



**MACRONIX
INTERNATIONAL CO., LTD.**

2011 Annual General Shareholders' Meeting

MEETING AGENDA

(Translation)

June 10, 2011

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MEETING AGENDA

Date : 9:30 a.m., June 10, 2011.

Place : Room101, Association of Industries in Science Parks
(No.2, Prosperity Rd.1, Hsinchu Science Park)

Chairman : Miin Chyou Wu, Chairman of the Board of Directors

I. Chairman's Address

II. Report Items

1. 2010 Business Report
2. Audit Committee's Report of 2010
3. Others

III. Ratification Items

1. Ratification of 2010 Business Report and Financial Statements
2. Ratification of the proposed 2010 distribution

IV. Discussion and Election Items

1. Approval of the amendment of the Articles of Incorporation
2. Approval of public offering and/or the private placement of securities
3. To elect an independent director
4. Approval for removing the competition restrictions of the directors

V. Others and Motions

Report Items

ITEM 1 2010 Business Report (Attachment 1)

ITEM 2 Audit Committee's Report of 2010 (Attachment 2)

ITEM 3 Others : None

Ratification Items

ITEM 1 (Proposed by the Board of Directors)

Proposal : Ratification of the Company's 2010 Business Report and Financial Statements

Explanation : 1. The 2010 Financial Statements and Consolidated Financial Statements have been audited by Deloitte & Touche, the Company's Independent Auditor, and audited by the Audit Committee. The Audit Committee's Report is as attached.
(Attachment 2)

2. 2010 Business Report and Financial Statements is as attached. (Attachment 1)

Resolution :

ITEM 2 (Proposed by the Board of Directors)

Proposal : Ratification of the proposed 2010 distribution

Explanation : 1. The Company's net income after tax (as of December 31, 2010) is NT\$7,783,193,228, and the distributable earnings of the Company is NT\$7,938,282,726, i.e., the balance after deducting NT\$18,288,091 (the adjustment arising from changes in ownership of investees) and NT\$776,490,514 (the 10% legal reserve) plus NT\$949,868,103 (the undistributed retained earnings of previous years).

2. It is hereby proposed to distribute NT\$5,735,394,567 as cash dividend, and the shareholders will be entitled to receive NT\$1.7/per share. The actual amount paid to each shareholder will subtract the fractional, i.e. those less than one dollar. Such fractional amount will be saved and recorded as the Company's other income.

3. The total amount of the outstanding common shares may vary and the ultimate dividends to be distributed to each common share may need to be adjusted in the event that the Company subsequently redeems its common shares or issue new common shares to its employees as a result of their exercise of stock options. It is proposed to ask the AGM for authorizing the Chairman to adjust the dollar amount/per share to be distributed based on the outstanding common shares on the distribution record date.

4. It is hereby proposed to AGM for authorizing the Chairman of the Board of Directors to determine a record date for the distribution of cash dividend.

5. The proposal of 2010 earnings distribution is as attached. (Attachment 3)

Resolution :

Discussion and Election Items

ITEM 1 (Proposed by the Board of Directors)

Proposal : Approval of amending partial articles of the Company's Articles ("AOI") pursuant to the applicable laws and the Company's needs.

Explanation : 1.It is proposed to amend Articles 10, Articles 17, Articles 21, Articles 22, Articles 26 and Articles 34 of the AOI.

2.The amended AOI and the comparison chart of such amendment is as attached.
(Attachment 4)

Resolution :

ITEM 2 (Proposed by the Board of Directors)

Proposal : Approval of fund raising by issuance of new shares, and/or issuance of overseas depositary receipts through cash capital increase, and/or the private placement of common shares, and/or the private placement of domestic or overseas convertible bonds ("Plan ").

Explanation : 1. For the Company's future business needs, it is hereby proposed for the capital increase, including domestic rights offering(s), the issuance of new shares for the depositary receipts through cash capital increase, the private placement of common shares; and/or the private placement of domestic and/or overseas convertible bonds, to the extent of 1.5 billion common shares (collectively and/or individually "Offering(s)"). It is also hereby proposed to submit to the AGM for authorizing the Board of Directors to select any and/or all of the Offering(s), or mix certain of the Offering(s) taking into consideration the market conditions and/or the Company's needs.

1-1 Cash capital increase by issuance of new shares

(1) Pursuant to the Article 267 of the Company Act, it is hereby proposed to reserve 10% of the offered shares for the subscription of employees, with the remaining to be offered in public in accordance with Article 28-1 of the Securities and Exchange Act and through public subscription or book building.

A."Public Subscription" Approach: 10% of the newly offered shares ("Shares") will be through public offering, with the remaining 80% of the Shares to be subscribed by shareholders recorded on the record date of such Offering. The shareholders concerned may arrange for pooling together their fractional shares to form one share and register the share within 5 days after the record date of said Offering.

B."Book Building" Approach:90% of the Shares will be offered to the

public, and therefore, existing shareholders shall waive their preemptive rights for the Shares.

- (2) The price of the Shares (“Price”) will be set in accordance with the “Self Discipline Rules of the Chinese Securities Association Governing Securities Underwriters for Offering and Issuance of Securities by Securities Issuers” (“Rule”) and relevant regulations of the authorities. It is hereby proposed to the AGM for authorizing the Chairman to negotiate with the underwriters and determine the Price taking into consideration of then current market conditions.
- (3) With respect to the shares not yet subscribed during the specified period, it is proposed to the AGM for authorizing the Chairman to approach and/or designate certain person for the subscription of such shares at the Price.
- (4) It is hereby proposed to the AGM for fully authorizing the Chairman to determine the record date of the Offering(s), the record date of the new shares issued, and fully authorized to handle related affairs after obtaining the approval from government authority.

1-2 Issuance of overseas Depositary Receipts through cash capital increase

- (1) Pursuant to Article 267 of the Company Act, it is hereby proposed to reserve 10% of the shares to be offered for the subscription of the employees, with the remaining 90% of the shares to be offered to public in accordance with Article 28-1 of the Securities and Exchange Act as the underlying common shares of overseas Depositary Receipts.
- (2) The price of the above overseas Depositary Receipts (“DR Price”) will be set in accordance with the Rule. It is hereby proposed to the AGM for authorizing the Chairman to negotiate with the underwriters and determine the DR Price taking into consideration of then current international market conditions, as well as the market price of common shares. (The basis of the above price setting arrangement is reasonable).
- (3) Although shareholders’ interests will be diluted by the additional new shares issued, it shall have positive impacts to the shareholders since the capital increase may strengthen the financial structure of the Company or the costs of business operation, and/or respond in time to the changes of then current industry environment. In sum, the capital increase will enhance the Company's competitiveness and profit, and indirectly benefit the shareholders.
- (4) It is proposed to the AGM for authorizing the Chairman to approach and/or designate certain person for the subscription of the reserved shares for the employee not yet subscribed, and/or included such unsubscribed shares to the underlying common shares of the overseas Depositary Receipts taking into consideration of then current market conditions.

- (5) It is hereby proposed to the AGM for fully authorizing the Chairman or his designee to handle the related affairs and to represent the company to sign any contract and/or related documents.

1-3 The private placement of common shares

- (1)The basis and rationality of the private placement price: The price of the private placement shares shall be no less than 80 percent of the higher of the following:

- A. The averaged closing price of the Company's common shares for one, three, or five business days immediately preceding its price determination date, and adjusted by the applicable stock dividends, cash dividends and/or capital reduction.
- B. The averaged closing price of the Company's common shares for the thirty business days immediately preceding its price determination date, and adjusted by the applicable stock dividends, cash dividends, and/or capital reduction.

It is hereby proposed to AGM to authorize the Board of Directors to determine the price. (For example, the price would be NT\$17.32 per share, i.e. 80 percent of the averaged closing price of the Company's common shares for thirty business days immediately preceding the provisional price setting date, i.e. Mar. 14, 2011.) Considering that the privately placed shares have a three-year transfer restriction as required by Securities and Exchange Act and that the price will be set by referring to the market price of common shares, the price setting arrangement shall be reasonable.

- (2)The method of selecting the specified subscribers: The Company will select the specified subscribers in accordance with Article 43-6 of Securities and Exchange Act. If a strategic investor is targeted, only those individual and/or legal entities which may help the Company in improving its technologies, developing products, reducing cost, enlarging market shares, and/or strengthen customers relationships, etc. will be selected to enhance the Company's competitiveness, business operation, and/or profitability through the strategic investors' experience, technology, knowledge, brand, or distribution channels.
- (3)The necessity of private placement: In consideration of market conditions, fund raising efficiency, costs of the offering(s) as well as equity stabilizing, private placement may be adopted as a fund raising mechanizes. If the private placement is for the strategic investors, it is to maintain long-term relations with such strategic investors through the transfer restriction of shares subscribed. Also, the use of proceeds thereof shall be for the Company's business operation and/or development; and it shall be for the

steadily operation of the Company as well as the interests of the shareholders.

(4) Except for the transfer restriction as provided under Article 43-8 of Securities and Exchange Act, the rights and obligations of the privately placed common shares is the same as the outstanding common shares.

1-4 The private placement of domestic and/or overseas convertible bonds

(1) The amount of the private placement of domestic or overseas convertible bonds shall be calculated by the projected convertible shares and price.

(2) The basis and rationality of the private placement price:

The convertible price of the privately placed convertible bonds shall be no less than 80 percent of the higher of the following:

A. The averaged closing price of the Company's common shares for one, three, or five business days immediately preceding its price determination date, and adjusted by applicable stock dividends, cash dividends and/or capital reduction.

