

Strategic Integration Will Create Another

Successful Decade

Focus, integrate, thoroughly execute, and rapidly grow with customers.



2005 is key to Macronix's comeback. By refocusing itself and establishing strategic alliances with international industry heavyweights, Macronix has retrieved its core business value and is turning from defensive into offensive for another glorious decade.

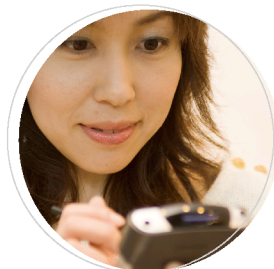


Form Strategic Alliances with International Heavyweights for New Business Opportunities around the World

Recognizing Macronix's long-term commitment to, and strengths in, the NVM technology, IBM and Infineon Technologies commenced cooperation with Macronix in May 2005 for the R&D of phase change memories (PCM) for next-generation PC. The new PCM technology provides high operating speed and high storage density with non-volatility thus promises to break the technology bottleneck that limits the scaling of current floating gate and 2bits/cell NBit™ technologies. This new technology will enable Macronix to win new markets in high-end servers and consumer electronics.

In addition to the ongoing NVM business expansion, Macronix has been working aggressively to expand logic chips applications for various electronic products. In 2005 Macronix expanded its cooperation with its Japan-based strategic partner MegaChips Corporation to further develop the Japan market and extend Macronix's successful experience with its key accounts such as Nintendo to a wider market. The expanded effort explores NVM and logic chips in the Asian-pacific market and focuses especially on consumer electronics and automotive products.

Macronix has excellent core technologies for voice, image control and communication logic chips as well as a strong customer base of communications system manufacturers in the Greater China region. The company's cooperation with MegaChips will help accelerate new product development and provide timely integrated solutions needed by customers, and it becomes a key factor for Macronix's growth.



Sony Playstation 2 has received global praise since its launch in March 2000, and its total sale has exceeded 100 million units. Macronix has contributed significantly to this success with its devotion of timely manufacturing support and outstanding quality parts. We hereby award this certificate of gratitude to express our sincere appreciation.

Sony Computer Entertainment Inc.
Chairman and Group CEO
Mr. Ken Kutaragi



Partner with Powerchip Semiconductor and Focus on R&D

To dynamically manage its asset and to form strategic partnership, Macronix sold its FAB III to Powerchip Semiconductor; the two companies will collaborate on sub-90 nanometer NVM/Flash advanced technology, and Powerchip Semiconductor will provide 12-inch wafer capacity to satisfy Macronix's next generation product and growth needs.



Smooth operation and capacity optimization of a 12-inch wafer fab require approximately NT\$100 billion in capital. At this stage Macronix chooses to focus on technology R&D. The choice of not investing in 12-inch fab building and the sale of its 12-inch wafer fab to Powerchip are consistent with the recent series of Macronix's refocusing strategies. This sale allows the dynamic managing of Macronix's assets, improves the overall operation cost and enhances its business results.

Given Macronix's deep roots in the area of NVM/Flash and Powerchip's strengths in 12-inch wafer fabrication and the economy of scale, the strategic alliance between the two companies to integrate their resources is going to enhance product competitiveness within the shortest timeframe to satisfy customers' needs of high-density memory products.

Reduce the Capital to Stay Lean and Transform the Company for a Committed Restart

During the first decade of Macronix, the company was aggressively developing new operations, but later the rapid expansion obscured its business focus and incurred a steep downturn. In 2005 the effect of Macronix's reengineering—"focus, integrate, and thoroughly execute" became clear. In addition to releasing its peripheral businesses into independent operations to improve their effectiveness, Macronix was proceeding with a plan to reduce its capital by 41.63% for a thorough financial structure improvement.

The capital reduction, dynamic asset management, product realignment, R&D refocusing and structural reorganization have thoroughly transformed Macronix. The valuable experience learned from steadfast management reforms over the past several years has provided strong confidence. With a financially lean and healthy start, Macronix is ready for the challenge of a new high point in the next decade.

