Nanya Technology

Fubon Investment Conference Q1'2015

Presentation to Investors and Analysts 11th March 2015

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Agenda

01
OVERVIEW

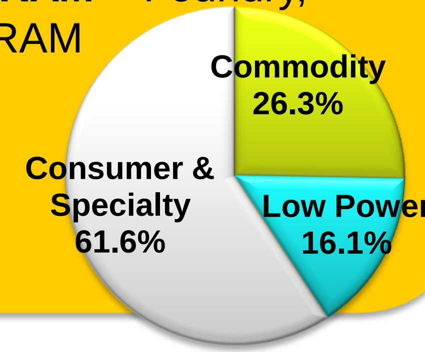
NTC Overview

Corporate Facts

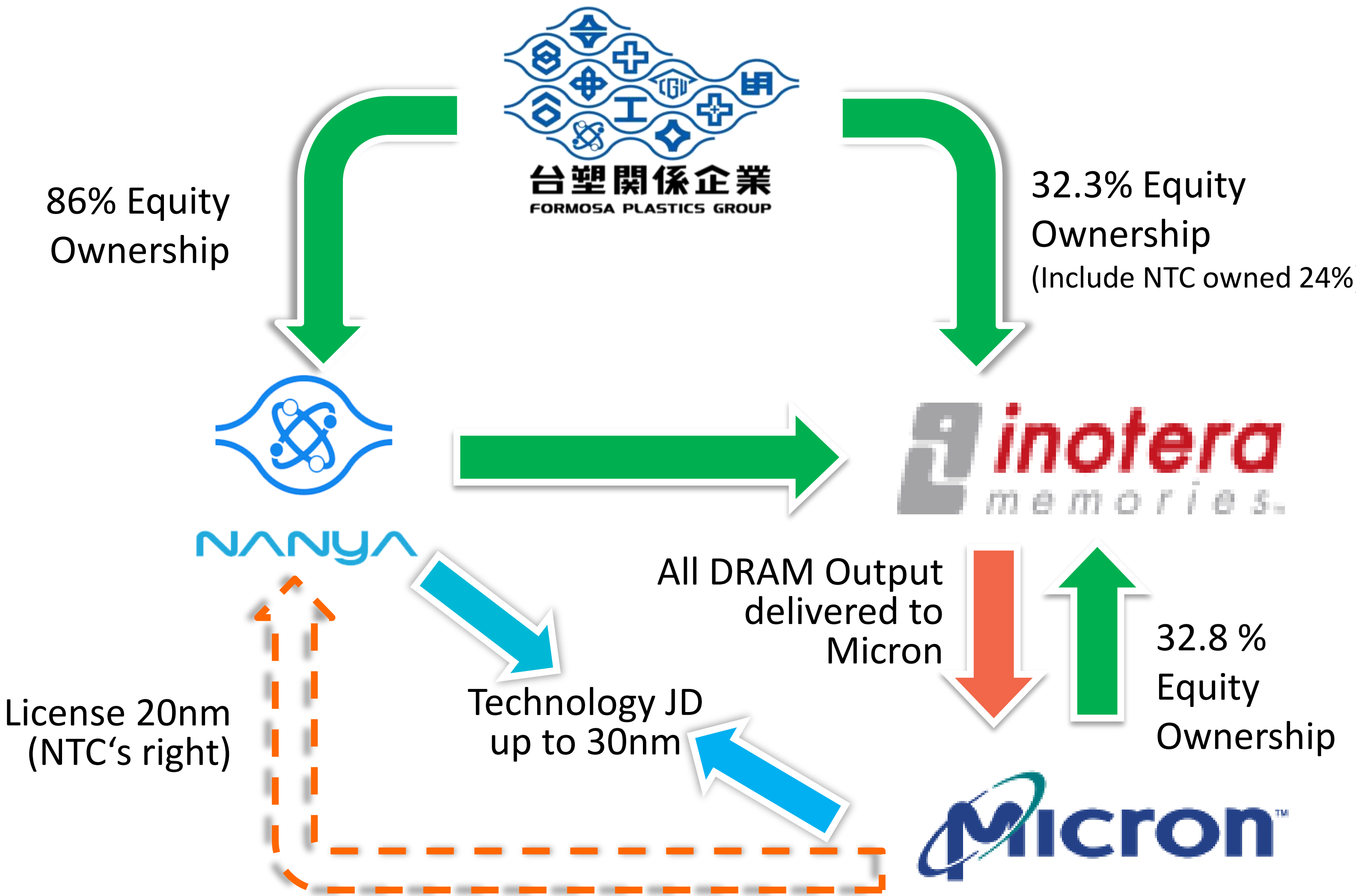
- DRAM Design, Production & Sales
- Founded in 1995, IPO in 2000
- Headquarters: Taoyuan, Taiwan
- Pan Formosa Group (FPG) has 86% equity ownership
- Technology:
  - Now: 30nm (90%) & 42nm (10%) (JD w/ Micron)
  - Next: 20nm (Have rights to license from Micron)
- Capacity : 60,000 WSPM* (12”)
- Record Profit in 2014
- NTC invests and owns 24% Inotera’s share