B. The averaged closing price of the Company's common shares for the thirty business days immediately preceding its price determination date, and adjusted by applicable stock dividends, cash dividends, and/or capital reduction.

It is hereby proposed to AGM to authorize the Board of Directors to determine the convertible price. (For example, the convertible price would be NT\$17.32 per share, i.e. 80 percent of the averaged closing price of the Company's common shares for thirty business days immediately preceding the provisional price setting date, i.e. Mar. 14, 2011.) Considering that the privately placed securities have a three-year transfer restriction as required by Securities and Exchange Act and that the price will be set by referring to the market price of common shares, the convertible price setting arrangement shall be reasonable.

(3) The method of selecting the specified subscribers: The Company will select the specified subscribers in accordance with Article 43-6 of Securities and Exchange Act. If a strategic investor is targeted, only those individual and/or legal entities which may help the Company in improving its technologies, developing products, reducing cost, enlarging market shares, and/or strengthen customer relationships, etc. will be selected to enhance the Company's competitiveness, business operation, and/or profitability through the strategic investors' experience, technology, knowledge, brand, or distribution channels.

(4) The necessity of private placement: In consideration of market conditions, fund raising efficiency, costs of the offering(s) as well as equity stabilizing, private placement may be adopted as a fund raising mechanizes. If the

private placement is for the strategic investors, it is to maintain long-term relations with such strategic investors through the transfer restriction of shares subscribed. Also, the use of proceeds thereof shall be for the Company's business operation and/or development; and it shall be for the steadily operation of the Company as well as the interests of the shareholders.

(5)The transfer restriction of the privately placed convertible bonds is in accordance with Article 43-8 of Securities and Exchange Act.

(6)It is hereby proposed to the AGM for fully authorizing the Chairman or his designee to handle and follow-up related affairs and to represent the company to sign any contract and/or related documents.

2. It is proposed to the AGM for authorizing the Board of Directors to determine the details of the offering(s), including the number of shares to be issued, the offering plan, the conversion rules, the projected items, the projected schedule for the use of proceeds, the projected results and related matters, in accordance with applicable rules taking into consideration then market conditions as well as the Company's business need.
3. It is hereby proposed to AGM for authorizing the Board of Directors with full rights to follow-up and/or handle any adjustment, revisions and/or amendments which may be triggered by the amendment of law, the opinion or comments of the authority, and/or then market conditions.

Resolution :

ITEM 3 (Proposed by the Board of Directors)

Proposal : To elect an independent director

Explanation : 1. Because of one of the independent director's, i.e., Mr. Ping-Tien Wu, resignation, it is hereby proposed to elect an independent director at 2011 AGM pursuant to the paragraph 5, Article 14-2 of the Securities and Exchange Act.

2. The tenure of the independent director elected is for the remaining terms of the current directors, i.e. until June 8, 2013.

3. The independent director candidate approved by seventh meeting of the 8th term of the Board of Directors is as attached. (Attachment 5)

Result :

ITEM 4 (Proposed by the Board of Directors)

Proposal : Approval of removing the competition restrictions of the directors

Explanation : 1. In compliance with Article 209 of Company Act, i.e. “A director who does anything for himself or on behalf of another person that is within the scope of the Company’s business, shall explain to the meeting of shareholders the essential contents of such acts for the approval”.

2. It is proposed to comply with Article 209 of Company Act to explain to the Company’s shareholders the potential competitive works of the respective on board directors. The directors (including the independent director candidate) who serve a position which may be deemed as within the scope of the Company’s business are as attached. (Attachment 6)

Resolution :

Others and Motions

Meeting Adjourned

Attachment 1

2010 Business Report

In 2010, Macronix achieved another success in sales and net profit, maximizing profit for shareholders with the same and limited production capacity. The annual net sales was NT 27.558 billion, an increase of 5% year-over-year ; net profit was NT7.783 billion, up 37% from the previous year; earning per share was NT2.33, a 34% increase year-over-year. This shows that Macronix achieved excellent operation results in 2010.

Thanks to the improvement of production technology and refinement of product design, the 2010 average gross profit rate reached 53%, an 11 percentage points increase year-on-year. In particular, the 58% gross margin rate in third quarter was a record high for past ten years and exceeded other memory peers; all the above were resulting from continuous cost saving and increasing product competency. The capital expenditure in 2010 totaled NT16.4 billion and the cash flow from operation was NT11.455 billion. Macronix closed a syndication loan of NT18 billion and the cash and cash equivalent was maintained at NT 21.354 billion at 2010 year-end.

To establish a profound technology ground and stable profitability base, Macronix zealously put R&D resources to develop next generation NVM technologies and products, obtaining 481 patents in 2010 and in total 4,058 intellectual property rights concerning key technologies and patents. Recently, our R&D achievements have been brought to the forefront by international academic conferences with multiple research results selected as the most important or best papers, including the remarkable innovative research of 3D NAND Flash which was titled Highlight Paper of 2010 by VLSI Conference. Macronix will integrate its own BE-SONOS with 3D vertical gate technology developing next-generation NAND Flash to compete with world leading manufacturers.

For ROM, 75nm products contributed 82% of ROM revenue in 2010Q4 and 65nm technology will contribute 70% of ROM revenue this year, while the technology for 45nm is putting into mass production. For NOR Flash, 110nm products represented 57% of Flash revenue in 2010Q4. Because of successful development, we skipped 90nm and jumped directly to 75nm technology; 75nm products are already in mass production in 2010Q4 and the output will be gradually increased this year to keep our competitive edge in high density NOR flash products. In 2010Q1, Macronix delivered the first qualified 1.8V serial NOR Flash for cellular phones, fully demonstrating our execution capability in product planning. For foundry services business, the annual shipments achieved 433,198 pieces, a record high, because of proper sales strategy of positive arrangement for off season, improved capacity for peak season and the transformation towards analog products and technologies.

The newly-acquired 12” Fab has started mass production this January. With teamwork, we promptly implement production-line transfer and product qualification, which will provide more stable sources to customers and result in further growth of Macronix.

Macronix will hold on to the business philosophy of integrity, focus on enhancing core non-volatile memory technology, continue to reduce cost, refine product edge, increase market share, and step into new applications like cellular phones and automotives. In addition, as our major customers launch new-generation products, the demand for our high-end products will be increasing. To expand our 12” Fab capacity, we planned a capex of NT17.6 billion purchasing more advanced equipment to support production and research. The 12” Fab will reach the goal of 20,000-wafer capacity in the second-half of this year to meet long-term development requirements of customers and achieve another record in revenue. In the process of reaching economies of scale and enormously increasing our business, Macronix is suffering from high incremental depreciation cost, which is indeed the company’s short-term pain and challenge. However, Macronix is confident to quickly fulfill our mission within a short amount of time.

Besides continuous achievement of operation performance, Macronix launches “CIP Project improvement system” internally to collect comments and grow with employees based on improved concepts and perform social responsibility externally by leading the industry in terms of corporate governance, corporate commitments and environmental protection. Specifically, we are not only the first semiconductor company who first survives overall inspection against greenhouse gas and obtains AEO certificate, but also highly recognized by Global Views with the Corporate Social Responsibility Award and CommonWealth with the Corporate Citizenship Award. Macronix also takes this year as a sports year and aims to set up a weekly exercise custom and keep employees healthy.

To cope with fierce competition and fast changing market environment, Macronix is toward 12” Fab production and will take full advantage of 12” equipment and capacity to develop more innovative components, smaller geometry manufacturing processes, more competitive technologies and products and to provide better quality products and services to customers. Macronix will competitiveness.

We would like to express our appreciation to every one of our shareholders for your support and trust. The management team of Macronix will redouble its efforts to maximize profit for our shareholders!

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Macronix International Co., Ltd. ("the Company") as of December 31, 2010 and 2009 and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain investees in which the Company's investments were accounted for by the use of the equity method. The financial statements of these investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such investees, is based solely on the reports of such other auditors. The carrying value of these equity-method investments as of December 31, 2010 and 2009 amounted to NT\$1,532,392 thousand and NT\$850,166 thousand, respectively. The related investment net loss for the years ended December 31, 2010 and 2009 amounted to NT\$460,414 thousand and NT\$404,132 thousand, respectively.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Macronix International Co., Ltd. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended 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.

As disclosed in Note 3 to the financial statements, effective January 1, 2009, the Company adopted the newly released Statement of Financial Accounting Standards No. 10 "Accounting for Inventories."

We have also audited the consolidated financial statements of Macronix International Co., Ltd. and subsidiaries as of and for the years ended December 31, 2010 and 2009, and have expressed an unqualified opinion with an explanatory paragraph in our report dated February 8, 2011.

February 8, 2011

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 audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' 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 auditors' report and financial statements shall prevail.

