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**ICHIA TECHNOLOGIES, INC.**

A leading component player in the world.

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# **Investor Conference**

**Apr 8, 2016**

# Agenda

| Times       | Content           |
|-------------|-------------------|
| 14:00~14:30 | Registration      |
| 14:30~15:30 | 1Q/2016 Operation |
| 15:30~16:00 | <u>Q&amp;A</u>    |
| 16:00       | Ending            |

# Consolidated Statements of Income 1Q/2016 (YoY comparisons)

Unit: In NT\$ thousands

|                             | 1Q/2016     |     | 1Q/2015     |     |
|-----------------------------|-------------|-----|-------------|-----|
|                             | Amount      | %   | Amount      | %   |
| Net Sales                   | 1,337,923   | 100 | 1,881,422   | 100 |
| Cost of Sales               | (1,279,005) | -96 | (1,804,920) | -96 |
| Gross Profit                | 58,918      | 4   | 76,502      | 4   |
| Operating Exp.              | (108,390)   | -8  | (174,924)   | -9  |
| Gain From Operations        | (49,472)    | -4  | (98,422)    | -5  |
| Non-Operating Income & Exp. | (30,684)    | -2  | 12,444      | 1   |
| Earnings Before Income Tax  | (80,156)    | -6  | (85,978)    | -4  |
| Tax Expense                 | 25,550      | 2   | 6,093       | -   |
| Net Income                  | (54,606)    | -4  | (79,885)    | -4  |

P.S. Figures shown above are consolidated and unaudited.

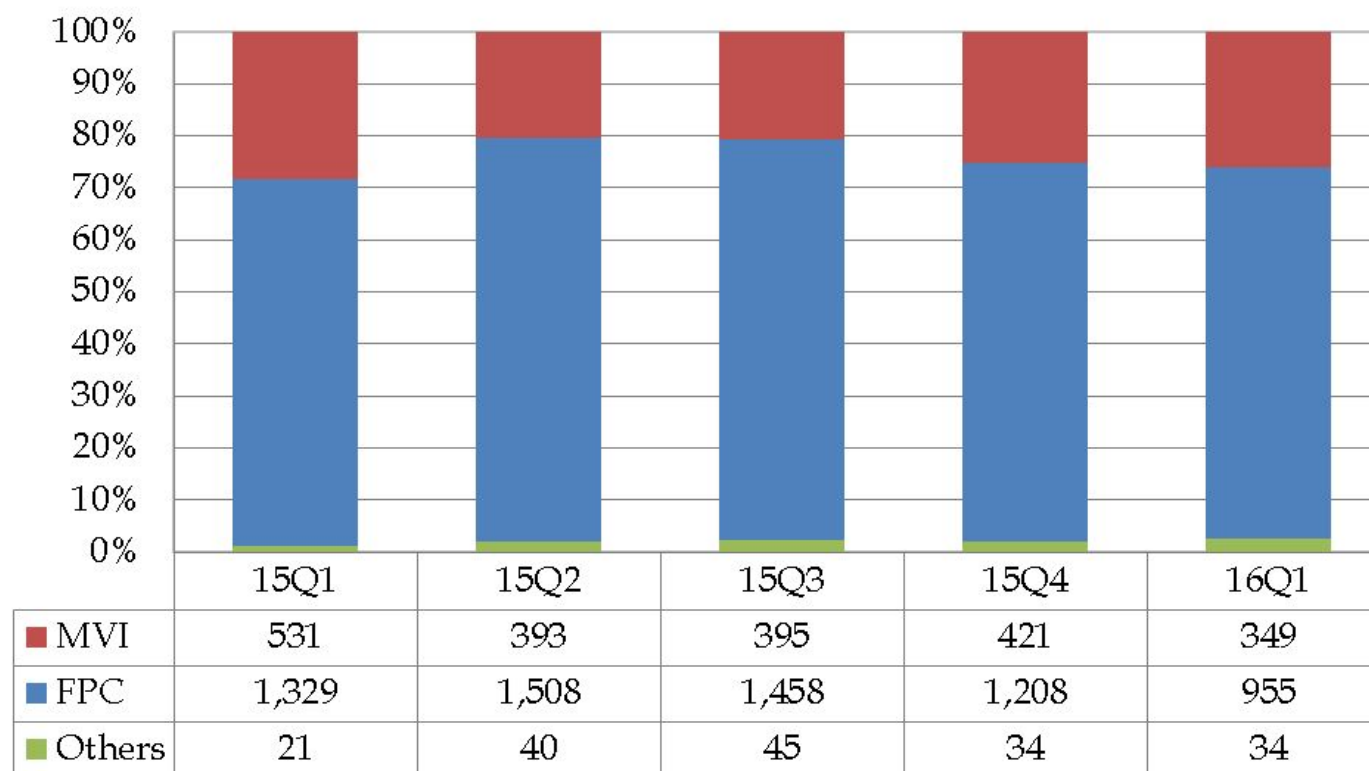
# Consolidated Statements of Income 1Q/2016 (QoQ comparisons)