Product Mix

- High quality consumer & specialty DRAM products and multiple mobile memory solution.
- **Consumer & Specialty DRAM** - DDR4 ~ DDR1,Packaged & SiP
- **Mobile DRAM** - LP DDR3 ~ LP DDR1, KGD, PoP, & MCP
- **Customized DRAM** – Foundry, Non-JEDEC DRAM



Framework of Nanya, Micron & Inotera



Highlights

2014 Highlights

- Capital reduced from NT$ 239.6B to NT$ 23.96B
- Net Income of NT$28.24 billion(B)
- Net Margin 57.5%
- EPS NT$ 11.77, BVPS NT$17.17
- Accumulated Earnings: NT$ 10.8B
- Resume normal and margin share trading on November 19th 2014.

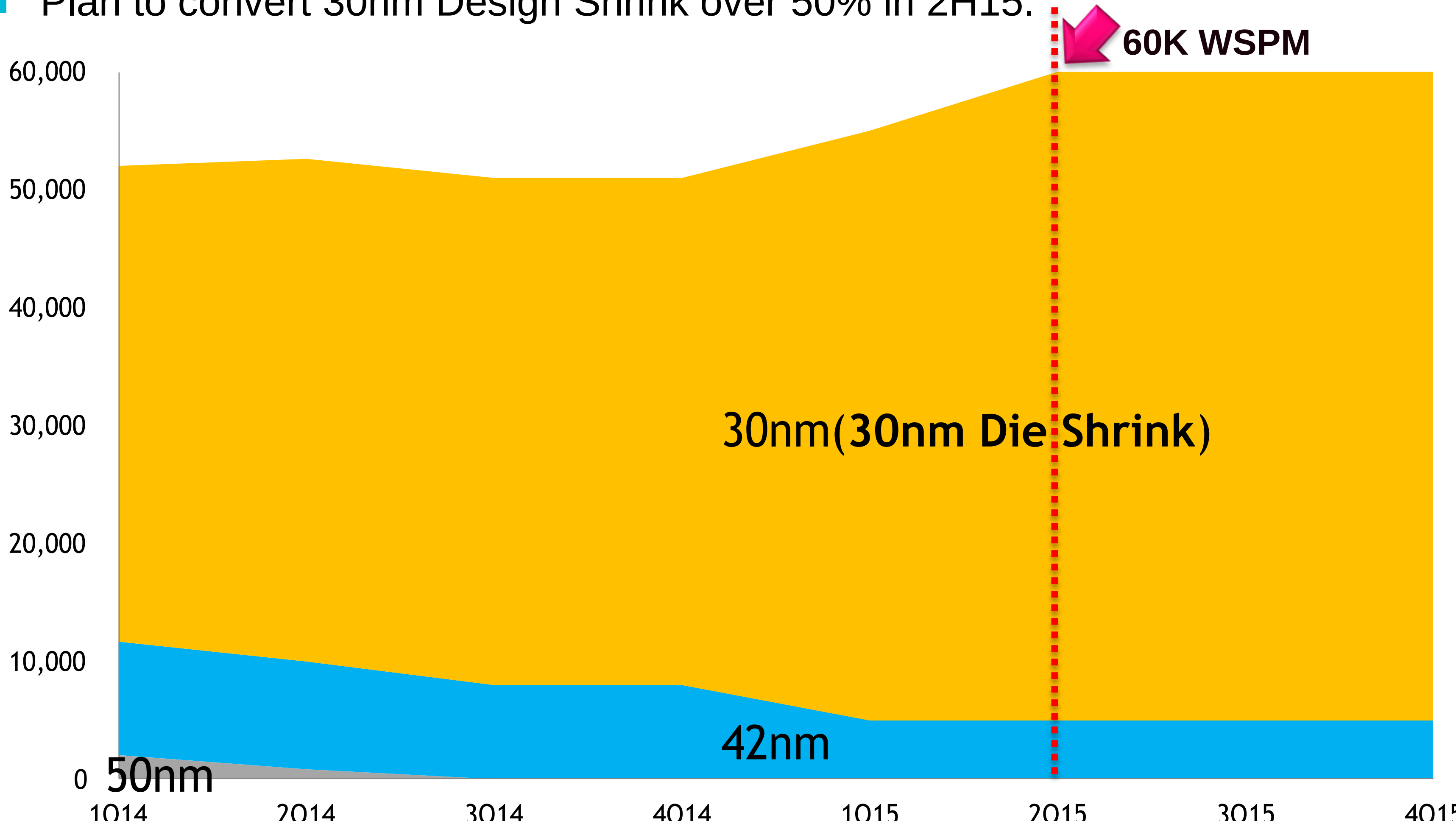
2015 Bit Growth Forecast

- 30nm Die Shrink Program
  - Ramping starts from Q4'14.
  - 30nm Die Shrink Products will increase 10~15% more bit.
- Production efficiency improve up to 10% wafer output.
- 2015 bit shipment estimates increase mid-teens yoy.

*BVPS: Book Value Per Share

Technology Mix Plan

- 30nm wafer output over 90% of total capacity. 42nm remains 10% at current.
- 30nm Die Shrink Program launched in 2H'14 will gradually generate 10 ~ 15% more bits per wafer for 2015.
- Plan to convert 30nm Design Shrink over 50% in 2H15.