MACRONIX INTERNATIONAL CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010		2009		LIABILITIES AND SHAREHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 21,353,557	35	\$ 25,182,658	53	Short-term bank loans (Note 11)	\$ 2,806,080	5	\$ -	-
Notes and accounts receivable, net (Notes 2 and 5)	2,064,312	3	2,908,579	6	Notes and accounts payable	1,869,451	3	1,642,947	4
Receivables from related parties, net (Note 20)	1,017,059	2	1,162,991	2	Payables to related parties (Note 20)	157,726	-	124,112	-
Other receivables (Note 20)	328,277	1	131,071	-	Income tax payable (Notes 2 and 18)	652,585	1	119,701	-
Inventories (Notes 2, 3 and 6)	3,821,946	6	2,848,984	6	Accrued expenses	1,872,763	3	1,794,927	4
Deferred income tax assets - current (Notes 2 and 18)	239,159	-	294,803	1	Accrued bonuses to employees, directors and supervisors (Notes 2 and 14)	1,149,216	2	977,291	2
Other current assets (Note 22)	428,301	1	222,840	1	Payables for equipment	1,969,790	3	205,074	-
Total current assets	29,252,611	48	32,751,926	69	Current portion of long-term bank loans (Notes 12 and 21)	1,611,236	3	229,100	1
					Other current liabilities	87,515	-	103,848	-
LONG-TERM INVESTMENTS (Notes 2, 7, 8 and 9)					Total current liabilities	12,176,362	20	5,197,000	11
Investments accounted for using equity method	3,403,579	6	2,753,549	6					
Available-for-sale financial assets - noncurrent	1,024,595	2	719,757	2	LONG-TERM LIABILITIES				
Financial assets carried at cost - noncurrent	159,556	-	162,718	-	Long-term bank loans, net of current portion (Notes 12 and 21)	2,796,333	5	407,569	1
Total long-term investments	4,587,730	8	3,636,024	8	Long-term notes payable	1,365	-	2,625	-
					Total long-term liabilities	2,797,698	5	410,194	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10, 20 and 21)					OTHER LIABILITIES				
Cost					Accrued pension cost (Notes 2 and 13)	364,503	-	363,799	1
Land	598,076	1	598,076	1	Other liabilities	2,800	-	7,028	-
Buildings and structures	20,445,410	34	16,738,154	35	Total other liabilities	367,303	-	370,827	1
Machinery equipment	60,817,179	101	54,823,490	116	Total liabilities	15,341,363	25	5,978,021	13
Research and development equipment	1,635,510	3	1,374,067	3					
Transportation equipment	26,677	-	21,208	-	SHAREHOLDERS' EQUITY (Notes 2, 14, 15 and 16)				
Leasehold improvements	2,419	-	2,419	-	Capital stock, \$10 par value				
Miscellaneous equipment	923,650	1	877,549	2	Authorized - 6,550,000 thousand shares				
	84,448,921	140	74,434,963	157	Issued - 3,362,302 thousand shares in 2010 and 3,303,028 thousand shares in 2009	33,623,017	56	33,030,279	70
Less: Accumulated depreciation	66,693,421	110	64,483,540	136	Capital surplus				
Construction in progress and prepayments for equipment	8,216,363	13	457,597	1	Treasury stock transactions	18,704	-	45,700	-
Net property, plant and equipment	25,971,863	43	10,409,020	22	Donation	37	-	37	-
					Long-term investments	-	-	166	-
INTANGIBLE ASSETS (Notes 2 and 20)					Employee stock options	335,915	1	183,647	-
Software, net	69,820	-	56,913	-	Retained earnings				
Deferred charges, net	14,624	-	2,506	-	Legal reserve	1,630,512	3	1,060,878	2
Net intangible assets	84,444	-	59,419	-	Unappropriated earnings	8,714,773	14	6,498,739	14
					Other adjustments				
OTHER ASSETS					Unrealized gains on financial instruments	1,038,432	1	675,669	1
Deferred income tax assets - noncurrent (Notes 2 and 18)	535,409	1	508,815	1	Cumulative translation adjustments	(91,242)	-	39,084	-
Other assets (Note 21)	37,089	-	4,651	-	Treasury stock (at cost) - 3,757 thousand shares in 2010 and 2009	(142,365)	-	(142,365)	-
Total other assets	572,498	1	513,466	1	Total shareholders' equity	45,127,783	75	41,391,834	87
TOTAL	\$ 60,469,146	100	\$ 47,369,855	100	TOTAL	\$ 60,469,146	100	\$ 47,369,855	100

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

(With Deloitte & Touche audit report dated February 8, 2011)

MACRONIX INTERNATIONAL CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
GROSS SALES	\$ 27,709,963		\$ 26,507,885	
SALES RETURNS AND ALLOWANCES	<u>151,846</u>		<u>140,448</u>	
NET SALES (Notes 2 and 20)	27,558,117	100	26,367,437	100
COST OF SALES (Notes 2, 3, 6, 17 and 20)	<u>13,024,673</u>	<u>47</u>	<u>15,154,497</u>	<u>58</u>
GROSS PROFIT	14,533,444	53	11,212,940	42
UNREALIZED INTERCOMPANY PROFIT (Note 2)	<u>(365)</u>	<u>-</u>	<u>(12,624)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>14,533,079</u>	<u>53</u>	<u>11,200,316</u>	<u>42</u>
OPERATING EXPENSES (Notes 17 and 20)				
Sales and marketing	886,449	3	790,189	3
General and administrative	2,172,457	8	1,649,100	6
Research and development	<u>2,829,060</u>	<u>10</u>	<u>2,415,815</u>	<u>9</u>
Total operating expenses	<u>5,887,966</u>	<u>21</u>	<u>4,855,104</u>	<u>18</u>
INCOME FROM OPERATION	<u>8,645,113</u>	<u>32</u>	<u>6,345,212</u>	<u>24</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 23)	101,653	-	135,541	1
Dividend income (Note 2)	52,764	-	33,402	-
Gain on disposal of financial instruments, net (Note 2)	25,763	-	80,366	-
Gain on disposal of assets, net (Notes 2 and 20)	11,599	-	-	-
Others (Note 20)	<u>129,000</u>	<u>1</u>	<u>83,383</u>	<u>-</u>
Total non-operating income and gains	<u>320,779</u>	<u>1</u>	<u>332,692</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES				
Equity in losses of equity method investees, net (Notes 2 and 7)	350,169	1	354,831	1
Foreign exchange loss, net (Note 2)	140,290	1	98,386	1
Interest expense (Notes 10 and 23)	7,248	-	8,213	-
Impairment loss (Notes 2 and 9)	3,162	-	31,680	-
Loss on disposal of assets, net (Notes 2 and 20)	-	-	6,628	-
Others	<u>3,594</u>	<u>-</u>	<u>51,524</u>	<u>-</u>
Total non-operating expenses and losses	<u>504,463</u>	<u>2</u>	<u>551,262</u>	<u>2</u>

(Continued)

MACRONIX INTERNATIONAL CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	8,461,429	31	6,126,642	23
INCOME TAX EXPENSE (Notes 2 and 18)	<u>678,236</u>	<u>3</u>	<u>430,298</u>	<u>1</u>
NET INCOME	<u>\$ 7,783,193</u>	<u>28</u>	<u>\$ 5,696,344</u>	<u>22</u>

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 2.53</u>	<u>\$ 2.33</u>	<u>\$ 1.87</u>	<u>\$ 1.74</u>
Diluted	<u>\$ 2.46</u>	<u>\$ 2.26</u>	<u>\$ 1.82</u>	<u>\$ 1.69</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 investment instead of treasury stock (Note 16):

	2010	2009
NET INCOME	<u>\$7,788,772</u>	<u>\$5,698,853</u>
EARNINGS PER SHARE		
Basic	<u>\$2.33</u>	<u>\$1.74</u>
Diluted	<u>\$2.26</u>	<u>\$1.69</u>

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

(With Deloitte & Touche audit report dated February 8, 2011)

(Concluded)

MACRONIX INTERNATIONAL CO., LTD.

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)**

	Capital Stock		Treasury Stock Transactions	Capital Surplus		Employee Stock Options	Retained Earnings		Other Adjustments			Total Shareholders' Equity
	Shares (In Thousands)	Aggregate Par Value		Donated Assets	Long-term Investments		Legal Capital Reserve	Unappropriated Earnings	Unrealized Gain on Financial Instruments	Cumulative Translation Adjustments	Treasury Stock	
BALANCE, JANUARY 1, 2009	3,126,775	\$ 31,267,757	\$ 4,193	\$ -	\$ 80,635	\$ 219,817	\$ 609,418	\$ 4,691,721	\$ 140,996	\$ 88,604	\$ (164,073)	\$ 36,939,068
Appropriations of prior year's earnings (Note 14)												
Legal reserve	-	-	-	-	-	-	451,460	(451,460)	-	-	-	-
Cash dividends to shareholders - NT\$ 0.70 per share	-	-	-	-	-	-	-	(2,187,733)	-	-	-	(2,187,733)
Stock dividends to shareholders - NT\$0.40 per share	125,014	1,250,133	-	-	-	-	-	(1,250,133)	-	-	-	-
Issuance of stock from exercising stock options	54,052	540,519	-	-	-	(36,170)	-	-	-	-	-	504,349
Adjustment arising from changes in percentage of ownership in investees	-	-	32,576	-	(80,469)	-	-	-	-	-	-	(47,893)
Retirement of treasury stock	(2,813)	(28,130)	6,422	-	-	-	-	-	-	-	21,708	-
Net income for the year ended December 31, 2009	-	-	-	-	-	-	-	5,696,344	-	-	-	5,696,344
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	317,127	-	-	317,127
Equity in the valuation gain on available-for-sale financial assets of equity method investees	-	-	-	-	-	-	-	-	217,546	-	-	217,546
Company's dividends received by its subsidiary	-	-	2,509	-	-	-	-	-	-	-	-	2,509
Donations from shareholders	-	-	-	37	-	-	-	-	-	-	-	37
Translation adjustments	-	-	-	-	-	-	-	-	-	(49,520)	-	(49,520)
BALANCE, DECEMBER 31, 2009	3,303,028	33,030,279	45,700	37	166	183,647	1,060,878	6,498,739	675,669	39,084	(142,365)	41,391,834
Appropriations of prior year's earnings (Note 14)												
Legal reserve	-	-	-	-	-	-	569,634	(569,634)	-	-	-	-
Cash dividends to shareholders - NT\$ 1.50 per share	-	-	-	-	-	-	-	(4,979,237)	-	-	-	(4,979,237)
Issuance of stock from exercising stock options	59,274	592,738	-	-	-	152,268	-	-	-	-	-	745,006
Adjustment arising from changes in percentage of ownership in investees	-	-	(32,575)	-	(166)	-	-	(18,288)	-	-	-	(51,029)
Net income for the year ended December 31, 2010	-	-	-	-	-	-	-	7,783,193	-	-	-	7,783,193
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	304,838	-	-	304,838
Equity in the valuation gain on available-for-sale financial assets of equity method investees	-	-	-	-	-	-	-	-	57,925	-	-	57,925
Company's dividends received by its subsidiary	-	-	5,579	-	-	-	-	-	-	-	-	5,579
Translation adjustments	-	-	-	-	-	-	-	-	-	(130,326)	-	(130,326)
BALANCE, DECEMBER 31, 2010	<u>3,362,302</u>	<u>\$ 33,623,017</u>	<u>\$ 18,704</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 335,915</u>	<u>\$ 1,630,512</u>	<u>\$ 8,714,773</u>	<u>\$ 1,038,432</u>	<u>\$ (91,242)</u>	<u>\$ (142,365)</u>	<u>\$ 45,127,783</u>