Unit: In NT\$ thousands

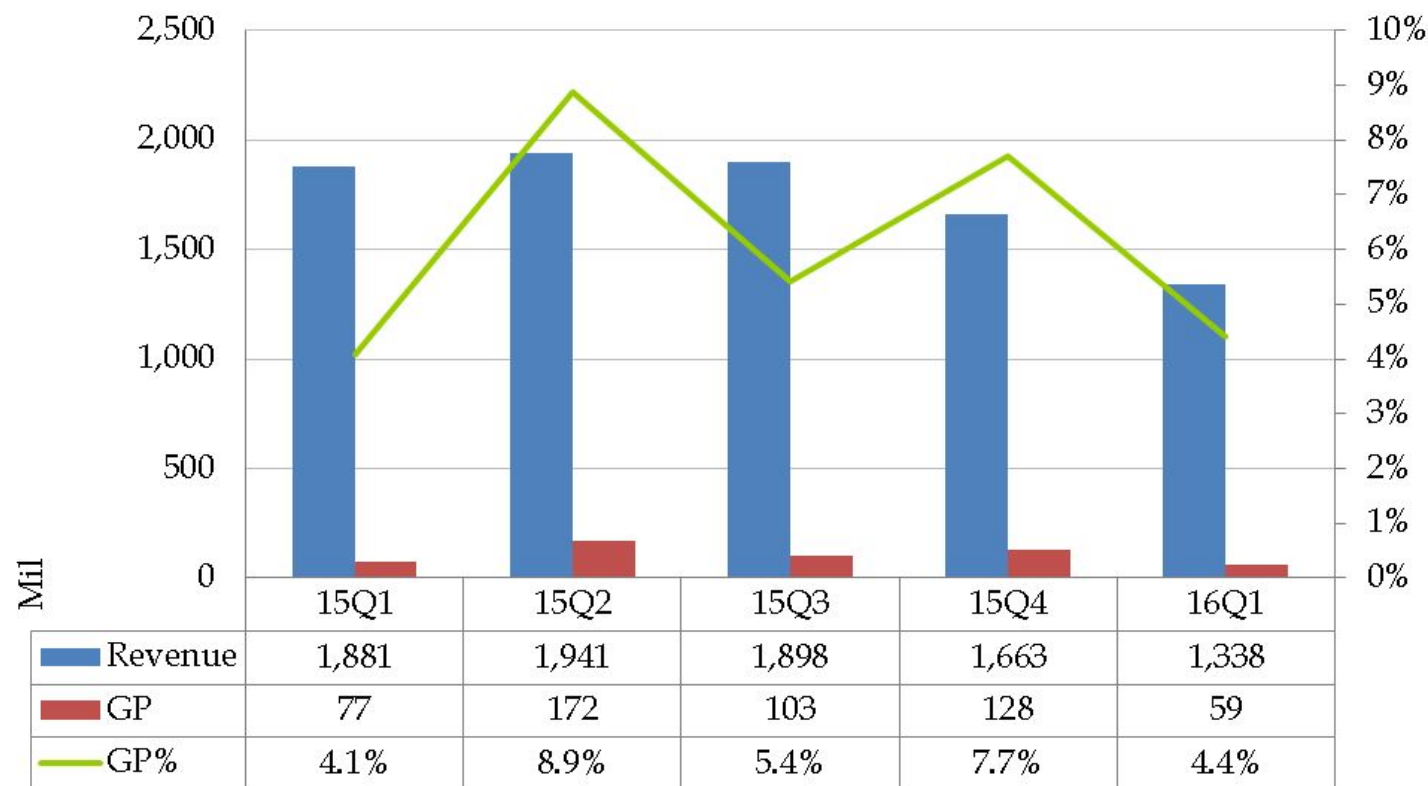
|                             | 1Q/2016     |     | 4Q/2015     |     |
|-----------------------------|-------------|-----|-------------|-----|
|                             | Amount      | %   | Amount      | %   |
| Net Sales                   | 1,337,923   | 100 | 1,662,526   | 100 |
| Cost of Sales               | (1,279,005) | -96 | (1,534,773) | -92 |
| Gross Profit                | 58,918      | 4   | 127,753     | 8   |
| Operating Exp.              | (108,390)   | -8  | (74,700)    | -5  |
| Gain From Operations        | (49,472)    | -4  | 53,053      | 3   |
| Non-Operating Income & Exp. | (30,684)    | -2  | (30,263)    | -2  |
| Earnings Before Income Tax  | (80,156)    | -6  | 22,790      | 1   |
| Tax Expense                 | 25,550      | 2   | (18,910)    | -1  |
| Net Income                  | (54,606)    | -4  | 3,880       | -   |

P.S. Figures shown above are consolidated and unaudited.

