011 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

## 19. EARNINGS (LOSS) PER SHARE (EPS/LPS)

	<b>Amounts (Numerator)</b>		<b>Number of Shares (Denominator) (In Thousands)</b>	<b>EPS (LPS) (NT\$)</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>		<b>Before Income Tax</b>	<b>After Income Tax</b>
<u>Three months ended March 31, 2012</u>					
Basic and diluted LPS					
Loss for the period attributable to common shareholders	<u>\$ (1,085,873)</u>	<u>\$ (1,091,171)</u>	<u>3,385,204</u>	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>
<u>Three months ended March 31, 2011</u>					
Basic EPS					
Income for the period attributable to common shareholders	\$ 1,236,689	\$ 1,062,255	3,368,351	<u>\$ 0.37</u>	<u>\$ 0.32</u>
Effect of dilutive potential common stock					
Employee stock option	-	-	37,567		
Bonus to employees	<u>-</u>	<u>-</u>	<u>66,470</u>		
Diluted EPS					
Income for the period attributable to common shareholders plus effect of potential dilutive common stock	<u>\$ 1,236,689</u>	<u>\$ 1,062,255</u>	<u>3,472,388</u>	<u>\$ 0.36</u>	<u>\$ 0.31</u>

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year. The bonus to employees, which had no dilutive effect on the basic loss per share of the

Company, was not included in the calculation of diluted loss per share for the three months ended March 31, 2012.

As disclosed in Note 15 to the financial statements, the Company uses treasury stock method, according to SFAS No. 24 "Earnings per Share", to determine whether the employee stock options are potential ordinary stocks. The aforementioned stock options were not included in the calculation of diluted loss per share because they were antidilutive for the three months ended March 31, 2012.

## 20. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the financial statements and other notes, the following is a summary of significant related party transactions:

- a. Related parties and their relationships associated with the Company:

<u>Related Parties</u>	<u>Relationship with the Company</u>
Macronix America Inc. ("MXA")	Subsidiary
Mxtran Inc. ("Mxtran")	Subsidiary
MoDioTek Co., Ltd. ("MoDioTek")	Subsidiary
Infomax Communication Co., Ltd. ("INFOMAX")	Subsidiary
MaxRise Inc. ("MaxRise")	Subsidiary
Magic Pixel Inc. ("MPI")	Subsidiary
Macronix (Hong Kong) Co., Ltd. ("MXHK")	Indirect subsidiary
Macronix Europe NV. ("MXE")	Indirect subsidiary
Macronix Pte Ltd. ("MPL")	Indirect subsidiary
Macronix (Asia) Limited ("MX Asia")	Indirect subsidiary
Ardentec Corporation ("Ardentec")	The Company serves as member of its board of directors
Macronix Education Foundation ("MXIC Education")	Same chairman with the Company
MegaChips Corporation ("MegaChips")	Its subsidiary, Shun Ying Investment, is represented in the Company's board of directors
Others	Related parties over which the Company has control or exercises significant influence but with which the Company had no material transactions. Please see Note 25.

- b. Significant transactions with related parties:

- 1) Sales to related parties were as follows:

<b>Related Parties</b>	<b>Three Months Ended March 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Amount</b>	<b>% of Net Sales</b>	<b>Amount</b>	<b>% of Net Sales</b>
MegaChips	\$ 1,464,048	29	\$ 2,608,452	40
MXHK	525,133	10	533,060	8
MXA	123,313	3	159,283	2
Others	<u>322</u>	<u>-</u>	<u>582</u>	<u>-</u>
	<u>\$ 2,112,816</u>	<u>42</u>	<u>\$ 3,301,377</u>	<u>50</u>

Sale prices to MXHK and MXA were negotiated based on those charged to ultimate customers and were not comparable to those with external customers as MXHK and MXA were the primary regional distributors. Sales prices to MegaChips and other related parties were not comparable to those with external customers as the Company was the sole provider for them. The sales term to the related parties was between 30 to 60 days after monthly closing, similar to those with external customers.

- 2) Subcontract processing charges from related parties were as follows:

Related Parties	Three Months Ended March 31			
	2012		2011	
	Amount	%	Amount	%
Ardentec	\$ 94,661	2	\$ 96,178	3

The subcontract processing charges of Ardentec were comparable to those with other vendors. The payment term was 75 days after monthly closing.

- 3) Operating expense

Related Parties	Three Months Ended March 31			
	2012		2011	
	Amount	%	Amount	%
MXA	\$ 38,328	3	\$ 41,589	3
MX Asia	32,546	2	31,616	2
MXE	17,630	1	8,770	1
MPL	6,313	1	5,434	-
MXIC Education	6,250	-	6,500	-
MXHK	-	-	10,976	1
Others	224	-	1,492	-
	\$ 101,291	7	\$ 106,377	7

The above operating expenses paid to MXA and MXHK, Macronix (Asia) Limited, MPL and MXE were mainly for commission and marketing expenses.