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

(With Deloitte & Touche audit report dated February 8, 2011)

MACRONIX INTERNATIONAL CO., LTD.**STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,783,193	\$ 5,696,344
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,608,227	2,768,429
Amortization	52,989	41,260
Provision for doubtful accounts	2,834	1,575
Gain on disposal of financial instruments, net	(394)	(41,951)
Loss (gain) on disposal of assets, net	(11,599)	6,628
Equity in losses of equity method investees, net	350,169	354,831
Impairment loss	3,162	31,680
Unrealized intercompany profit	365	12,624
Deferred income tax	29,050	294,442
Net changes in operating assets and liabilities:		
Notes and accounts receivable	841,159	(1,694,234)
Receivables from related parties	146,206	(280,360)
Other receivables	(197,206)	35,663
Inventories	(972,962)	2,428,000
Other current assets	(205,461)	121,809
Notes and accounts payable	225,244	533,034
Payables to related parties	33,614	23,759
Income tax payable	532,884	119,701
Accrued expenses	77,836	488
Accrued bonuses to employees, directors and supervisors	171,925	288,939
Other current liabilities	(16,698)	50,316
Accrued pension cost	704	23,750
Net cash provided by operating activities	<u>11,455,241</u>	<u>10,816,727</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in restricted assets	(2,707)	1,211,260
Acquisitions of available-for-sale financial assets	(300,000)	-
Proceeds from disposal of available-for-sale financial assets	300,394	-
Acquisitions of investments accounted for using equity method	(1,118,050)	(2,057,818)
Proceeds from disposal of investments accounted for using equity method	-	164,019
Proceeds from liquidation of financial assets carried at cost	-	17,714
Proceeds from disposal of financial assets carried at cost	-	150
Acquisitions of property, plant and equipment	(16,442,841)	(976,432)
Proceeds from disposal of property, plant and equipment	43,992	4,783
Increase in intangible assets	(78,014)	(43,187)
Proceeds from disposal of intangible assets	-	2,087
Increase in other assets	<u>(29,731)</u>	<u>(1,569)</u>
Net cash used in investing activities	<u>(17,626,957)</u>	<u>(1,678,993)</u>
		(Continued)

MACRONIX INTERNATIONAL CO., LTD.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term bank loans	\$ 2,806,080	\$ -
Increase in long-term bank loans	4,000,000	-
Repayment on long-term bank loans	(229,100)	(910,101)
Increase (decrease) in guarantee deposits	(134)	245
Proceeds from exercise of employee stock options	745,006	504,349
Proceeds from disposal of treasury stocks	-	37
Cash dividends	<u>(4,979,237)</u>	<u>(2,187,733)</u>
Net cash provided by (used in) financing activities	<u>2,342,615</u>	<u>(2,593,203)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,829,101)	6,544,531
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>25,182,658</u>	<u>18,638,127</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 21,353,557</u>	<u>\$ 25,182,658</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid (excluding capitalized interest)	<u>\$ 6,486</u>	<u>\$ 9,016</u>
Income tax paid	<u>\$ 116,302</u>	<u>\$ 16,125</u>
NON-CASH FINANCING ACTIVITIES:		
Current portion of long-term bank loans	<u>\$ 1,611,236</u>	<u>\$ 229,100</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisitions of property, plant and equipment	\$ 18,207,557	\$ 942,160
Net (increase) decrease in payables to contractors and equipment suppliers	<u>(1,764,716)</u>	<u>34,272</u>
Cash paid	<u>\$ 16,442,841</u>	<u>\$ 976,432</u>

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

(With Deloitte & Touche audit report dated February 8, 2011)

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Macronix International Co., Ltd. and subsidiaries ("the Company") as of December 31, 2010 and 2009 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries and investees accounted for using equity method. The financial statements of these subsidiaries and investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such subsidiaries and investees, is based solely on the reports of such other auditors. Such subsidiaries' financial statements reflect total assets of NT\$1,890,394 thousand and NT\$1,070,282 thousand, representing 3.11% and 2.25% of the Company's consolidated total assets as of December 31, 2010 and 2009, respectively, and also reflect net sales of NT\$259,881 thousand and NT\$246,525 thousand, representing 0.93% and 0.92% of the Company's consolidated net sales for the years then ended. The carrying value of the investments in such investees accounted for using equity method as of December 31, 2010 and 2009 was nil and NT\$99,142 thousand, representing 0% and 0.21% of the Company's consolidated total assets, and the related investment loss was NT\$18,404 thousand and NT\$13,442 thousand, representing 0.22% of the Company's consolidated pretax income for the years then ended, respectively.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Macronix International Co., Ltd. and subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, effective January 1, 2009, the Company adopted the newly released Statement of Financial Accounting Standards No. 10 “Accounting for Inventories.”

February 8, 2011

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated results of operations and consolidated 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors’ report and the accompanying consolidated 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 auditors’ report and consolidated financial statements shall prevail.

MACRONIX INTERNATIONAL CO., LTD.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

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

ASSETS	2010		2009		LIABILITIES AND SHAREHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 23,552,457	39	\$ 26,814,481	56	Short-term bank loans (Note 12)	\$ 2,806,080	5	\$ -	-
Notes and accounts receivable, net (Notes 2, 5 and 24)	2,413,708	4	3,369,098	7	Notes and accounts payable	1,896,174	3	1,736,459	4
Receivables from related parties, net (Notes 2 and 22)	643,542	1	669,837	1	Payables to related parties (Note 22)	93,134	-	68,807	-
Other receivables, net (Notes 2 and 22)	339,076	1	136,304	-	Income tax payable (Notes 2 and 20)	664,966	1	127,325	-
Inventories (Notes 2, 3 and 6)	3,986,279	6	2,913,752	6	Accrued expenses	1,966,054	3	1,881,967	4
Deferred income tax assets - current (Notes 2 and 20)	248,174	-	304,673	1	Accrued bonuses to employees, directors and supervisors (Notes 2, 3 and 16)	1,149,216	2	977,291	2
Restricted assets - current (Note 23)	6,177	-	3,153	-	Payables for equipment	1,997,353	3	205,897	-
Other current assets (Notes 2 and 24)	521,393	1	269,822	1	Current portion of long-term bank loans (Notes 13, 23 and 25)	1,611,236	3	229,100	1
Total current assets	31,710,806	52	34,481,120	72	Current portion of leases payable (Notes 2, 14 and 25)	-	-	15,840	-
					Other current liabilities	104,707	-	109,995	-
LONG-TERM INVESTMENTS (Notes 2, 7, 8, 9, 10 and 25)					Total current liabilities	12,288,920	20	5,352,681	11
Investments accounted for using equity method	-	-	99,142	-	LONG-TERM LIABILITIES				
Financial assets at fair value through profit or loss - noncurrent	34,220	-	29,280	-	Long-term bank loans, net of current portion (Notes 13, 23 and 25)	2,796,333	4	407,569	1
Available-for-sale financial assets, noncurrent	1,480,965	3	1,134,651	2	Long-term notes payable	1,365	-	2,625	-
Financial assets carried at cost - noncurrent	195,546	-	201,972	1	Total long-term liabilities	2,797,698	4	410,194	1
Total long-term investments	1,710,731	3	1,465,045	3	OTHER LIABILITIES				
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23)					Accrued pension cost (Notes 2 and 15)	364,586	1	363,799	1
Cost:					Others	1,539	-	13,393	-
Land	598,076	1	598,076	2	Total other liabilities	366,125	1	377,192	1
Buildings and structures	20,665,899	34	16,738,154	35	Total liabilities	15,452,743	25	6,140,067	13
Machinery equipment	60,817,179	100	54,823,490	115	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 2, 16 and 18)				
Research and development equipment	1,891,926	3	1,522,696	3	Capital stock, \$10 par value				
Transportation equipment	30,882	-	25,747	-	Authorized - 6,550,000 thousand shares				
Leased assets	-	-	75,000	-	Issued - 3,362,302 thousand shares in 2010 and 3,303,028 thousand shares in 2009	33,623,017	55	33,030,279	69
Leasehold improvements	26,826	-	26,385	-	Capital surplus				
Miscellaneous equipment	1,019,247	2	961,479	2	Treasury stock transactions	18,704	-	45,700	-
	85,050,035	140	74,771,027	157	Donation	37	-	37	-
Less: Accumulated depreciation	66,929,511	110	64,641,571	135	Long-term investments	-	-	166	-
Construction in progress and prepayments for equipment	8,216,363	13	619,844	1	Employee stock option	335,915	1	183,647	1
Net property, plant and equipment	26,336,887	43	10,749,300	23	Retained earnings				
INTANGIBLE ASSETS (Note 2)					Legal reserve	1,630,512	3	1,060,878	2
Software, net	73,313	-	63,888	-	Unappropriated earnings	8,714,773	14	6,498,739	14
Deferred charges, net	99,276	-	70,450	-	Other adjustments				
Net intangible assets	172,589	-	134,338	-	Unrealized gains on financial instruments	1,038,432	1	675,669	1
OTHER ASSETS					Cumulative translation adjustments	(91,242)	-	39,084	-
Deferred income tax assets, noncurrent (Notes 2 and 20)	540,806	1	511,384	1	Treasury stock (at cost) - 3,757 thousand shares in 2010 and 2009	(142,365)	-	(142,365)	-
Idle assets, net (Note 2)	282,698	1	308,343	1	Total equity attributable to shareholders of the parent	45,127,783	74	41,391,834	87
Other assets (Notes 23 and 24)	53,036	-	18,572	-	MINORITY INTERESTS (Note 2)				
Total other assets	876,540	2	838,299	2		227,027	1	136,201	-
TOTAL	\$ 60,807,553	100	\$ 47,668,102	100	Total shareholders' equity	45,354,810	75	41,528,035	87
					TOTAL	\$ 60,807,553	100	\$ 47,668,102	100