02

REVENUE & RESULTS

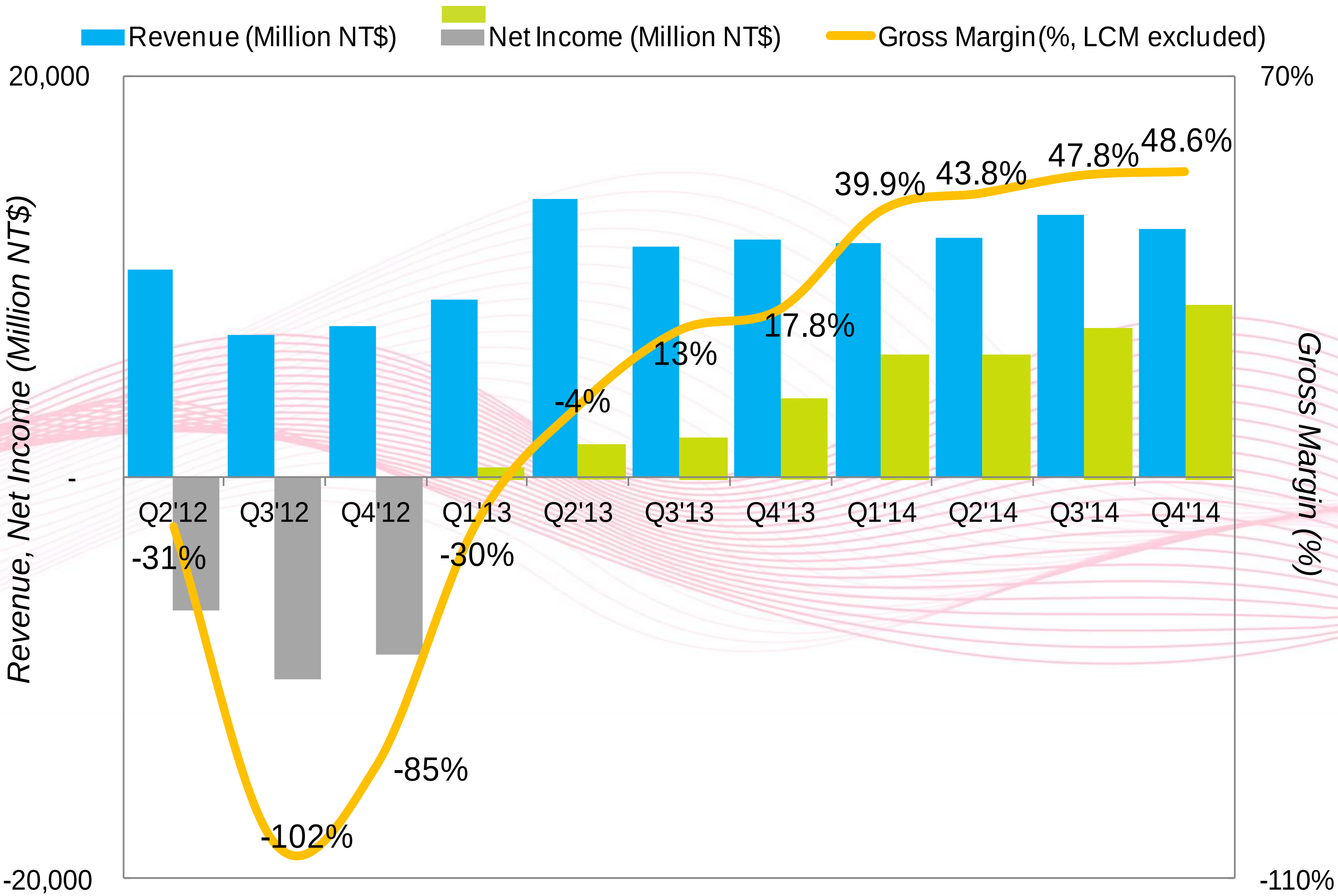
Q1’14~Q4’14 P&L Results

	*Unit: NT$B*				
	Q1	**Q2**	**Q3**	**Q4**	**2014**
Revenue	11.7B	11.9B	13.1B	12.4B	49.1B
Gross Profit ***Gross Margin (%)***	4.7B *40%*	5.2B *43.8%*	6.3B *47.8%*	6.0B *48.6%*	22.2B *45.1%*
Operating Income ***Operating Margin (%)***	4.0B *34%*	4.2B *35.6%*	5.5B *41.6%*	5.2B *41.7%*	18.8B *38.3%*
Non-operating Income	2.8B	2.2B	2.8B	5B	12.9B
Net Income ***Net Margin (%)***	6.1B *52%*	6.1B *51%*	7.5B *57%*	8.6B *69%*	28.2B *57.5%*
Capital	24B*				
EPS	2.56	2.54	3.11	3.56	11.77

* Company highlights:

- Capital reduction : Reduced from NT$ 239.6B to NT$ 23.96B on June 27, 2014.
- Debt ratio : Current debt ratio 60%.

Financial Highlights



LCM: Lower of cost or market.

1Q’14 ~ 4Q’14 Cash Flows

(Unit: Million NT$)	Q4'14 **Unaudited & Consolidated**	Q3'14 **Audited & Consolidated**	Q2'14 **Audited & Consolidated**	Q1’14 **Audited & Consolidated**
Beginning Balance	**4,167**	**7,422**	**7,109**	**3,996**
Cash from Operating Activities	7,622	6,461	5,935	7,096
Capital expenditures	-1,251	-3,933*	-485	-128
Long-term & Short-term loans	-3,954	-7,764	-5,005	-4,066
Investments and others	680***	1,981**	-132	211
Ending Balance	**7,264**	**4,167**	**7,422**	**7,109**
Free Cash Flow (1)	**6,372**	**2,528**	**5,450**	**6,968**