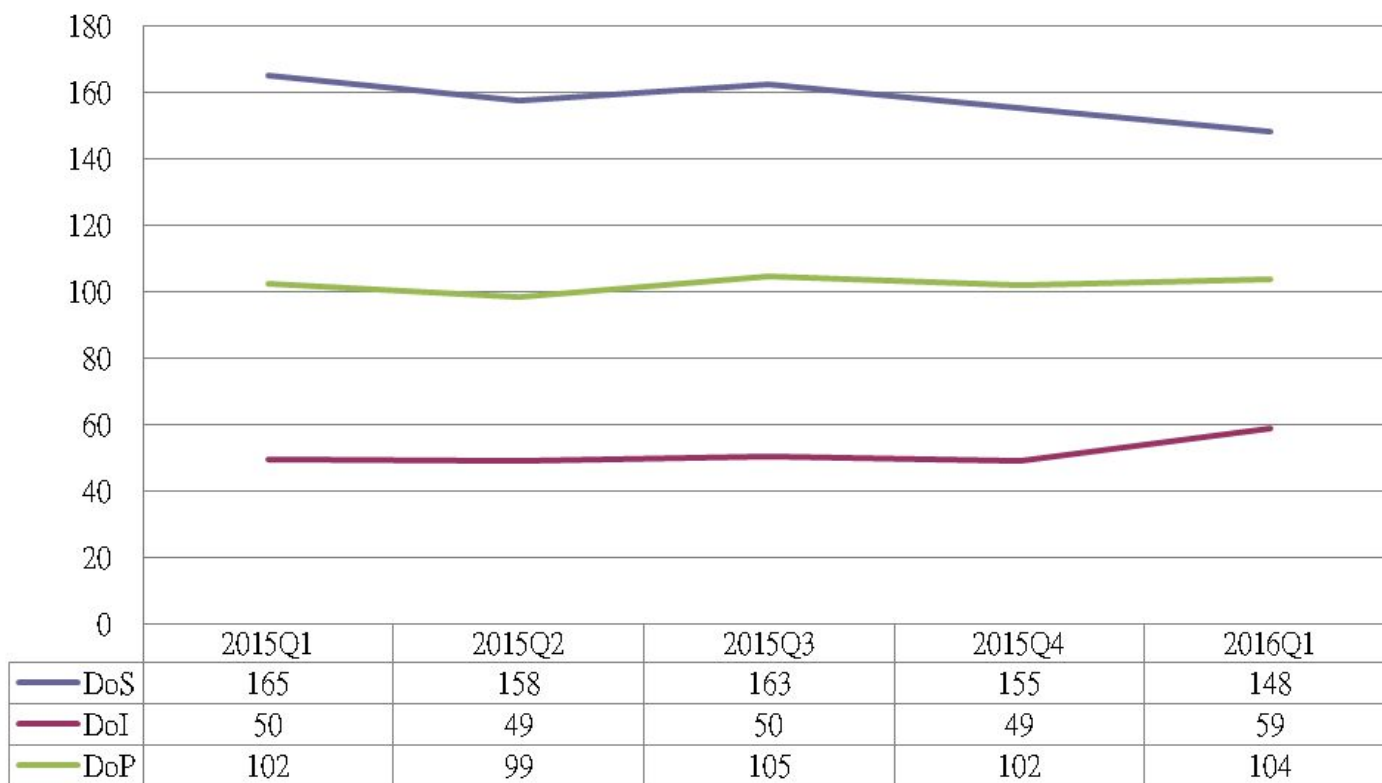
# Revenue Breakdown by BU



# Growth by Quarter



# Operation Ability



# **Ichia Business analysis with Institute investor**

**Larry Sun**

**2016/04/08**



# Agenda

- **The tough year for Ichia - 2015**
  - The impact to Ichia Revenue
  - What did Ichia gain from the downturns
- **What is the scenario for 2016**
- **How will Ichia react?**
  - MVI become self-sufficient operation.
  - FPC stand firm in " High Reliability" Market segmentation. ( Auto / OFC)
  - PEDLIM has been recognized by all customers finally.
- **Improve the profit to minimize the impact from Red-Color Supply Chain.**

# The tough year for Ichia - 2015

## - The impact to Ichia Revenue

- **Selling price dropped by 30% in Consumer applications.**
  - China Brand End customer ( **Red color Brand**) affected our customers to adopt the China local supplier ( **Red color Suppliers**).
  - Or we need to compromise the price level to sustain the business.
  - Wearables is struggling, only **Fitbit in good shape**.
- Fine pitch demand slipped **cause the MP timing shifted** to 2H16 or 2017.
- FPC business dropped dramatically from Jan. to April, Management team **late response on downsize** to low down the breakeven point, rest of months were struggling for balance the gap.

# The tough year for Ichia - 2015

## - What did Ichia gain from the downturns

### MVI



- MVI return to be **self-sufficient operation**
- Successfully positioned as the **world #1 player of "IP phone Key pad manufacturing."**
- Extend the business to Automotive Product line by successfully won from **Maxxxx, Visxxxxx,....**
- **Malaysian Operation** in good shape and continue grow with **profitable business.**
- **Molding process** successfully recognized by "Auto" , Business for Auto molding will be focused.

### FPC



- Successfully **penetrating Fxxx** and start the revenue from Q4
- Successfully increased the Auto Business allocation from **Txxx ( China), Ixxxx, Axxxx , ..and start new business from Jxxxx , Kxxxx and Sxxxx in 2016**
- Successfully open doors for **Gxxxx, Axxxx...**
- Low down the BEP by restructure the organization and integration of the operation

### Final Result

- Balance the loss in Q1 and make the 2015 in "positive" .