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

(With Deloitte & Touche audit report dated February 8, 2011)

MACRONIX INTERNATIONAL CO., LTD.

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
GROSS SALES	\$ 28,197,631		\$ 26,989,380	
SALES RETURNS AND ALLOWANCES	<u>161,596</u>		<u>150,961</u>	
NET SALES (Notes 2 and 22)	28,036,035	100	26,838,419	100
COST OF SALES (Notes 2, 3, 6, 19 and 22)	<u>13,206,859</u>	<u>47</u>	<u>15,330,228</u>	<u>57</u>
REALIZED GROSS PROFIT	<u>14,829,176</u>	<u>53</u>	<u>11,508,191</u>	<u>43</u>
OPERATING EXPENSES (Notes 19 and 22)				
Sales and marketing	1,124,085	4	910,907	3
General and administrative	2,255,507	8	1,842,396	7
Research and development	<u>3,242,090</u>	<u>12</u>	<u>2,828,274</u>	<u>11</u>
Total operating expenses	<u>6,621,682</u>	<u>24</u>	<u>5,581,577</u>	<u>21</u>
INCOME FROM OPERATION	<u>8,207,494</u>	<u>29</u>	<u>5,926,614</u>	<u>22</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 25)	109,519	-	145,450	1
Dividend income (Note 2)	58,828	-	36,819	-
Gain on disposal of financial instruments, net (Note 2)	25,759	-	80,366	1
Valuation gain on financial assets, net (Notes 2 and 8)	7,864	-	27,726	-
Gain on disposal of assets, net (Note 2)	7,138	-	-	-
Others (Note 22)	<u>146,989</u>	<u>1</u>	<u>61,707</u>	<u>-</u>
Total non-operating income and gains	<u>356,097</u>	<u>1</u>	<u>352,068</u>	<u>2</u>
NON-OPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net (Note 2)	151,754	-	121,711	1
Equity in losses of equity method investee, net (Notes 2 and 7)	18,404	-	13,442	-
Interest expense (Notes 11 and 25)	7,387	-	10,683	-
Impairment loss (Notes 2 and 10)	3,162	-	31,680	-
Loss on disposal of assets, net (Note 2)	-	-	10,588	-
Others (Note 3)	<u>3,692</u>	<u>-</u>	<u>58,780</u>	<u>-</u>
Total non-operating expenses and losses	<u>184,399</u>	<u>-</u>	<u>246,884</u>	<u>1</u>

(Continued)

MACRONIX INTERNATIONAL CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent										Minority Interest in Subsidiaries	Total Shareholders' Equity		
	Capital Stock		Capital Surplus			Retained Earnings		Other Adjustments						
	Shares (In Thousands)	Aggregate Par Value	Treasury Stock Transactions	Donated Assets	Long-term Investments	Employee Stock Options	Legal Capital Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments			Treasury Stock	Total
BALANCE, JANUARY 1, 2009	3,126,775	\$31,267,757	\$ 4,193	\$ -	\$ 80,635	\$ 219,817	\$ 609,418	\$ 4,691,721	\$ 140,996	\$ 88,604	\$ (164,073)	\$36,939,068	\$ 204,142	\$37,143,210
Appropriations of prior year's earnings (Note 16)														
Legal capital reserve	-	-	-	-	-	-	451,460	(451,460)	-	-	-	-	-	-
Cash dividends to shareholders - NT\$0.70 per share	-	-	-	-	-	-	-	(2,187,733)	-	-	-	(2,187,733)	-	(2,187,733)
Stock dividends to shareholders - NT\$0.40 per share	125,014	1,250,133	-	-	-	-	-	(1,250,133)	-	-	-	-	-	-
Issuance of stock from exercising stock options	54,052	540,519	-	-	-	(36,170)	-	-	-	-	-	504,349	-	504,349
Adjustment arising from changes in percentage of ownership in investees	-	-	32,576	-	(80,469)	-	-	-	-	-	-	(47,893)	26,253	(21,640)
Retirement of treasury stock	(2,813)	(28,130)	6,422	-	-	-	-	-	-	-	21,708	-	-	-
Consolidated net income for the year ended December 31, 2009	-	-	-	-	-	-	-	5,696,344	-	-	-	5,696,344	(110,496)	5,585,848
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	317,127	-	-	317,127	-	317,127
Equity in the valuation gain on available-for-sale financial assets of equity method investees	-	-	-	-	-	-	-	-	217,546	-	-	217,546	-	217,546
Cash dividends received by a subsidiary from parent company	-	-	2,509	-	-	-	-	-	-	-	-	2,509	-	2,509
Donations from shareholders	-	-	-	37	-	-	-	-	-	-	-	37	-	37
Translation adjustments	-	-	-	-	-	-	-	-	-	(49,520)	-	(49,520)	-	(49,520)
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	33,657	33,657
Effect of changes in consolidated entities	-	-	-	-	-	-	-	-	-	-	-	-	(17,355)	(17,355)
BALANCE, DECEMBER 31, 2009	3,303,028	\$33,030,279	45,700	37	166	183,647	1,060,878	6,498,739	675,669	39,084	(142,365)	41,391,834	136,201	41,528,035
Appropriations of prior year's earnings (Note 16)														
Legal capital reserve	-	-	-	-	-	-	569,634	(569,634)	-	-	-	-	-	-
Cash dividends to shareholders - NT\$1.50 per share	-	-	-	-	-	-	-	(4,979,237)	-	-	-	(4,979,237)	-	(4,979,237)
Issuance of stock from exercising stock options	59,274	592,738	-	-	-	152,268	-	-	-	-	-	745,006	-	745,006
Adjustment arising from changes in percentage of ownership in investees	-	-	(32,575)	-	(166)	-	-	(18,288)	-	-	-	(51,029)	51,029	-
Consolidated net income for the year ended December 31, 2010	-	-	-	-	-	-	-	7,783,193	-	-	-	7,783,193	(111,588)	7,671,605
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	304,838	-	-	304,838	-	304,838
Equity in the valuation gain on available-for-sale financial assets of equity method investees	-	-	-	-	-	-	-	-	57,925	-	-	57,925	-	57,925
Cash dividends received by a subsidiary from parent company	-	-	5,579	-	-	-	-	-	-	-	-	5,579	-	5,579
Translation adjustments	-	-	-	-	-	-	-	-	-	(130,326)	-	(130,326)	-	(130,326)
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	5,665	5,665
Effect of changes in consolidated entities	-	-	-	-	-	-	-	-	-	-	-	-	145,720	145,720
BALANCE, DECEMBER 31, 2010	<u>3,362,302</u>	<u>\$33,623,017</u>	<u>\$ 18,704</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 335,915</u>	<u>\$ 1,630,512</u>	<u>\$ 8,714,773</u>	<u>\$ 1,038,432</u>	<u>\$ (91,242)</u>	<u>\$ (142,365)</u>	<u>\$45,127,783</u>	<u>\$ 227,027</u>	<u>\$45,354,810</u>

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

(With Deloitte & Touche audit report dated February 8, 2011)