- 4) Operating leases to related parties were as follows:

Related Parties	Three Months Ended March 31			
	2012		2011	
	Amount	%	Amount	%
Mxtran	\$ 1,403	10	\$ 889	5
MoDioTek	1,398	10	1,419	8
INFOMAX	1,309	10	1,240	8
MPI	1,092	8	1,094	6
MaxRise	877	6	664	4
Others	25	-	3	-
	\$ 6,104	44	\$ 5,309	31

The Company leased offices to the above related parties. The Company collected monthly lease income from the related parties. The amount of lease payment was based on the office space leased by each related party and recorded as other income under non-operating income and gains.

5) Software, pattern and other revenue:

Related Parties	Three Months Ended March 31			
	2012		2011	
	Amount	%	Amount	%
Mxtran	\$ 349	2	\$ 239	1
MoDioTek	182	1	356	3
INFOMAX	77	1	112	1
Others	<u>60</u>	<u>1</u>	<u>80</u>	<u>-</u>
	<u>\$ 668</u>	<u>5</u>	<u>\$ 787</u>	<u>5</u>

Under certain contracts, the Company authorized the above related parties to use the Company's pattern and software. The specifically negotiated terms were not comparable to those with external customers.

6) Accounts receivable

Related Parties	March 31			
	2012		2011	
	Amount	%	Amount	%
MegaChips	\$ 520,590	58	\$ 519,617	54
MXHK	328,170	37	368,184	38
MXA	41,424	5	76,604	8
INFOMAX	556	-	554	-
Mxtran	423	-	256	-
Others	<u>549</u>	<u>-</u>	<u>1,145</u>	<u>-</u>
	<u>\$ 891,712</u>	<u>100</u>	<u>\$ 966,360</u>	<u>100</u>

7) Other receivables

Related Parties	March 31			
	2012		2011	
	Amount	%	Amount	%
Mxtran	\$ 179	-	\$ 151	-
MoDioTek	115	-	146	-
Others	<u>82</u>	<u>-</u>	<u>93</u>	<u>-</u>
	<u>\$ 376</u>	<u>-</u>	<u>\$ 390</u>	<u>-</u>

Under a certain rule, if the collection period for accounts receivable from related parties exceeded the average credit period for external customers, accounts receivable should be reclassified into other receivables. As of March 31, 2012, no reclassification was made because the collection period did not exceed the average credit period for external customers.

8) Accounts payable

Related Parties	March 31			
	2012		2011	
	Amount	%	Amount	%
Ardentec	\$ 87,128	60	\$ 101,238	58
MXA	33,173	23	39,817	23
MXE	12,065	8	6,308	4
MX Asia	10,710	8	12,785	7
MPL	1,907	1	1,985	1
MXIC Education	-	-	6,710	4
MXHK	-	-	4,471	3
	<u>\$ 144,983</u>	<u>100</u>	<u>\$ 173,314</u>	<u>100</u>

**21. PLEDGED ASSETS**

The Company pledged its assets for gas purchase agreement, land lease agreement with the Hsinchu Science Park Administration, for domestic sales guarantee with the Taipei Customs Office and for long-term bank loans. Assets pledged as collaterals were as follows:

	March 31	
	2012	2011
Property, plant and equipment, net	\$ 18,001,751	\$ 4,187,625
Pledged time deposits - noncurrent	<u>164,177</u>	<u>36,210</u>
	<u>\$ 18,165,928</u>	<u>\$ 4,223,835</u>

**22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Significant commitments and contingencies of the Company as of March 31, 2012, excluding those disclosed in other notes, were as follows:

- a. The Company had significant equipment contracts totaling approximately \$1,478,139 thousand. As of March 31, 2012, the Company has paid \$672,119 thousand of this amount pursuant to these contracts. Future irrevocable payment in total is \$806,020 thousand. Unused letters of credit for purchases of imported machinery and equipment amounted to \$43,557 thousand.
- b. The land on which the Company is located is being leased from the Hsinchu Science Park Administration under renewable operating lease agreements. The lease term is from 1994 to 2029. Future minimum annual rentals under the leases are as follows:

Year	Amount
2 <sup>nd</sup> to 4 <sup>th</sup> quarter, 2012	\$ 56,625
2013	75,501
2014	70,779
2015	46,247
2016	17,304
2017 and later	<u>204,156</u>
	<u>\$ 470,612</u>

- c. The Company entered into a technology development and foundry service agreement with E Company in June 2006, the term for the agreement is five and seven years, respectively, from the commencement date. The Company had paid off the entire technology development fees on December 31, 2007.
- d. The Company entered into the Phase-Change Memory technology agreement with IBM Company in January 2010, and the term of the agreement is from January 2010 to January 2013. Under the agreement, both parties have to share in the related expenditures of the technology development. As of March 31, 2012, the Company had paid US\$7,392 thousand.
- e. The Company entered into the Patents Cross-License Agreement with J Company in December 2009, and the term of the agreement is from December 2009 to December 2015. Under the agreement, the Company has to pay the royalty of the Patents Cross-License Agreement.