# What's scenario for 2016?

## ■ Positive side:

- **Automobile business expansion** with extended use of " Electronics" in/on Car for Informative, Driver Assistant, connection for Smart Devices,...
- Demand on **High speed communication (OFC)** increased dramatically (same form factor with 4x density required,...)
- **Number of Mass production on PEDLIM is growing** , even they are still in small quantity,...

## ■ Negative side:

- Price in consumer could be further reduced by "**Red-color**" **suppliers** or Hungry players.
- MP of consumer postponed for **ECN at the last minutes.**
- **Slow acceptance from market on New appliances ( Wearables,...** Watch,..)
- **No significant application to lead the market demand**

# Ichia in 2016 AutoShow





# How will Ichia react?

—MVI become self-sufficient operation.

## ■ MVI

- Fully **leverage the automation** to make the Keytone operation in very effective way reduce cost by manual operation effectively. make the low ( negative) margin **become profitable**.
- Adjust the **modulized Co-molding process** to collect **small "MOQ" business** win Wearable device flexibility , profitability.
- The volume for **Automobile mass production** pick up from Q4 last year significantly.
- Expand **Molding/Tooling** businese for Automobile.

➔ MVI become **self-sufficient operation comfortably**.

Automobile Product



OBM Product



Automation Equipment

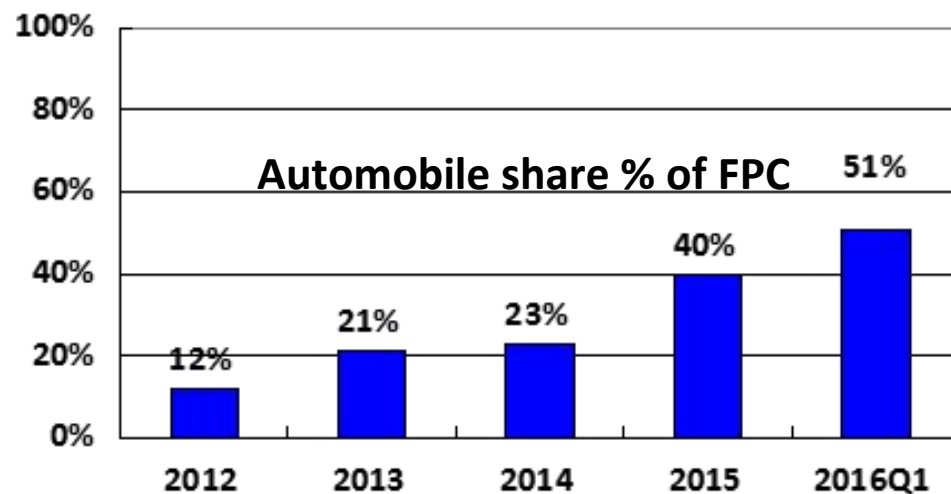


## How will Ichia react?

– FPC stand firm in " High Reliability" Market.

■ Automobile share in  
**Revenue > 50%** in Q1 2016.

■ Optical Fiber Communication  
( OFC) grow steadily



# of Items for OFC

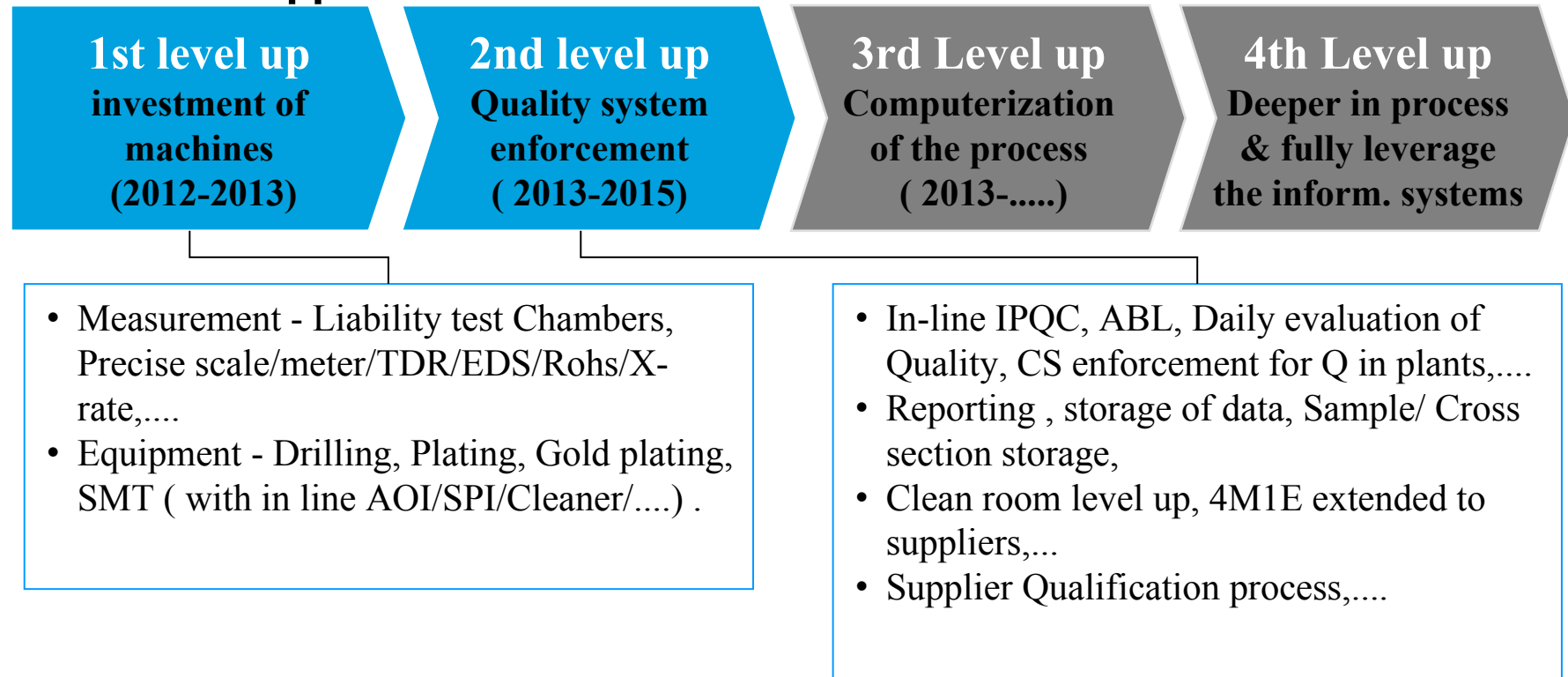
|                 | 4Q15 | 1Q16 | 2Q16 | 3Q16 |
|-----------------|------|------|------|------|
| Sample award    | 75   | 10   | TBD  | TBD  |
| Sample Approved | -    | 10   | 65   | 10+  |
| Mass production | -    | 10   | 35   | 45+  |