MACRONIX INTERNATIONAL CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income attributable to shareholders of the parent	\$ 7,783,193	\$ 5,696,344
Net loss attributable to minority interests	(111,588)	(110,496)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,671,995	2,815,702
Amortization	109,281	103,670
Gain on disposal of financial instruments, net	(394)	(41,951)
Equity in losses of equity method investees, net	18,404	13,442
Loss (gain) on disposal of assets, net	(7,138)	10,588
Impairment loss	3,162	31,680
Valuation gain on financial assets, net	(7,864)	(27,726)
Deferred income tax	27,077	295,281
Net changes in operating assets and liabilities:		
Notes and accounts receivable	980,546	(1,937,786)
Receivables from related parties	26,569	107,794
Other receivables	(201,632)	52,308
Inventories	(1,047,125)	2,404,443
Other current assets	(245,946)	226,473
Notes and accounts payable	146,070	548,127
Payables to related parties	23,550	17,906
Income tax payable	537,641	113,937
Accrued expenses	70,680	(144,652)
Accrued bonuses to employees, directors and supervisors	171,925	288,939
Other current liabilities	(19,417)	(53,028)
Accrued pension cost	787	23,750
	<u>10,929,776</u>	<u>10,434,745</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in restricted assets	(2,731)	1,211,205
Acquisitions of available-for-sale financial assets	(300,000)	(150,132)
Proceeds from disposal of available-for-sale financial assets	300,394	-
Proceeds from liquidation of financial assets carried at cost	-	17,714
Proceeds from disposal of financial assets carried at cost	-	150
Proceeds from disposal of investments accounted for using equity method	-	150,523
Proceeds from liquidation of investments accounted for using equity method	-	15,291
Acquisitions of property, plant and equipment	(16,525,791)	(1,210,467)
Proceeds from disposal of property, plant and equipment	44,081	4,817
Increase in intangible assets	(127,663)	(65,849)
Proceeds from disposal of intangible assets	-	174
Decrease in refundable deposits	2,332	5,115
Decrease (increase) in other assets	(28,027)	5,044
	<u>(16,637,405)</u>	<u>(16,415)</u>
Net cash used in investing activities		

(Continued)

MACRONIX INTERNATIONAL CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in short-term bank loans	2,806,080	(1,140,127)
Increase in long-term bank loans	4,000,000	-
Repayment on long-term bank loans	(229,100)	(910,101)
Increase (decrease) in guarantee deposits	(134)	245
Proceeds from exercise of employee stock options	745,006	504,349
Proceeds from disposal of treasury stocks	-	37
Cash dividends	(4,973,658)	(2,071,522)
Increase in minority interests	<u>5,665</u>	<u>33,657</u>
Net cash provided by (used in) financing activities	<u>2,353,859</u>	<u>(3,583,462)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(77,685)</u>	<u>(12,912)</u>
EFFECT OF INCLUSION OR EXCLUSION FOR CONSOLIDATION OF CERTAIN SUBSIDIARIES	<u>169,431</u>	<u>(63,310)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,262,024)	6,758,646
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>26,814,481</u>	<u>20,055,835</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 23,552,457</u>	<u>\$ 26,814,481</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid (excluding capitalized interest)	<u>\$ 6,486</u>	<u>\$ 9,080</u>
Income tax paid	<u>\$ 125,871</u>	<u>\$ 29,408</u>
NON-CASH FINANCING ACTIVITIES:		
Current portion of long-term bank loans	<u>\$ 1,611,236</u>	<u>\$ 229,100</u>
Current portion of lease payable	<u>\$ -</u>	<u>\$ 15,840</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisitions of property, plant and equipment	\$ 18,301,407	\$ 1,137,648
Net decrease (increase) in payables to contractors and equipment suppliers and obligations under capital leases	<u>(1,775,616)</u>	<u>72,819</u>
Cash paid	<u>\$ 16,525,791</u>	<u>\$ 1,210,467</u>

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

(With Deloitte & Touche audit report dated February 8, 2011)

(Concluded)

Attachment 2

Audit Committee's Report

To: 2011 General Shareholders Meeting of Macronix International Co., Ltd.

The 2010 financial statements of the Company and the consolidated financial statements have been audited by Deloitte & Touche, the Company's Independent Auditor. The aforesaid financial statements, the 2010 business report and the proposed 2010 earnings distribution have been review and determined to be correct and accurate by the undersigned. According to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Law, it is hereby submitted this report.

Independent director: Chiang Kao

Independent director: Yan-Kuin Su

Dated: March 14, 2011

Attachment 3**MACRONIX INTERNATIONAL CO., LTD.****The Proposal of 2010 Earnings Distribution**

Units : NT\$

Item	Amount
Net Income of 2010	7,783,193,228
Less: Adjustment arising from changes in ownership of investees	18,288,091
10% Legal reserve	776,490,514
Plus: undistributed earnings of previous years	949,868,103
Distributable earnings	7,938,282,726
Distribution Items :	
Cash Dividends to Shareholders (\$1.7 per share)	5,735,394,567
Undistributed earnings	2,202,888,159
Note :	
Compensation for Directors : NT\$139,768,292	
Employee Bonus (in cash) : NT\$1,012,128,453	

Attachment 4

The Comparison chart of the Articles of Incorporation

	Original	Revised	Note
Article 10	<p>Shareholders' meetings shall be convened as follows:</p> <ol style="list-style-type: none"> 1. General shareholders' meetings shall be convened by the board of directors within six (6) months following the end of each fiscal year <u>except as otherwise approved by the competent authority for good cause shown.</u> 2. Special shareholders' meetings may be convened according to the laws whenever it is necessary. 	<p>Shareholders' meetings shall be convened as follows:</p> <ol style="list-style-type: none"> 1. General shareholders' meetings shall be convened by the board of directors within six (6) months following the end of each fiscal year. 2. Special shareholders' meetings may be convened according to the laws whenever it is necessary. 	Revised according to paragraph 5 of Article 36 of Securities and Exchange Act
Article 17	<p>The Company shall have nine to fifteen directors (including three independent directors while the remaining directors are non-independent) to be elected by the Shareholders from nomination list, with a term of three-year and renewable upon re-election. Corporate shareholders may appoint representative to serve the directorship and may appoint new representative to take over as director for the remaining term of the directorship.</p> <p>Compensation for the chairman, non-independent directors and independent directors shall be determined by the Board of Directors in accordance with their respective participation and contribution to the operations of the business, and the domestic and international business standards. The Company shall purchase liability insurance for the directors (including independent and non-independent).</p>	<p>The Company shall have nine to fifteen directors (including <u>at least</u> three independent directors while the remaining directors are non-independent) to be elected by the Shareholders from nomination list, with a term of three-year and renewable upon re-election. Corporate shareholders may appoint representative to serve the directorship and may appoint new representative to take over as director for the remaining term of the directorship.</p> <p>Compensation for the chairman, non-independent directors and independent directors shall be determined by the Board of Directors in accordance with their respective participation and contribution to the operations of the business, and the domestic and international business standards. The Company shall purchase liability insurance for the directors (including independent and non-independent).</p>	Revised the number of independent directors
Article 21	<p>The notice of directors' meeting shall specify the purposes for which the meeting is convened and the agenda. Notice shall be provided to the directors and supervisors at least seven (7) days prior to a directors' meeting, provided, however, that a special directors' meeting and a</p>	<p>The notice of directors' meeting shall specify the purposes for which the meeting is convened and the agenda. Notice shall be provided to the directors and supervisors <u>by writing, fax or email, etc.</u> at least seven (7) days prior to a directors' meeting, provided, however, that a special</p>	Revised according to the Company's operation

	Original	Revised	Note
	managing directors' meeting may be convened without any notice in written form as deemed necessary.	directors' meeting and a managing directors' meeting may be convened without any notice in written form as deemed necessary.	
Article 22	The chairman of the board shall preside at directors' <u>or managing directors' meeting</u> . The chairman of the board shall appoint a managing director as proxy to preside at such meetings when the chairman of the board is unable to preside. In the absence of such appointment, the <u>managing directors or</u> directors shall elect one from amongst themselves.	The chairman of the board shall preside at directors' meeting. The chairman of the board shall appoint a managing director as proxy to preside at such meetings when the chairman of the board is unable to preside. In the absence of such appointment, the directors shall elect one from amongst themselves.	Deleted the matters of managing directors
Article 26	This Company shall have several managers. The appointment, removal and remuneration of such managers shall be determined by a resolution of a directors' meeting which is attended by a majority of directors and where a majority of those present votes are in favor of such a resolution.	This Company shall have several managers (<u>including CEO</u>). The appointment, removal and remuneration of such managers shall be <u>subject to relevant laws and regulations and</u> determined by a resolution of a directors' meeting which is attended by a majority of directors and where a majority of those present votes are in favor of such a resolution.	Revised according to the laws and the Company's operation
Article 34	This chapter is first enacted on August 21 st , 1989; first revised on April 21 st , 1990; second revision on September 9 th , 1990; third revision on April 27 th , 1991; fourth revision on November 9 th , 1991; fifth revision on July 18 th , 1992; sixth revision on June 19 th , 1993; 7 th revision on November 27 th , 1993; eighth revision on May 28 th , 1994; ninth revision on June 5 th , 1995; tenth revision on January 24 th , 1996; eleventh revision on June 22 nd , 1996; twelfth revision on May 31 st , 1997; thirteenth revision on June 29 th , 1998; fourteenth revision on May 3 rd , 2000; sixteenth revision and seventeen revisions on May 30 th , 2002; eighteenth revision on June 27 th , 2003; nineteenth revision on June 18 th , 2004; twentieth revision on June 30 th , 2006; twenty-first and twenty-second revision on June 29 th , 2007.	This chapter is first enacted on August 21 st , 1989; first revised on April 21 st , 1990; second revision on September 9 th , 1990; third revision on April 27 th , 1991; fourth revision on November 9 th , 1991; fifth revision on July 18 th , 1992; sixth revision on June 19 th , 1993; 7 th revision on November 27 th , 1993; eighth revision on May 28 th , 1994; ninth revision on June 5 th , 1995; tenth revision on January 24 th , 1996; eleventh revision on June 22 nd , 1996; twelfth revision on May 31 st , 1997; thirteenth revision on June 29 th , 1998; fourteenth revision on May 3 rd , 2000; sixteenth revision and seventeen revisions on May 30 th , 2002; eighteenth revision on June 27 th , 2003; nineteenth revision on June 18 th , 2004; twentieth revision on June 30 th , 2006; twenty-first and twenty-second revision on June 29 th , 2007; <u>twenty-third revision on June 10th, 2011.</u>	Added the date of revision

Attachment 5

The independent director candidates of Macronix International Co., Ltd.