### 23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

	March 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>				
Assets				
Available-for-sale financial assets - noncurrent	\$ 779,974	\$ 779,974	\$ 882,337	\$ 882,337
Financial assets carried at cost - noncurrent	98,056	-	159,556	-
Liabilities				
Long-term bank loans (including current portion)	19,692,570	19,692,570	3,490,473	3,490,473

- b. Methods and assumptions for the fair values of financial instruments
  - 1) The above financial instruments do not include cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, pledged time deposits, short-term bank loans and notes and accounts payable (including related parties). The carrying amounts of these instruments reported in the balance sheets approximate their fair values.
  - 2) Available-for-sale financial assets have quoted market prices in an active market; the quoted market prices are the basis of fair values.
  - 3) Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
  - 4) Fair value of long-term bank loans is estimated using discounted cash flow analysis, based on the Company's current incremental borrowing rates for borrowings with similar characteristics (e.g. similar maturity dates). The fair values of long-term bank loans with floating interest rates are equivalent to their carrying values.

- c. As of March 31, 2012 and 2011, financial assets (liabilities) exposed to fair value interest rate risk and cash flow interest rate risk were as follows:

	<b>March 31</b>	
	<b>2012</b>	<b>2011</b>
Fair value interest rate risk		
Financial assets	\$ 15,764,388	\$ 16,191,714
Financial liabilities	(125,465)	(4,272,445)
Cash flow interest rate risk		
Financial assets	1,520,415	3,779,276
Financial liabilities	(19,692,570)	(3,490,473)

- d. Interest income and expense on financial assets and liabilities, excluding those at fair value through profit and loss, for the three months ended March 31, 2012 and 2011 were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2012</b>	<b>2011</b>
Total interest income	\$ 37,536	\$ 29,666
Total interest expenses (including capitalized amount)	76,208	22,892

- e. The Company did not enter into derivative contracts for the three months ended March 31, 2012 and 2011, respectively.

- f. Unrealized Valuation Gain (Loss) on Financial Instruments

Components of unrealized gain (loss) on financial instruments were summarized as follows:

	<b>Available-for- sale Financial Assets</b>	<b>Recognized by the Company's Ownership Percentages in the Investees</b>	<b>Total</b>
<u>Period ended March 31, 2012</u>			
Balance, beginning of period	\$ 385,366	\$ 46,729	\$ 432,095
Recorded as a separate component of shareholders' equity	<u>133,416</u>	<u>76,256</u>	<u>209,672</u>
Balance, end of period	<u>\$ 518,782</u>	<u>\$ 122,985</u>	<u>\$ 641,767</u>
<u>Period ended March 31, 2011</u>			
Balance, beginning of period	\$ 763,403	\$ 275,029	\$1,038,432
Recorded as a separate component of shareholders' equity	<u>(142,258)</u>	<u>(20,273)</u>	<u>(162,531)</u>
Balance, end of period	<u>\$ 621,145</u>	<u>\$ 254,756</u>	<u>\$ 875,901</u>

- g. Financial risks

- 1) Market price risk. The financial instruments held by the Company are exposed to interest rate, foreign exchange rate and price risks.

- 2) Credit risk. The Company is exposed to credit risk in the event of non-performance of the counter parties to forward contracts on maturity. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. In order to manage this risk, the Company conducts transactions only with financial institutions with good credit ratings. As a result, no material losses resulting from counter party defaults are anticipated. Credit risk represents the positive net settlement amount of those contracts with positive fair value on the balance sheet date. The positive net settlement amount represents the loss that would be incurred by the Company if the counter parties breached the contracts. The banks, which are the counter parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.
- 3) Liquidity risk. Investment in financial assets carried at cost do not have an active market, thus, the liquidity risk of those investment is material. The Company has sufficient operating capital to meet cash demand.
- 4) The cash flow risk of interest rate. As of March 31, 2012, long-term bank loans have floating interest rates, which are affected by changes in market interest rates.