(1) Free Cash Flow = Cash from operating activities – Capital expenditures

**Capital expense on immersion in Q3’14.*

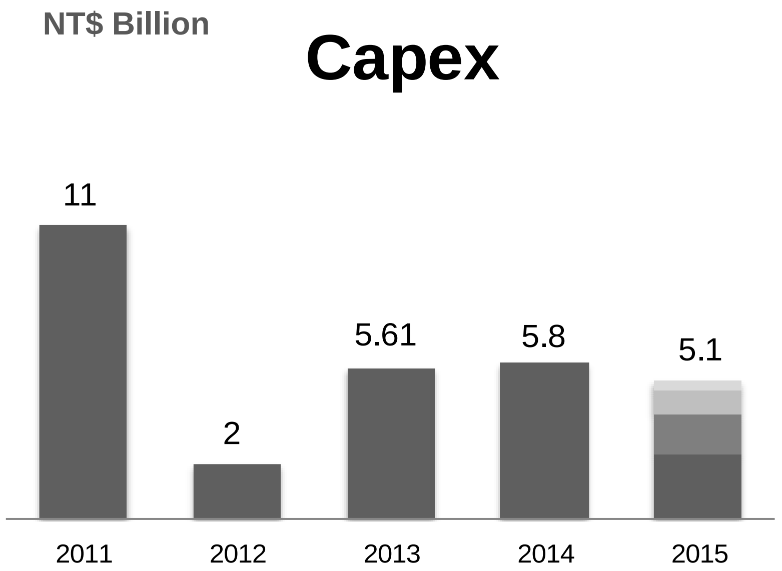
***Proceeds mainly from Sumpro’s asset disposition.*

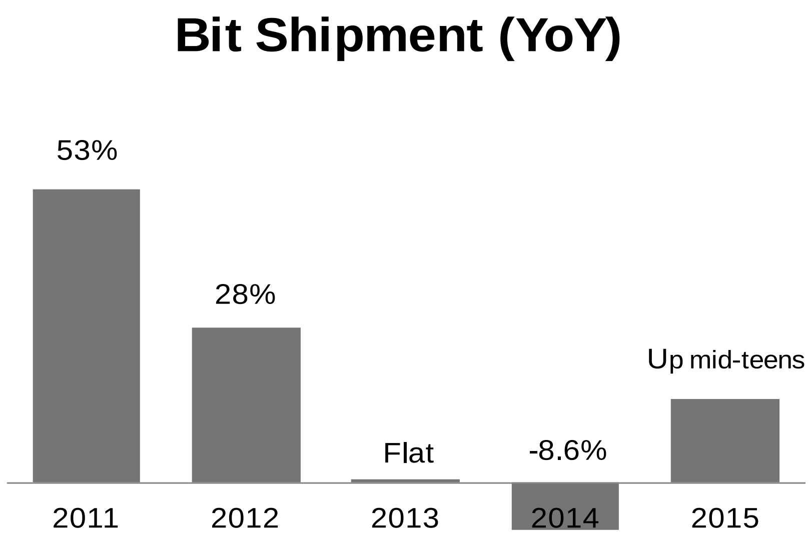
**** Mainly from employee stock option execution.*

03

CAPEX & BIT SHIPMENT

Capex & Bit Shipment





- **Capital Expenditure** (Capex)
  - NT$5,796M Capex of 2014.
  - NT$2,385M Capex of Q1'15.
  - Estimated NT$5,091M for 2015 Capex. (Guidance will be updated after 20nm decision made in Q1'15.)
- **Bit Shipment**
  - Q4'14 bit shipment decrease 2.8% QoQ.
  - Estimated bit shipment up low single digits in Q1'15.
  - 2015 bit shipment estimates increase mid-teens yoy.