Identification Number	Name	Education	Working Experience	Position	Shareholdings
N100056255	John C.F. Chen	B.S. degree in Accounting & Statistics from National Cheng Kung University	<ul style="list-style-type: none">• Admitted, Taiwan CPA• Chairman of Diwan & Company, CPAs	<ul style="list-style-type: none">• Chairman of Realy Development & Construction Corp.• Director of Chan Chun Investment Inc.• Chairman of Chen Chow Investment Inc.• Chairman of Diwan Investment Inc.	-

Attachment 6

The director who serves a position which may be deemed as within the scope of the Company's business

Name	Title of other company	Note	
Miin Chyou Wu	* Macronix (Asia) Limited	Director	New
	Dahong Investment Co., Ltd.	Representative (Chairman)	Permitted
	Eastern Electronics Co., Ltd.	Managing Director	Permitted
	* Macronix America Inc.	Director	Permitted
	* MXB Inc.	Director	Permitted
	* Macronix (BVI) Co., Ltd.	Director	Permitted
	* Macronix (Hong Kong) Co., Ltd.	Director	Permitted
	* Hui Ying Investment Ltd.	Representative (Director)	Permitted
	* Run Hong Investment Ltd.	Representative (Director)	Permitted
	* Macronix Microelectronics (Suzhou) Co., Ltd.	Chairman	Permitted
	* Magic Pixel Inc.	Chairman	Permitted
	* MaxRise Inc.	Chairman	Permitted
	* MoDioTek Co., Ltd.	Chairman	Permitted
* Infomax Communication Co., Ltd.	Chairman	Permitted	
* Mxtran Inc.	Chairman&President	Permitted	
Champion Investment Corporation	Unizyx Holding Corporation	Director	New
	WEB POINT CO., LTD.	Director	Permitted
Representative: Ding-Hua Hu	Ming Li Investment Corporation	Director	New
	Chien Hsu Investment Corporation	Director	New
	ZOWIE Technology Corporation	Representative (Director)	New
	Applied Vacuum Coating Technologies Co., Ltd.	Representative (Director)	New
	Industrial Technology Investment Corporation	Representative (Director)	New
	Champion Consulting Corporation	Chairman	New
	Champion Investment Corporation	Chairman	New
	Giga Solution Tech. Co., Ltd.	Representative (Chairman)	New
	Chien Pang Vacuum Capital Corporation	Representative (Chairman)	New
	Honpang Venture capital Corporation	Representative (Chairman)	New

Name	Title of other company		Note
Hung Chih Investment Corporation	Eastern Electronics Co., Ltd.	Director	Permitted
	Technology Associates Corp.	Director	Permitted
	Tech Alliance Corp.	Director	Permitted
Representative: H. C. Chen	Chin Ho Fa Steel & Iron Co., Ltd.	Chairman	Permitted
	Eastern Electronics Co., Ltd.	Representative (Director)	Permitted
	Technology Associates Development Corp.	Chairman	Permitted
	Shiong Yek Steel Corporation	Chairman	Permitted
	Technology Associates Corp.	Representative (Chairman)	Permitted
	Tech Alliance Corp.	Representative (Chairman)	Permitted
Chih-Yuan Lu	Ardentec Korea Co., Ltd.	Director	New
	Ardentec Corporation	Chairman & CEO	New
	Ardentec Singapore Pte. Ltd.	Director	Permitted
	Sheng Tang Investment Co., Ltd.	Representative (Chairman)	Permitted
	Feng Chia University	Director	Permitted
	* Macronix America Inc.	Chairman	Permitted
	* Macronix Europe NV.	Director	Permitted
	* Macronix (Hong Kong) Co., Ltd.	Director	Permitted
Shui Ying Investment Representative: Takata Akira	MegaChips Corporation	Director&Officer	New
Cheng-Yi Fang	Avnet Asia Pte. Ltd., Taiwan Branch	Regional President of Taiwan	Permitted
Chung-Laung Liu	CMSC, Inc.	Director	Permitted
	United Microelectronics Corp.	Independent Director	Permitted
	Anpec Electronics Corporation	Independent Director	Permitted
	Powerchip Semiconductor Corp.	Independent Director	Permitted
	DRAMeXchange Tech. Inc.	Chairman	Permitted
Achi Capital Limited	* Mxtran Inc.	Director	New
Representative : Stacey Lee	* Mxtran Inc.	Representative (Director)	New
	* Magic Pixel Inc.	Representative (Director)	New

Name	Title of other company		Note
Dang-Hsing Yiu	Dahong Investment Inc.	Representative (Director)	Permitted
	* Macronix America Inc.	Director	Permitted
	* INFOMAX HOLDING CO., LTD.	Director	Permitted
	* INFOMAX HOLDING COMPANY LIMITED	Director	Permitted
	* Magic Pixel Inc.	Representative (Director)	Permitted
	* MoDio Tek Co., Ltd.	Representative (Director)	Permitted
	* Mxtran Inc.	Representative (Director)	Permitted
	* MaxRise Inc.	Representative (Director)	Permitted
	* INFOMAX COMMUNICATION (SUZHOU) CO., LTD. * Infomax Communication Co., Ltd.	Chairman&President Director&President	Permitted Permitted
Ful-Long Ni	* Macronix Pte.Ltd.	Director	Permitted
	* Macronix (Hong Kong) Co., Ltd.	Director	Permitted
	* Infomax Communication Co., Ltd.	Representative (Director)	Permitted
	* Macronix Europe NV.	Chairman	Permitted
Wen-Sen Pan	* Macronix (Hong Kong) Co., Ltd.	Director	Permitted
	* Macronix Pte. Ltd.	Chairman	Permitted
John C.F. Chen	Chan Chun Investment Inc.	Director	New
	Realy Development & Construction Corp.	Chairman	New
	Chen Chow Investment Inc.	Chairman	New
	Diwan Investment Inc.	Chairman	New

* Affiliated enterprises of Macronix International Co., Ltd.

Appendix 1

MACRONIX INTERNATIONAL CO., LTD. ARTICLES OF INCORPORATION

June 29, 2007
Revised by the regular shareholders' meeting of 2007

CHAPTER 1: GENERAL PROVISIONS

- Article 1: The Company is incorporated under those provisions of the Company Law relating to companies limited by shares, and is named as "Macronix International Co. Ltd."
- Article 2: The businesses engaged in by this Company shall be as follows:
The research & development, design, manufacture, testing, sale and consultation of the following products:
- I. Parts and modules for integrated circuit and semi-conductors, and system application products (including integrated circuit cards (boxes) and circuit modules, etc.)
 - (1) IC products for telecommunication systems;
 - (2) IC products for personal computers and peripheral devices;
 - (3) Products for consumable electronic systems;
 - (4) Multi-media computer products;
 - (5) Automatic electro-mechanical integrated products.
 - II. Light and electric components, parts and modules.
 - III. Design of software and process of computer data.
 - IV. To engage in the import and export trading business related to this Company's businesses.
- Article 3: Upon consent of the board of directors, the Company may provide guarantees for third parties in accordance with its Operational Measures Governing Guarantees and Endorsements which shall be separately enacted.
- Article 4: The Company's principal executive offices shall be located in the Science-Based Industrial Park in Hsinchu, Taiwan, R.O.C. The Company may, upon approval of the board of directors and competent authority, establish branch offices in Taiwan or abroad.
- Article 5: The total amount of investment made by this Company shall be exempted from the restriction provided in Article 13 of the Company Law.

CHAPTER 2: CAPITAL STOCKS

- Article 6: The Company's authorized capital is 65.5 billion NT dollars to be divided into 6.55

billion shares, with par value of NT\$10 per share; shares not yet issued will be issued pursuant to the decision of the Board of Directors.

650 million shares will be reserved from the above authorized capital for employee stock option to be issued pursuant to the decision of the Board of Directors.

Article 7: The share certificate of this Company shall be issued in registered form and signed by or affixed with the seal of at least three directors and numbered accordingly. The shares won't be effective until the authentication of the competent authority or the agencies of issuance and registration under their approval.

When issuing new shares, this Company may print collaborately the total amount of the issuance, but may be exempted from printing the share certificates, including the issuance of security other than shares.

Article 8: The handling of stock affairs of this Company shall be in accordance to the "Guidelines for Handling of Stock Affairs by Public Companies" and other relevant laws and regulations.

Article 9: For any new shares to be issued by the Company, except those set aside to be issued for purchase by employees and others pursuant to relevant laws and regulations, the shareholders shall have the preemptive right to subscribe to the new shares in proportion to their shareholdings.

CHAPTER 3: SHAREHOLDERS' MEETINGS

Article 10: Shareholders' meetings shall be convened as follows:

1. General shareholders' meetings shall be convened by the board of directors within six (6) months following the end of each fiscal year except as otherwise approved by the competent authority for good cause shown.
2. Special shareholders' meetings may be convened according to the laws whenever it is necessary.

Article 11: The chairman of the board shall preside at shareholders' meetings if the shareholders' meeting is convened by the board of directors. When the chairman of the board is unable to preside at a meeting, the directors present shall elect one from among themselves as proxy.

If the shareholders' meeting is convened by others with legitimate right, the one who convenes it shall preside at the meeting. When more than one conveners are present, they shall elect one from among themselves to preside.