#### 24. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

As of March 31, 2012 and 2011, the information for material foreign financial assets and liabilities were as follows:

	2012		2010	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<u>Financial assets</u>				
Monetary items				
JPY	\$ 4,540,743	0.36	\$ 6,155,535	0.36
USD	90,064	29.51	166,497	29.40
EUR	74	39.41	16,257	41.71
Investments accounted for using equity method				
USD	63,055	29.51	63,183	29.40
<u>Financial liabilities</u>				
Monetary items				
JPY	807,687	0.36	6,345,339	0.36
USD	32,497	29.51	225,548	29.40
EUR	574	39.41	17,772	41.71
HKD	13	3.80	20	3.78
SGD	85	23.49	89	23.34
CHF	106	32.705	-	-

## 25. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:

- a. Financing provided: None
- b. Endorsements/guarantees provided: None
- c. Marketable securities held: Table 1 (attached)
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: None
- e. Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- i. Names, locations, and related information of investees over which the Company exercises significant influence: Table 4 (attached)
- j. Derivative transactions of investees over which the Company has a controlling interest: None
- k. Investments in Mainland China
  - 1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 5 (attached)
  - 2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: None
  - 3) Endorsements, guarantees or collateral directly or indirectly provided to the investees: None
  - 4) Financing directly or indirectly provided to the investees: None
  - 5) Other transactions that significantly impacted current period's profit or loss or financial position: None

## **26. OPERATING SEGMENT FINANCIAL INFORMATION**

Based on the segment information reviewed periodically by the chief operating decision maker, the Company is considered to have only one operating segment, and the basis for evaluation of the operating segment is in conformity with the basis for preparing financial reports. The revenue and result of the operating segment can be found in the consolidated financial statements as of and for the three months ended March 31, 2012 and 2011.

## **27. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Company's management on April 25, 2012.

**TABLE 1**

**MACRONIX INTERNATIONAL CO., LTD.**

**MARKETABLE SECURITIES HELD**

**MARCH 31, 2012**

**(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2012				Note
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
The Company	<u>Stock</u>							
	Macronix America Inc.	Subsidiary	Investments accounted for using equity method	100,000	\$ 240,460	100.00	\$ 2,404.47	Note 1
	Macronix (BVI) Co., Ltd.	Subsidiary	Investments accounted for using equity method	223,300,000	1,620,305	100.00	7.38	Note 1
	Hui Ying Investment, Ltd.	Subsidiary	Investments accounted for using equity method	-	31,159	100.00	-	Notes 1 and 3
	Run Hong Investment, Ltd.	Subsidiary	Investments accounted for using equity method	-	81,382	100.00	-	Note 1
	Magic Pixel Inc.	Subsidiary	Investments accounted for using equity method	21,153,675	135,958	72.54	6.43	Note 1
	MaxRise Inc.	Subsidiary	Investments accounted for using equity method	29,091,973	33,553	79.70	1.15	Note 1
	Infomax Communication Co., Ltd.	Subsidiary	Investments accounted for using equity method	148,296,140	411,890	92.69	2.78	Note 1
	Mxtran Inc.	Subsidiary	Investments accounted for using equity method	51,127,000	217,136	88.15	4.25	Note 1
	MoDioTek Co., Ltd.	Subsidiary	Investments accounted for using equity method	34,021,160	138,331	70.88	4.07	Note 1
	Ardentec Corporation	The Company serves as member of its board of directors	Available-for-sale financial assets - non-current	34,209,409	779,974	7.50	22.80	Note 2
	United Industrial Gases Co., Ltd.	None	Financial assets carried at cost - noncurrent	5,274,212	58,500	3.06	22.21	Note 1
	Zowie Technology Co., Ltd.	None	Financial assets carried at cost - noncurrent	105,981	-	0.32	4.02	Note 4
	Aetas Technology Inc.	None	Financial assets carried at cost - noncurrent	145,850	-	0.30	-	Note 4
Honbond Venture Capital Co., Ltd.	The Company serves as member of its board of directors	Financial assets carried at cost - noncurrent	5,850,000	39,556	15.00	6.21	Note 1	

