*TRANSCEND*
*REENGINEERING*

Back to Basics

Reorganizing to Compete

Macronix redoubled its
focus, integration and execution in 2004,
intent on regaining its cutting edge.

Turning Loss into Profit

Prosperity waxes and wanes and enterprises turn a profit or incur a loss. However, real competitiveness develops from the enterprise that keeps going, weathering storms and pushing forward as a viable organization. To strengthen enterprise continuity, Macronix has undertaken a profound self-examination over the past two years and has returned to the basics. From strategy, organization, and logistics, to the way we conduct business, all have been reengineered to establish a solid foundation for continuous operation of the enterprise. From losses of NT$11.3 billion in 2002 and NT$8.2 billion in 2003, to a profit of NT$200 million in 2004, Macronix continues to climb out of the red. This
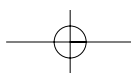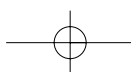
From left to right: Ray Mak, vice president — C.Y. Lu, senior vice president — Miin Wu, president — Tom Yiu, senior vice president

powerful momentum comes from groundwork we have carried out over the past two years. Macronix understands thoroughly that to come back from adversity and face future challenges, the most important requirements are a well-established foundation, a sense of responsibility and discipline, and strengthened competitiveness.

Maintaining Focus, Strengthening Execution

Pragmatism has always been Macronix's operating philosophy. In 2004 Macronix emphasized pragmatism throughout the organization, and continued to implement our 2003 strategies of Focus, Integration, and Execution.

In 2003 Macronix reorganized into two business groups, the Microelectronics and Memory Solution Group and the Integrated Solution Group. In 2004 Macronix continued to fine-tune management with comprehensive reform in five areas: strategy, special projects, intellectual property, inventory, and assets. This will allow full utilization and deployment of enterprise resources, bring into play our competitive strengths, and create the best operational results.

Products released on schedule in the first half of 2004 included a 64 polyphony harmonic chip for mobile phones, and a mega-pixel camera image sensor IC; in the second half of 2004, SIM card ICs for mobile
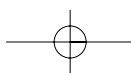
phones, and in the fourth quarter, a camera module IC. For 2005, a wireless communication IC is scheduled for mid-year, and a mobile phone chip solution is projected for the end of the year. In addition, our memory products have realized a thorough upgrade in manufacturing technology and a substantial drop in costs.

Deepening Integration, Enhancing Communication

Last year, with the emphasis on integration, Macronix established and reinforced a platform center system. Using platform centers formally began the shift to a strategic

From left to right: F.L. Ni, executive director — J.P. Peng, vice president — Y.H. Chao, associate vice president — H.C. Liou, associate vice president — Simon Wang, vice president — H.S. Pyi, executive director — Ken Hsieh, deputy director — Winston Chen, executive director

Miin Wu, President

My motto is very simple: Integrity. This is what I require of myself and my colleagues. Training our successors is vital for the future of Macronix, because the path of the technology industry is decided by many people seeking progress.

focus on communications. In the past, each of Macronix's product lines dealt with the mobile phone market independently. Now all product lines work together in similar markets. What was once casual cooperation has become a systematic and planned marketing approach.

With horizontal integration, Macronix began a platform strategy focusing on mobile phones. In addition to IC hardware, the platform involves software and all other systems required by the customer, including reference designs for finished products and even product systems. A comprehensive customer solution reduces the time between orders for Macronix products, and a customer spends less on R&D.

On the heels of rapidly developing digital technology, the traditional 3Cs are making the jump to integration. The new generation of information appliances and related applications are evolving, influenced by Digital Convergence and driven by the internet, global telecom liberalization, and lifestyle trends for technology products.

Mobile phones are becoming a key medium for the digital age, integrating digital camera, PDA, audio/visual entertainment, electronic commerce, and internet access into one microcomputer. With the growing complexity of this product and its requirements for integration, Macronix's mobile phone strategy promises an important advantage for future development.

Digital television is already a trend in audio-visual entertainment. Beginning in 2006, Japan will broadcast digital television programs. In 2008, the United States, Europe, Taiwan, and other areas will follow suit. Eventually the display industry will bring together digital television and mobile telecommunications to reach new heights. For Macronix, developing a strategic platform for mobile telecommunications is next.