OFC quality demand even tougher than Automobile:

- Life time required : **Auto 10 years / OFC 25 years.**
- Quality demand : 1000Hr Thermal Shock demand : **Auto sample / OFC every MP shipment**
- Process Required: Auto **Normal soldering process** / OFC **Gold Bound all the time.**

# Why Automobile Segmentation is tough for normal FPC guys move in ?

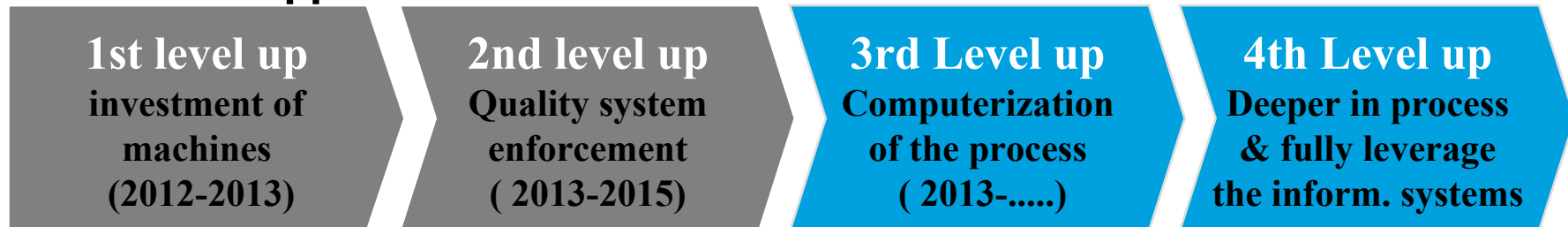
- 4 times level up to make Ichia be firm on the " specific " Automobile Electronic suppliers





# Why Automobile Segmentation is tough for normal FPC guys move in ?

- 4 times level up to make Ichia be firm on the " specific " Automobile Electronic suppliers



- Process to fit MOQ for Auto Market, Computerize all the data in the field ( Scan all the paper Document for filing) , Bar-code for panel,QR code for pieces,....traceability
- No temperate material storage along with production line allowed,..
- Cross comparison from in-coming material with out-going comparison to prevent mis-use of components,...
- Piece traceblity for " process machine" , "people", material/ components", " process parameter", ....

- Paperless approach for in plant process ( Pad for plant operation), all the parameter set by Bar-code scan ( Drilling, Plating, AOI, flying probe,.... SMT, ICT, ...)
- PC to manage the production progress by on-site PC clerk with auto alert for management attention,