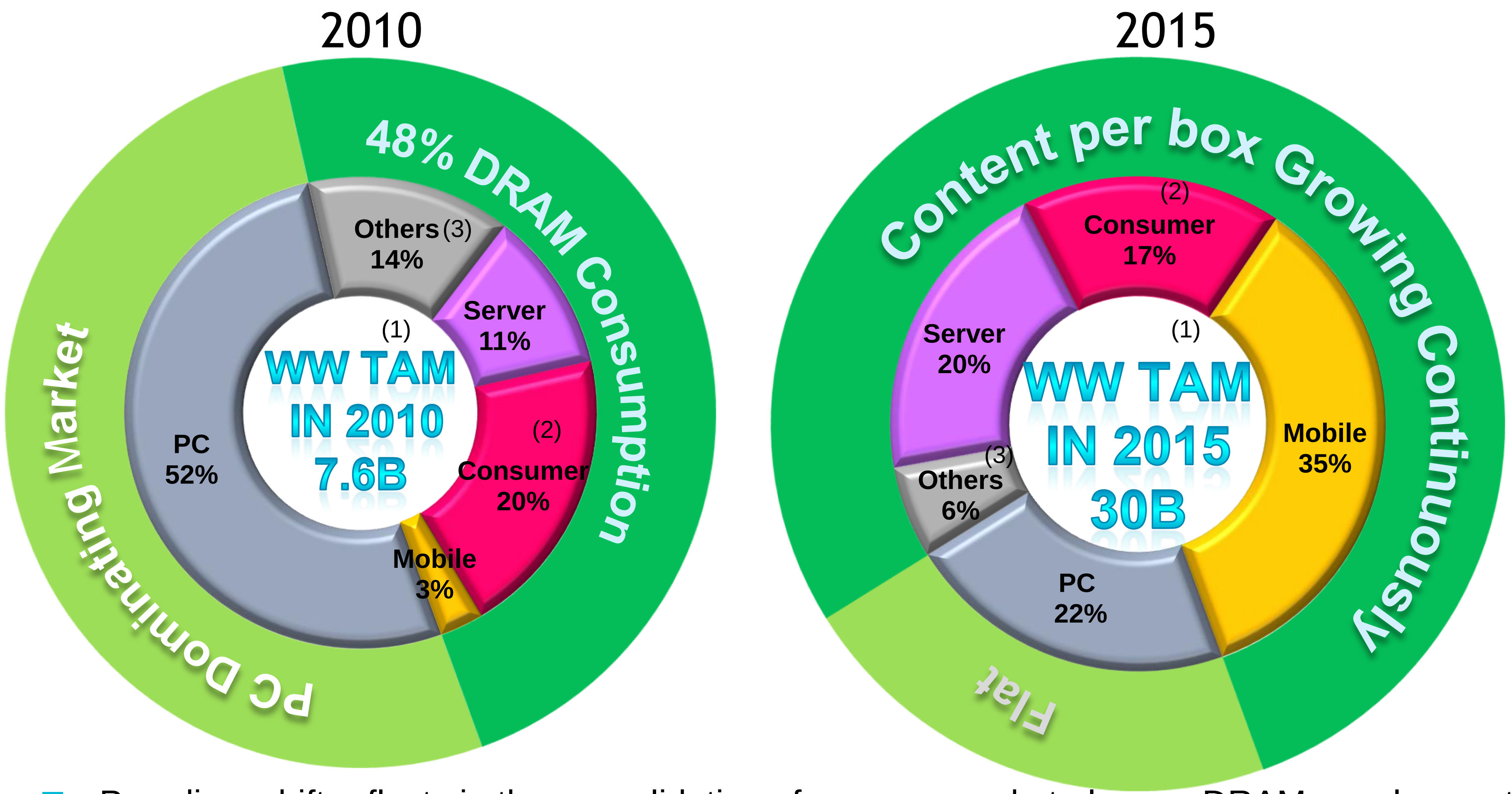
04

MARKET OUTLOOK

DRAM Market Outlook

Market Outlook	
Supply	■ Majority 25nm conversion completed in 2014, increasing technological complexity and rational vendors behavior leading to slower bit growth in 2015.
Demand	■ Server and cloud computing demand strong; while DDR4 adoption increase. ■ PC shipment lower than expectation in Q1’2015, Window 10 introduced 2H’2015. ■ 2015 consumer applications continuing grow, particularly in 4K TV, digital STB, 4K video recording. 4K penetration may be higher than expectation of 25%. ■ 2015 CES and MWC both showing increasing DRAM consumption in game console, drone, smart robot, automotive telematics, infotainment, gateway, M2M, IoT, wearable electronics, and internet applications, which will further stimulate DRAM demand. ■ New iPhone models may double its DRAM content to 2GB, and other major brands flagship models has equipped with 3GB. 4G LTE subscription increased, and overall smart phone shipment and content per box grow in healthy rate in 2015.
Price	■ Q1’15, ASP is expected to decline due to seasonal weakness in PC, Consumer and Low Power sectors. However, Server ASP may increase as DDR4 portion increase. ■ Expect DRAM price to stabilize from Q2’15.