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2012				Note
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Macronix (BVI) Co., Ltd.	<u>Stock</u> New Trend Technology Inc.	Indirect subsidiary	Investments accounted for using equity method	25,850,000	US\$ 10,382,771	100.00	US\$ 0.88	Note 1
	Macronix Europe NV.	Indirect subsidiary	Investments accounted for using equity method	999	US\$ 2,671,222	100.00	US\$2,671.23	Note 1
	Macronix Pte Ltd.	Indirect subsidiary	Investments accounted for using equity method	174,000	US\$ 465,910	100.00	US\$ 2.67	Note 1
	Macronix (Hong Kong) Co., Ltd.	Indirect subsidiary	Investments accounted for using equity method	89,700,000	US\$ 21,837,306	100.00	US\$ 0.24	Note 1
	Macronix (Asia) Limited	Indirect subsidiary	Investments accounted for using equity method	800,000	US\$ 1,647,920	100.00	US\$ 2.06	Note 1
	Chipbond Technology Corporation	None	Available-for-sale financial assets - noncurrent	1,088,319	US\$ 1,410,647	0.18	US\$ 1.30	Note 2
	Key ASIC Bhd	None	Available-for-sale financial assets - noncurrent	26,924,500	US\$ 1,186,101	3.34	US\$ 0.04	Note 2
	Tower Semiconductor Ltd.	None	Available-for-sale financial assets - noncurrent	8,773,395	US\$ 7,717,956	2.73	US\$ 0.88	Note 2
	Global Strategic Investment Fund	None	Financial assets carried at cost - noncurrent	2,000,000	US\$ 1,220,000	2.52	US\$ 0.93	Note 1
Macronix (Hong Kong) Co., Ltd.	<u>Stock</u> Macronix Microelectronics (Suzhou) Co., Ltd.	Equity investee	Investments accounted for using equity method	-	US\$ 10,389,267	100.00	US\$ -	Note 1
Run Hong Investment, Ltd.	<u>Stock</u> Magic Pixel Inc.	Subsidiary	Investments accounted for using equity method	1,410,980	\$ 9,071	4.84	\$ 6.43	Note 1
	MaxRise Inc.	Subsidiary	Investments accounted for using equity method	1,821,350	2,101	4.99	1.15	Note 1
	MoDioTek Co., Ltd.	Subsidiary	Investments accounted for using equity method	2,395,200	9,739	4.99	4.07	Note 1
	Infomax Communication Co., Ltd.	Subsidiary	Investments accounted for using equity method	7,984,000	22,174	4.99	2.78	Note 1
	Mxtran Inc.	Subsidiary	Investments accounted for using equity method	2,894,000	12,292	4.99	4.25	Note 1
Hui Ying Investment, Ltd.	<u>Stock</u> MoDioTek Co., Ltd.	Subsidiary	Investments accounted for using equity method	2,395,200	9,739	4.99	4.07	Note 1
	Macronix International Co., Ltd.	The Company	Available-for-sale financial assets - noncurrent	3,756,702	41,324	0.11	11.00	Note 2
	Raio Technology Co., Ltd.	None	Financial assets carried at cost - noncurrent	696,405	-	10.99	20.09	Note 1
Infomax Communication Co., Ltd.	<u>Stock</u> Infomax Holding Co., Ltd.	Indirect subsidiary	Investments accounted for using equity method	5,150,000	6,891	100.00	1.47	Note 1

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2012				Note
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Infomax Holding Co., Ltd.	<u>Stock</u> Infomax Holding Company Limited	Indirect subsidiary	Investments accounted for using equity method	29,982,500	US\$ 231,639	100.00	US\$ 0.01	Note 1
Infomax Holding Company Limited	<u>Stock</u> Infomax Communication (Suzhou) Co., Ltd.	Indirect subsidiary	Investments accounted for using equity method	-	US\$ 206,504	100.00	US\$ -	Note 1
MoDioTek Co., Ltd.	<u>Stock</u> Mosatek Co., Ltd.	Indirect subsidiary	Investments accounted for using equity method	2,420,000	\$ 5,307	100.00	\$ 2.19	Note 1
Mosatek Co., Ltd.	<u>Stock</u> Mosatek (H.K.) Company Limited	Indirect subsidiary	Investments accounted for using equity method	12,905,100	US\$ 166,124	100.00	US\$ 0.01	Note 1
Mosatek (H.K.) Company Limited	<u>Stock</u> Modiotek (Suzhou) Co., Ltd.	Indirect subsidiary	Investments accounted for using equity method	-	US\$ 158,769	100.00	US\$ -	Note 1
Magic Pixel Inc.	<u>Stock</u> Magic Pixel Inc.	Indirect Subsidiary	Investments accounted for using equity method	1,950,000	\$ 6,630	100.00	\$ 3.4	Note 1
Magic Pixel Inc.	<u>Stock</u> Magic Pixel Holding Company Limited.	Indirect Subsidiary	Investments accounted for using equity method	11,700,000	US\$ 182,542	100.00	US\$ 0.02	Note 1
Magic Pixel Holding Company Limited	<u>Stock</u> Magic Pixel (Shen Zhen) Co., Ltd.	Indirect Subsidiary	Investments accounted for using equity method	-	US\$ 173,953	100.00	US\$ -	Note 1
Mxtran Inc.	<u>Stock</u> Mxtran Holding (Samoa) Co., Ltd.	Indirect Subsidiary	Investments accounted for using equity method	300,000	\$ 2,813	100.00	\$ 9.38	Note 1
Mxtran Holding (Samoa) Co., Ltd.	<u>Stock</u> Mxtran (H.K.) Holding Co., Limited	Indirect Subsidiary	Investment accounted for using equity method	2,262,000	US\$ 85,290	100.00	US\$ 0.04	Note 1
Mxtran (H.K.) Holding Co., Limited	<u>Stock</u> Maxtran Technology Co., Ltd.	Indirect Subsidiary	Investments accounted for using equity method	-	US\$ 75,646	100.00	US\$ -	Note 1

(Continued)

Note 1: Recognized based on the unreviewed financial statements for the same period as the Company.