## Why Automobile Segmentation is tough for normal FPC guys move in ?

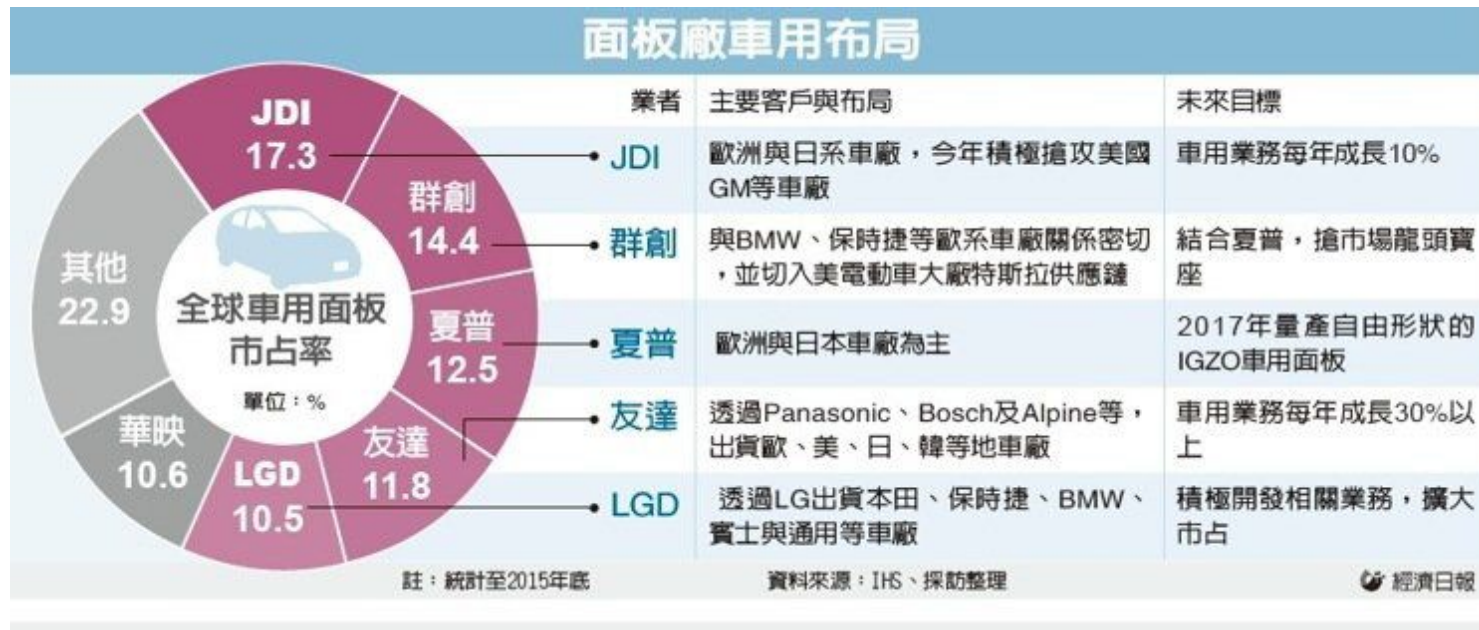
### ■ The challenge even tougher than Rigid-PCB fab for Automobile

- Full operation from **Bare FPC to FPCA and testing.**
- Not only consider the PCB traceability , we need to extended to component, **full functional module reliability, traceability to module level ( QR code on piece level) .**
- **Engineering efforts not only limited on Bare PCB works, but need to extended for function feature knowledge,...**
- **Project management is full scope as devices level instead of PCB board level.**

# Why Automobile Segmentation is tough for normal FPC guys move in ?

- The challenge not only the investment on " hardware investment", it is subjected to "software / managerial" mind-set migration. (the most difficulty throughout the " level-up" )
  - Determined to adopt the **crucial Quality system**,
  - Determined to **develop a system ( MIS/CIM/..)** to support the in-line quality and finished goods traceability.
  - Determined to innovate process for **prevent the " error" happened repeatedly.**
    - ✓ **Barcode to load the parameter to machine for process,**
    - ✓ **Remove all the Side-walk inventory back to central storage "daily basis" , allow the cross check by central data for misuse of material/ components.**
  - Determine to get the operator qualified with **"on-board training/qualification"**
- Promising Result to justify Ichia's previous Determination
  - Penetrate into new customers by referrals.
  - Award very crucial Quality demand **Customer " OFC" segmentation. ( 25 years reliability required. )**

