

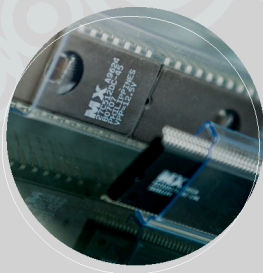
Face the Realities and Address Issues

Key to Winning

**Reorganize, dynamically manage assets,
focus on R&D, and integrate strategic alliances**



Macronix, founded and led by R&D elites, experienced a fantastic first decade. However, rapid expansion obscured the company's business focus and it fell from the crest of splendor. After three years of self-scrutiny and rigorous reform, Macronix now knows how to win again.



Established in December 1989, Macronix is the first Taiwan hi-tech company approved for listing on the local OTC market as well as the first Taiwan company listed on NASDAQ. Focusing on system-on-chips (SoC) as its long-term development goal, Macronix demonstrated rapid, steady growth in its first decade and became one of a few companies that provide one-stop shopping for Mask ROM, EPROM, and flash products in the entire world.

The management team at Macronix consists of semiconductor design elites from America and Taiwan thus R&D has always been a focus; they insist on making Macronix an integrated solutions provider that is truly committed to a long-term, strategic, and trustworthy partnership with customers.

Successful strategies and support from key customers created fantastic success in Macronix's first decade. Encouraged, Macronix pursued aggressive expansion into new products and new markets. At one time nearly 100 new R&D projects were conducted concurrently. This strong ambition defocused R&D efforts as resources spread too thin to have each project effectively completed to timely respond to the market; consequently when a severe economic downturn hit Macronix suffered severe losses.

As a result, Macronix recorded a total loss of nearly NT\$19.5 billion in 2002 and 2003. In the second half of 2002, Macronix began to scrutinize its entire operation and took a pragmatic approach to identify key issues that led to the loss. The insistence on pragmatism led to restructuring of business and organization, dynamic asset managing, R&D refocusing and integration of business alliances. After three years of hard work, the effect of Macronix's reform emerged in the second half of 2005, and the company regained its insight into how to win in the ever-changing semiconductor market.