Note 2: The market value was based on the closing price as of March 31, 2012.

Note 3: The book value excluded \$41,324 thousand, held by a subsidiary.

Note 4: The calculation is based upon the most recent financial statements available to the Company.

(Concluded)

## MACRONIX INTERNATIONAL CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
THREE MONTHS ENDED MARCH 31, 2012

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	MegaChips Corporation	Its subsidiary, Shun Ying Investment, is represented in the Company's board of directors	Sales	\$ 1,464,048	29%	30 days after monthly closing	Note 20	Note 20	\$ 520,590	58%	-
	Macronix (Hong Kong) Co., Ltd. Macronix America Inc.	Indirect subsidiary Subsidiary	Sales	525,133	11%	45 days after monthly closing	Note 20	Note 20	328,170	37%	-
			Sales	123,313	2%	Net 60 days	Note 20	Note 20	41,424	5%	-
Macronix (Hong Kong) Co., Ltd.	The Company	Indirect subsidiary	Purchase	US\$ 17,625,617	100%	45 days after monthly closing	No material difference	No material difference	US\$ 11,097,800	100%	-
Macronix America Inc.	The Company	Subsidiary	Purchase	US\$ 4,136,395	100%	Net 60 days	No material difference	No material difference	US\$ 1,404,295	100%	-

**MACRONIX INTERNATIONAL CO., LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**MARCH 31, 2012**

**(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amounts	Action Taken		
The Company	MegaChips Corporation	Its subsidiary, Shun Ying Investment, is represented in the Company's board of directors	\$ 520,590	2.03 times	\$ 17,796	Accelerating the collection of overdue accounts	\$ -	\$ -
	Macronix (Hong Kong) Co., Ltd.	Indirect subsidiary	328,170	1.51 times	-	-	-	-