# LCM module for Auto



Players from China : Tiema , BOE,

# How will Ichia react?

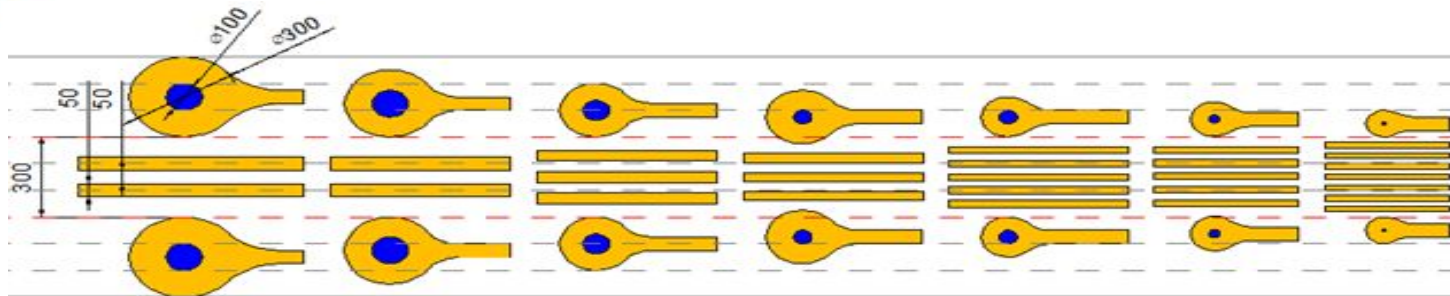
- PEDLIM recognized market firmly

| Layer | Application     | L/S     | blind via | buried via | via       | #Sample | #MP |    |
|-------|-----------------|---------|-----------|------------|-----------|---------|-----|----|
|       |                 |         | Drill/Pad | Drill/Pad  | Drill/Pad |         |     |    |
| 2     | Tablet          | 30/30   | -         | -          | 100/300   | 3       | 1   | ** |
|       | Cell phone      | 25/35   | -         | -          | 100/300   | 42      | 8   |    |
|       | CMOS            | 30/35   | -         | -          | 100/300   | 8       |     |    |
|       | NB              | 35/35   | -         | -          | 100/200   | 10      | 5   | ** |
|       | touch           | 25/25   | -         | -          | 100/250   | 45      | 3   |    |
|       | IC subtract     | 40/40   | -         | -          | 100/300   | 2       |     |    |
|       | Optical comu    | 33/50   | -         | -          | 30/130    | 5       | 2   | ** |
|       | Wearable device | 40/40   | -         | -          | 100/300   | 11      |     |    |
|       | Lightbar        | 100/100 | -         | -          | 150/400   | 3       |     |    |
| 4     | Tablet          | 60/70   | 40/275    | 30/275     | 150/400   | 0       |     |    |
|       | Cell phone      | 35/35   | 30/130    |            | 100/300   | 2       |     |    |
|       | CMOS            | 35/35   | 100/250   | 100/250    | 100/250   | 0       |     |    |
|       | Wearable device | 45/50   | 100/300   | 100/300    | 100/300   | 1       |     |    |
|       | Optical comu    | 33/50   | 30/200    | 100/200    | -         | 0       |     |    |
| 6     | Wearable device | 45/50   | 100/300   | 100/300    | 100/300   | 2       |     |    |
|       | Cell phone      | 30/30   | -         | -          | 100/300   | 1       |     |    |
| Total |                 |         |           |            |           | 135     | 19  |    |

Knocking the doors for business.



# Technology Roadmap



**L/S=25/25um**

**L/S=20/20um**

**L/S=15/15um**

Drill/PAD 100/250um 75/200um 50/150um 30/130um 10/100um

**2015**

**2016**

**2017**

**Thickness(D/S):110um**

**80um**

**60um**

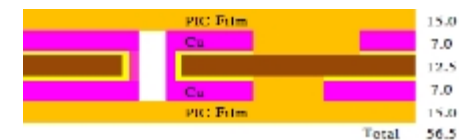
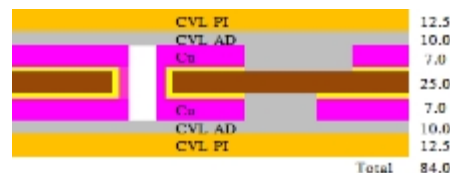
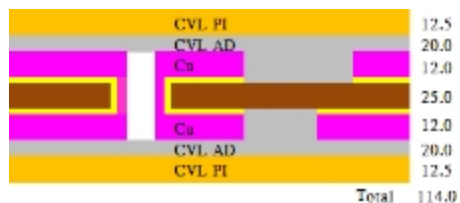
**Impeadence: ±10% for 5G ±7%for 10G**

**±5%for 20G**

**Multilayer: 4Layer(125um)**

**6layer**

**8Layer**

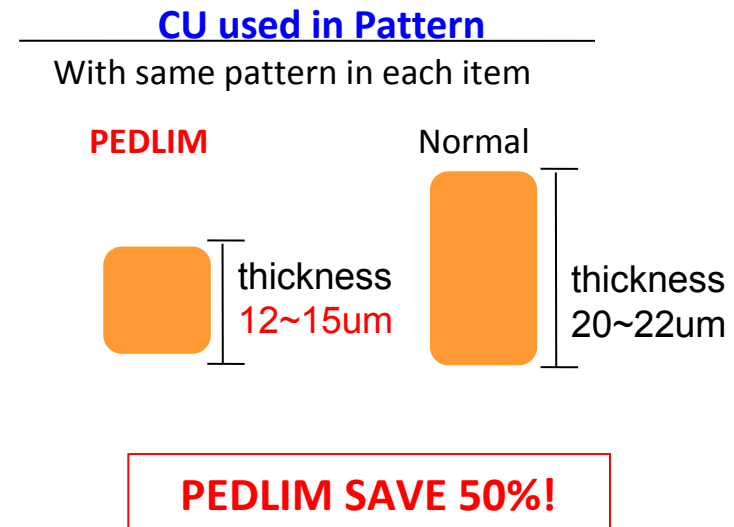
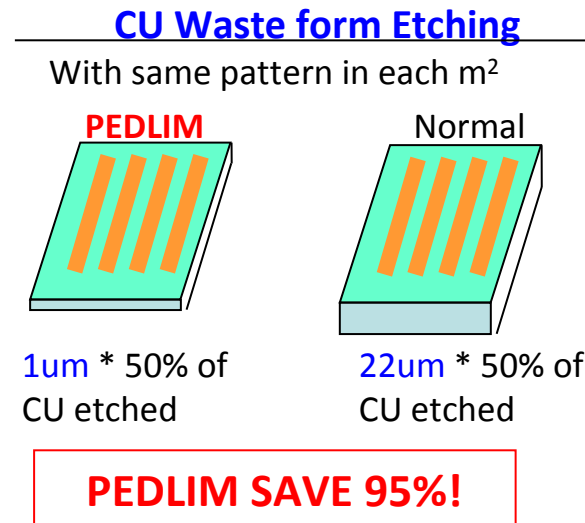