Article 12: Notice shall be provided to each shareholder at least thirty (30) days prior to a general shareholders' meeting. Notice shall be provided to each shareholder at least ten (10) days prior to an extraordinary shareholders' meeting. The notice shall state the date and venue of the meeting and the purpose or purposes for which the meeting is called.

Article 13: Except as otherwise provided by the laws and regulations, shareholders of the Company are entitled to one vote for each capital stock.

- Article 14: Except as otherwise provided by the laws and regulations, a resolution may be adopted by the shareholders or proxy of a simple majority of the votes of the issued and outstanding capital stocks represented at a shareholders' meeting at which the shareholders of a majority of issued and outstanding capital are present or by proxy.
- Article 15: When a shareholder of the Company is unable to attend a shareholders' meeting for any reason, the shareholder may appoint a representative to attend such shareholders' meeting by presenting a written proxy form, which shall specify the scope of proxy. Where one person is acting as proxy for more than two shareholders, unless such person is engaged in the trust business or other proxy institutions of stock affairs approved by the competent authority, the votes exercised by such person shall not exceed three percent of all the issued and outstanding capital stocks, and the portion in excess thereof shall not be counted.
- Article 16: The resolution adopted at the shareholders' meeting shall, pursuant to the laws, be recorded in the minutes of the meetings which shall be signed or sealed by the chairman of the board and kept forever at the Company during its existence. The roster of attendance and the written proxy forms shall be kept for at least a year; provided, however, that shareholder file a litigation in accordance with Article 189 of the Company Law, the minutes shall be kept till the end of such litigation.
- Article 16-1: When Powerchip Semiconductor Corp. and its affiliates (individually and/or collectively "PSC") itself serves or designates others to serve the director of this company (individually and/or collectively "PSC Director"), neither PSC nor PSC Director shall use information of this company on matters other than the operation of this company, or disclose such information to any third party. The transaction between this company and each PSC ("Transaction") shall obtain the prior approval of more than one half of the shareholders (other than PSC) attending the shareholders' meeting of this company. However, in the event the Transaction merely grants rights to this company, it can be proceeded if more than one half of the directors of this company (other than PSC Director) approve said Transaction and its details are reported to the following shareholders' meeting. The president of this company shall report the progress of the Transaction to the supervisor from time to time, and the negotiation and conclusion of any and all Transaction shall be represented by non-PSC supervisor(s) of this company. The Transaction is invalid if the foregoing is violated.

CHAPTER 4: DIRECTORS, SUPERVISORS AND MANAGERS

- Article 17: The Company shall have nine to fifteen directors (including three independent directors while the remaining directors are non-independent) to be elected by the Shareholders from nomination list, with a term of three-year and renewable upon re-election. Corporate shareholders may appoint representative to serve the directorship and may appoint new representative to take over as director for the

remaining term of the directorship.

Compensation for the chairman, non-independent directors and independent directors shall be determined by the Board of Directors in accordance with their respective participation and contribution to the operations of the business, and the domestic and international business standards. The Company shall purchase liability insurance for the directors (including independent and non-independent).

Article 18: The Company shall have three to four supervisors to be elected by the shareholders from a nomination list, with a term of three-year and renewable upon re-election. In the event an audit committee, i.e., a committee to be formed by at least three independent directors with at least one independent director specialized in accounting or finance) is established, the Company is not required to elect supervisor. In the case that supervisors have been elected, they will be terminated immediately upon the formation of the audit committee and the provisions relating to Supervisor hereof shall become void.

Compensation for supervisors shall be determined in accordance with their participation and value of contribution, and the domestic and international business standards. The Company shall purchase liability insurance for the supervisors.

Corporate shareholders may appoint representative to be elected as supervisors and may appoint new representatives or supervisor to take over as supervisors for the remaining term.

Article 19: The Directors shall elect from among themselves a board chair acting as the representative of the Company, by a majority in a meeting attended by over two-thirds of the Directors.

Article 20: The directors' meeting shall be convened by the chairman of the board. The initial directors' meeting of each term shall be convened by the director who receives the number of ballots representing the largest number of votes. If a director is unable to attend a directors' meeting, the director may appoint another director to attend the meeting as proxy; provided, however, that the proxy shall accept the appointment of one director only. A director who lives abroad may appoint in written form another shareholder domiciled within the territory of R.O.C. to attend regularly by proxy any directors' meeting. Such appointment of proxy shall be registered with the competent authority.

If the directors' meeting is conducted in a manner of digital videoconference, the directors who participate in such conference via digital video shall be deemed be present in person.

Article 21: The notice of directors' meeting shall specify the purposes for which the meeting is convened and the agenda. Notice shall be provided to the directors and supervisors at least seven (7) days prior to a directors' meeting, provided, however, that a special directors' meeting and a managing directors' meeting may be convened without any notice in written form as deemed necessary.

Article 22: The chairman of the board shall preside at directors' or managing directors' meeting. The chairman of the board shall appoint a managing director as proxy to preside at such meetings when the chairman of the board is unable to preside. In the absence of such appointment, the managing directors or directors shall elect one from amongst themselves.

Article 23: When passing upon any resolution, each director shall have one vote. Unless the laws, regulations or articles of incorporation specifically provide otherwise, a directors' meeting at which a resolution is adopted shall be attended by a majority of the directors and a majority of those present votes in favor of such a resolution. Minutes of directors' meetings shall be prepared to record the businesses transacted at a directors' meeting.

Article 24: Responsibility of the Board of Directors.

1. Approve the operation directives and the long term as well as short term development plans.
2. Review, implement and supervise the annual business plan.
3. Approve the budget and annual financial report.
4. Propose the increase and decrease of capital.
5. Propose distributions of earning and/or offset of losses.
6. Discuss and approve material agreements.
7. Approve the purchase and disposal of material assets.
8. Approve the distributions for technology shares.
9. Propose amendments to these Articles of incorporation.
10. Approve bylaws and internal rules.
11. Approve establishment, restructure or dissolution of branch offices.
12. Approve material capital expenditure.
13. Hiring and dismissing managers.
14. Convene shareholders meeting and report on the operations of the business.
15. Establish functional committees and approve rules regarding said committee.
16. Other authority imposed by law or shareholders' meeting.

Article 25: In the event the supervisor ship is established, the responsibility of such supervisor are as the following:

1. Investigate the business and financial status of the Company.
2. Audit company documents.
3. Supervise business implementations.
4. Other authority imposed by law or by shareholders' meeting.

Article 26: This Company shall have several managers. The appointment, removal and remuneration of such managers shall be determined by a resolution of a directors' meeting which is attended by a majority of directors and where a majority of those present votes are in favor of such a resolution.

Article 27: The manager of this Company, within his powers and authorities, shall have the

authority to manage the affairs of this Company and to sign on behalf of the said Company. The relevant authorization measures shall be stipulated by the board of directors.

Article 28: The fiscal year of this Company shall commence on the first day of January each year and shall end on the thirty-first day of December. A year-end accounting statement shall be prepared at the end of each fiscal year.

Article 29: At the end of the year, the Board of Directors shall deliver the following documents to the annual shareholders' meeting for approval in accordance with applicable laws, and submitted to the relevant government agency:

1. Business reports.
2. Financial statements.
3. Plan to distribute surplus or to appropriate fund in case of loss.

CHAPTER 5: ACCOUNTING

Article 30: In the case that the annual final audit results in surplus, funds shall be appropriated first for income tax payments and to compensate for losses from the previous year; 10% of the surplus shall then be appropriated for the legal reserve (except where legal reserve has exceeded total capital) and to reserve certain surplus in accordance with applicable laws. 2% of the balance will be distributed in cash as compensation for directors and supervisors. The remaining shall be added to the undistributed surplus from previous year and distributed in the following manner: 1) 85% as shareholder dividends; 2) 15% for employee bonus. The employee bonus can be distributed in form, i.e., cash or dividend, similar to shareholders' dividend.

The aforementioned dividends (including shareholder dividends and employee bonus) may be reserved in whole or in part as undistributed surplus to be distributed in the subsequent year.

Distributions shall be made in cash dividends or in stock dividends. Shareholders' dividend and employee bonus shall first be issued in cash dividends, however, the Company may, if necessitated by financial, business, or administrative needs, issue stock dividends, to the extent it does not exceed 50% of the current year's distribution. Employees eligible to receive stock dividends may include employees from the affiliated companies if they meet the criteria set by the Board of Directors.

Article 31: Dividends and bonuses to shareholders shall be distributed to those shareholders whose names are listed on the registrar of shareholders as of the record date set for purposes of the distribution.

Article 32: Any rules or measures related to the articles of incorporation shall be stipulated separately by the board of directors.

SECTION 6: SUPPLEMENTARY PROVISIONS

Article 33: Matters not provided for in this articles of incorporation shall be undertaken in accordance with relevant laws and regulations.

Article 34: This chapter is first enacted on August 21st, 1989; first revised on April 21st, 1990; second revision on September 9th, 1990; third revision on April 27th, 1991; fourth revision on November 9th, 1991; fifth revision on July 18th, 1992; sixth revision on June 19th, 1993; 7th revision on November 27th, 1993; eighth revision on May 28th, 1994; ninth revision on June 5th, 1995; tenth revision on January 24th, 1996; eleventh revision on June 22nd, 1996; twelfth revision on May 31st, 1997; thirteenth revision on June 29th, 1998; fourteenth revision on May 3rd, 2000; sixteenth revision and seventeen revisions on May 30th, 2002; eighteenth revision on June 27th, 2003; nineteenth revision on June 18th, 2004; twentieth revision on June 30th, 2006; twenty-first and twenty-second revision on June 29th, 2007.