## MACRONIX INTERNATIONAL CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
THREE MONTHS ENDED MARCH 31, 2012  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2012			Net Income (Loss) of the Investee	Investment Income (Loss) Recognized	Note
				March 31, 2012	December 31, 2011	Shares (In Thousands)	Percentage of Ownership	Carrying Amount			
The Company	Macronix America Inc.	San Jose, California, U.S.A.	Marketing	\$ 2,640	\$ 2,640	100,000	100.00	\$ 240,460	\$ 1,640	\$ 1,644	
	Macronix (BVI) Co., Ltd.	Tortola, British Virgin Islands	Investment holding company	7,348,057	7,348,057	223,300,000	100.00	1,620,305	(13,396)	(13,396)	
	Hui Ying Investment, Ltd.	Taipei, Taiwan	Investment	500,000	500,000	-	100.00	31,159	(1,491)	(1,491)	
	Run Hong Investment, Ltd.	Taipei, Taiwan	Investment	984,432	984,432	-	100.00	81,382	(9,218)	(9,218)	
	Magic Pixel Inc.	Hsinchu, Taiwan	Research, development, design, manufacturing and sales of digital skill camera controller IC and flat panel display controller IC	194,133	194,133	21,153,675	72.54	135,958	(42,775)	(31,029)	
	MaxRise Inc.	Hsinchu, Taiwan	Research, design and sales of digital multimedia broadcasting and IC controlled chips.	310,825	310,825	29,091,973	79.70	33,553	(22,267)	(17,747)	
	Infomax Communication Co., Ltd.	Hsinchu, Taiwan	Research, design and sales of base-band chip and Analog baseband chip.	1,482,961	1,482,961	148,296,140	92.69	411,890	(60,944)	(56,489)	
Mxtran Inc.	Hsinchu, Taiwan	Research, design and sales of mobile payment control chip.	512,371	512,371	51,127,000	88.15	217,136	(29,839)	(26,303)		
	MoDioTek Co., Ltd.	Hsinchu, Taiwan	Research, design and sales of audio multimedia chip.	340,212	340,212	34,021,160	70.88	138,331	(30,649)	(21,724)	
Macronix (BVI) Co., Ltd.	New Trend Technology Inc.	San Jose, California, U.S.A.	IC design	US\$ 25,850,000	US\$ 25,850,000	25,850,000	100.00	US\$ 10,382,771	US\$ 79	Note	
	Macronix Europe NV.	Belgium	After-sale service	US\$ 63,984	US\$ 63,984	999	100.00	US\$ 2,671,222	US\$ 56,528	Note	
	Macronix Pte Ltd.	Singapore	After-sale service	US\$ 100,000	US\$ 100,000	174,000	100.00	US\$ 465,910	US\$ 10,225	Note	
	Macronix (Hong Kong) Co., Ltd.	Hong Kong	Marketing	US\$ 11,500,000	US\$ 11,500,000	89,700,000	100.00	US\$ 21,837,306	US\$ (628,505)	Note	
	Macronix (Asia) Limited	Cayman Island	Investment holding company	US\$ 800,000	US\$ 800,000	800,000	100.00	US\$ 1,647,920	US\$ 62,304	Note	
Macronix (Hong Kong) Co., Ltd.	Macronix Microelectronics (Suzhou) Co., Ltd.	China	Design, maintenance and test of IC systems and rendering of related technical consultation and services	US\$ 9,000,000	US\$ 9,000,000	-	100.00	US\$ 10,389,267	US\$ 91,566	Note	
Run Hong Investment, Ltd.	Magic Pixel Inc.	Hsinchu, Taiwan	Research, development, design, manufacturing and sales of digital skill camera controller IC and flat panel display controller IC	\$ 17,286	\$ 17,286	1,410,980	4.84	\$ 9,071	\$ (42,775)	Note	
	MaxRise Inc.	Hsinchu, Taiwan	Research, design and sales of digital multimedia broadcasting and IC controlled chips.	21,707	21,707	1,821,350	4.99	2,101	(22,267)	Note	
	MoDioTek Co., Ltd.	Hsinchu, Taiwan	Research, design and sales of audio multimedia chip.	25,452	25,452	2,395,200	4.99	9,739	(30,649)	Note	
	Infomax Communication Co., Ltd.	Hsinchu, Taiwan	Research, design and sales of base-band chip and Analog baseband chip.	79,840	79,840	7,984,000	4.99	22,174	(60,944)	Note	
	Mxtran Inc.	Hsinchu, Taiwan	Research, design and sales of mobile payment control chip.	29,279	29,279	2,894,000	4.99	12,292	(29,839)	Note	
Hui Ying Investment, Ltd.	MoDioTek Co., Ltd.	Hsinchu, Taiwan	Research, design and sales of audio multimedia chip.	25,452	25,452	2,395,200	4.99	9,739	(30,649)	Note	
Infomax Communication Co., Ltd.	Infomax Holding Co., Ltd.	Samoa	Investment holding company	162,317	153,245	5,150,000	100.00	6,891	(9,318)	Note	
Infomax Holding Co., Ltd.	Infomax Holding Company Limited	Hong Kong	Investment holding company	US\$ 2,900,000	US\$ 2,900,000	29,982,500	100.00	US\$ 231,639	US\$ 4,657	Note	
Infomax Holding Company Limited	Infomax Communication (Suzhou) Co., Ltd.	China	Software system consulting service, software system design service, software integrating service	US\$ 2,550,000	US\$ 2,550,000	-	100.00	US\$ 206,504	US\$ 10,550	Note	
MoDioTek Co., Ltd.	Mosatek Co., Ltd.	Samoa	Investment holding company	\$ 76,350	\$ 76,350	2,420,000	100.00	\$ 5,307	\$ (3,949)	Note	
Mosatek Co., Ltd.	Mosatek (H.K.) Company Limited	Hong Kong	Investment holding company	US\$ 1,655,250	US\$ 1,655,250	12,905,100	100.00	US\$ 166,124	US\$ (133,902)	Note	
Mosatek (H.K.) Company Limited	Modiotek (Suzhou) Co., Ltd.	China	Research, develop, design and sales of application software and rendering of related technical consultation and services	US\$ 1,650,000	US\$ 1,650,000	-	100.00	US\$ 158,769	US\$ (133,902)	Note	
Magic Pixel Inc.	Magic Pixel Inc.	Samoa	Investment holding company	\$ 62,138	\$ 56,242	1,950,000	100.00	\$ 6,630	\$ (1,965)	Note	
Magic Pixel Inc.	Magic Pixel Holding Company Limited	Hong Kong	Investment holding company	US\$ 1,500,000	US\$ 1,300,000	11,700,000	100.00	US\$ 182,542	US\$ (41,201)	Note	
Magic Pixel Holding Company Limited	Magic Pixel (Shen Zhen) Co Ltd.	China	Software for calculator. Research, develop, design (except IC design) and sales of application software and rendering of related technical consultation and services	US\$ 700,000	US\$ 500,000	-	100.00	US\$ 134,605	US\$ (41,340)	Note	
Mxtran Inc.	Mxtran Holding (Samoa) Co., Ltd.	Samoa	Investment holding company	\$ 9,557	\$ 9,557	300,000	100.00	\$ 2,813	\$ (2,192)	Note	
Mxtran Holding (Samoa.) Co., Ltd	Mxtran (H.K.) Holding Co., Limited	Hong Kong	Investment holding company	US\$ 290,000	US\$ 290,000	2,262,000	100.00	US\$ 85,290	US\$ (74,279)	Note	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2012			Net Income (Loss) of the Investee	Investment Income (Loss) Recognized	Note
				March 31, 2012	December 31, 2011	Shares (In Thousands)	Percentage of Ownership	Carrying Amount			
Mxtran (H.K.) Holding Co., Limited	Maxtran Technology Co., Ltd.	Beijing	R&D on software and communication; sales of application; technical consultation; technical services; technical training; application software; counseling on business management; service of accounting and finance; hardware, software, and related products of computer; communication product; electronic product; importation/exportation for goods and technology; agent for importation/exportation	US\$ 280,300	US\$ 280,300	-	100.00	US\$ 75,646	US\$ (74,279)	Note	