# What the PEDLIM do behind the superiors in technology?

## ■ Not just Fine pitch solution, what the technology mean to the customers:

### ➤ Environmental Friendly

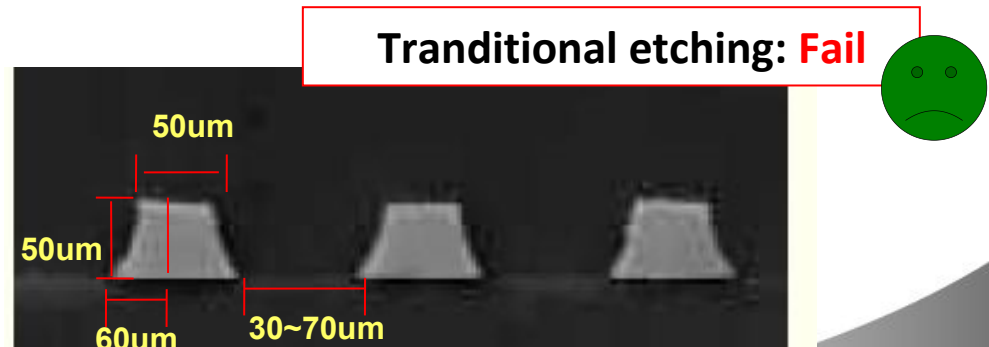
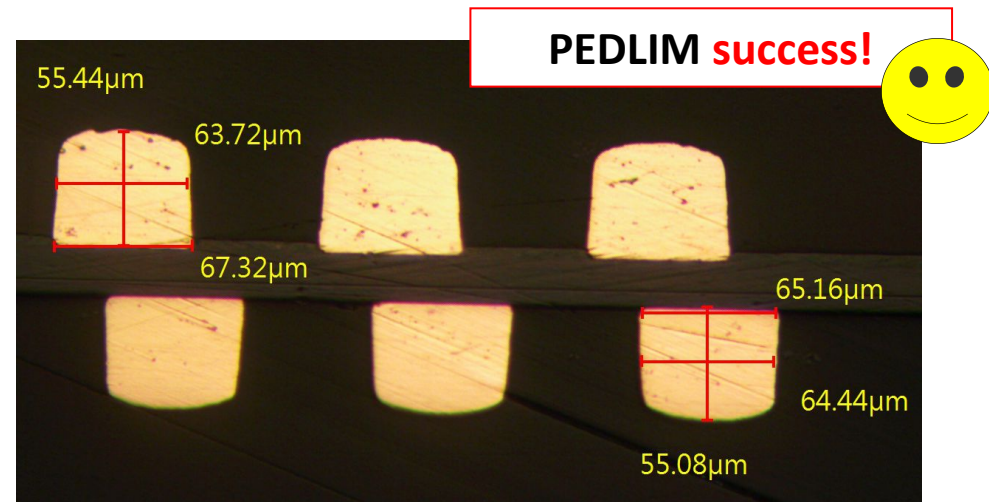
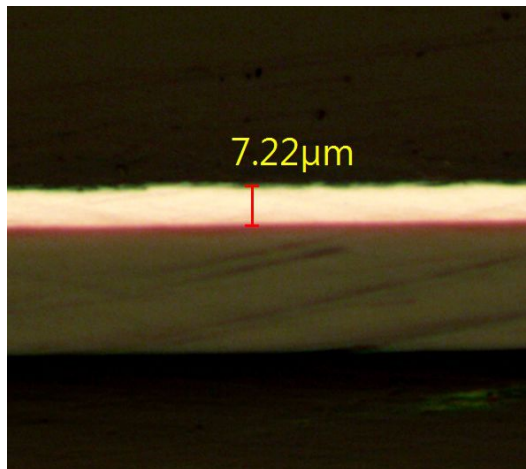
- **Cu waste is only 5% of the traditional Etching process.**



- **Electric power utilization (less than 4 processes from PI to pattern) .**
- **Less supporting materials required during the process**

# What the PEDLIM do behind the superiors in technology?

- ON-Demand Cu thickness for 6um to 60um with no interfering the width of line space





# Conclusion

- Ichia went through a tough turn in 2015 and but quickly recovered in 2016 by:
  - Low down BEP. from 6.5E to 5E.
  - > 50% revenue from "High Boundary Automobile" market to help Ichia minimize the impact from "Cut-throat Price War".
  - Worked with the Leading OFC company to help Ichia open doors for "High speed Communication" market segmentation.
  - PEDLIM has been well received by all the customers with pilot projects started to MP now.

**The efforts will help Ichia improve the profit to minimize the impact from Red-color suppliers.**

# Q & A

## 歡迎聯繫

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