Note: Under relevant regulations, no disclosure of investment gain (loss) is needed.

(Concluded)

TABLE 5

## MACRONIX INTERNATIONAL CO., LTD.

## INFORMATION ON INVESTMENT IN CHINA

THREE MONTHS ENDED MARCH 31, 2012

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 3)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2012 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2012 (Note 3)	Percentage of Ownership (Note 6)	Investment Income (Loss) (Notes 4, 5 and 6)	Carrying Amount as of March 31, 2012 (Notes 3, 5 and 6)	Accumulated Inward Remittance of Earnings as of March 31, 2012
					Outflow	Inflow					
Macronix Microelectronics (Suzhou) Co., Ltd.	Design, maintenance and test of IC systems and rendering of related technical consultation and service	RMB 63,995,690 \$ 300,037	(Note 1)	US\$ 9,000,000 \$ 265,590	US\$ -	US\$ -	US\$ 9,000,000 \$ 265,590	100.00%	US\$ 91,566 \$ 2,700	US\$ 10,389,267 \$ 306,587	US\$ -
Infomax Communication (Suzhou) Co., Ltd.	Software system consulting service, software system design service, software integrating service	RMB 17,698,920 \$ 82,980	(Note 2)	US\$ 2,550,000 \$ 75,251	US\$ -	US\$ -	US\$ 2,550,000 \$ 75,251	97.68%	US\$ 10,305 \$ 304	US\$ 201,713 \$ 5,953	US\$ -
Modiotek (Suzhou) Co., Ltd.	Research, develop, design and sales of application software and rendering of related technical consultation and services	RMB 11,634,750 \$ 54,548	(Note 2)	US\$ 1,650,000 \$ 48,692	US\$ -	US\$ -	US\$ 1,650,000 \$ 48,692	80.86%	US\$ (108,273) \$ (3,193)	US\$ 128,381 \$ 3,789	US\$ -
Magic Pixel (Shen Zhen) Co., Ltd.	Software for calculator. Research, develop, design (except IC design) and sales of application software and rendering of related technical consultation and services	RMB 4,653,449 \$ 21,817	(Note 2)	US\$ 500,000 \$ 14,755	US\$ 200,000 \$ 5,902	US\$ -	US\$ 700,000 \$ 20,657	77.38%	US\$ (31,989) \$ (943)	US\$ 134,605 \$ 3,972	US\$ -
Maxtran Technology Co., Ltd.	R&D on software and communication; sales of application; technical consultation; technical services; technical training; application software; counseling on business management; service of accounting and finance; hardware, software, and related products of computer; communication product; electronic product; importation/exportation for goods and technology; agent for importation/exportation	RMB 1,900,000 \$ 8,908	(Note 2)	US\$ 280,300 \$ 8,722	US\$ -	US\$ -	US\$ 280,300 \$ 8,722	93.14%	US\$ (69,183) \$ (2,040)	US\$ 70,457 \$ 2,079	US\$ -

Accumulated Investment in China as of March 31, 2012	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
US\$ 14,980,300 \$ 442,069 (Note 3)	US\$ 17,530,300 \$ 517,319 (Note 3)	\$ 24,656,839

(Continued)

- Note 1: The Company invested in company located in Mainland China indirectly through the existing company in the third country.
- Note 2: The Company invested in company located in Mainland China indirectly through the investing company in the third country.
- Note 3: The foreign currency amount is converted into New Taiwan dollars based on the exchange rate at March 31, 2012.
- Note 4: The foreign currency amount is converted into New Taiwan dollars based on the average exchange rate of the three months ended March 31, 2012.
- Note 5: The prescribed investment gain (loss) and long-term investment balance were recognized based on the unreviewed financial statement for the same period.
- Note 6: The percentage of ownership is based on the total holding percentage owned by the Company and its subsidiaries.

(Concluded)