DRAM Demand Driven by Non-PC

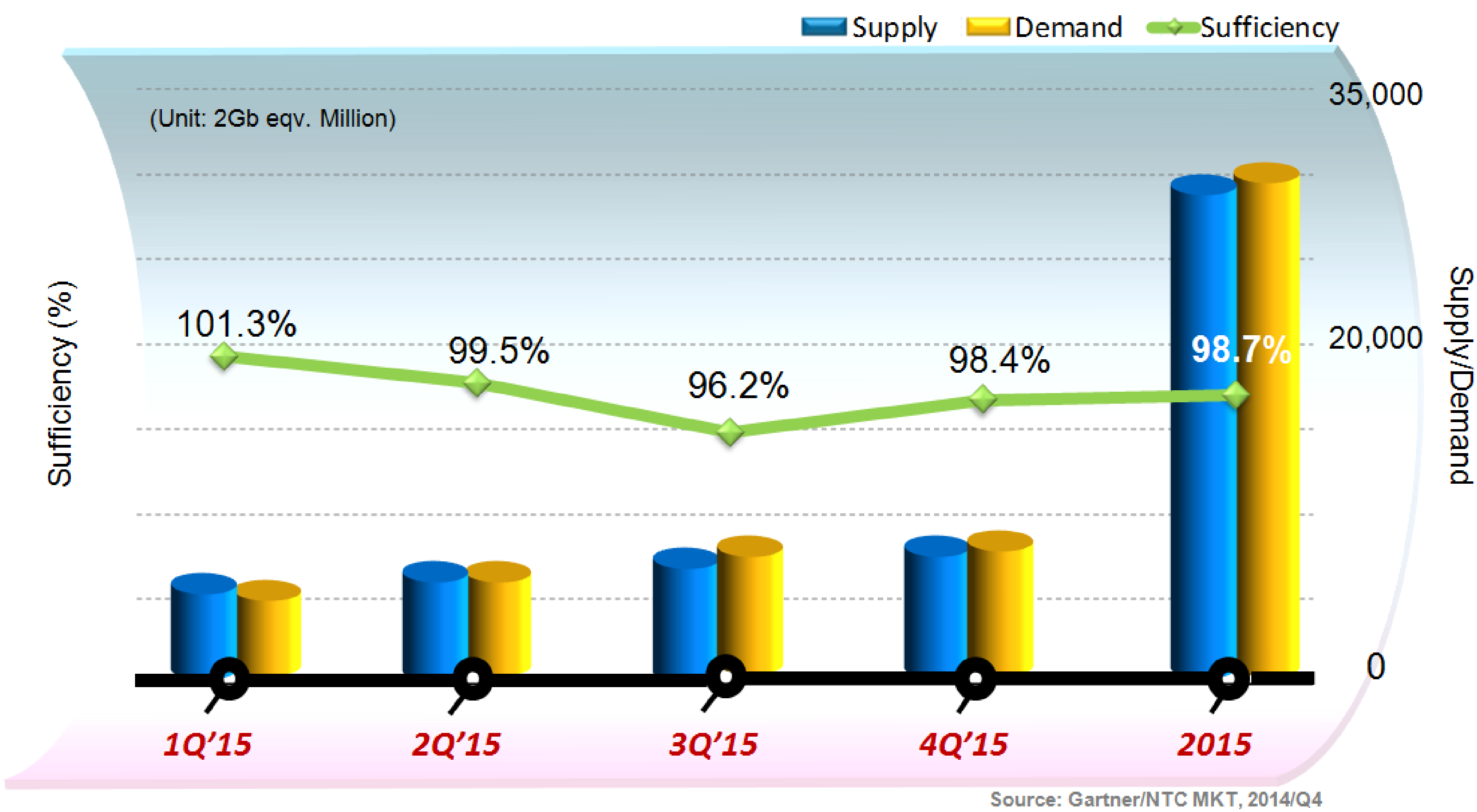


- Paradigm shift reflects in the consolidation of memory market players. DRAM supply growth slowing due to complexity of new process technologies migration.

(1) TAM unit: 2Gb equiv.
(2) Consumer: DTV, NW, Tablet, STB, Printer, IT grade, etc.
(3) Others: PC module in non-PC applications, E reader, Feature Phone, CRT TV, Cellular Modem etc.

Source: Gartner/NTC MKT, 2014/Q4

2015 DRAM Sufficiency Estimation



- DRAM demand growth of 26.6%, while supply growth is about 25.0%.
- 2015 DRAM supply and demand sufficient ratio is expected to be 98.7%.

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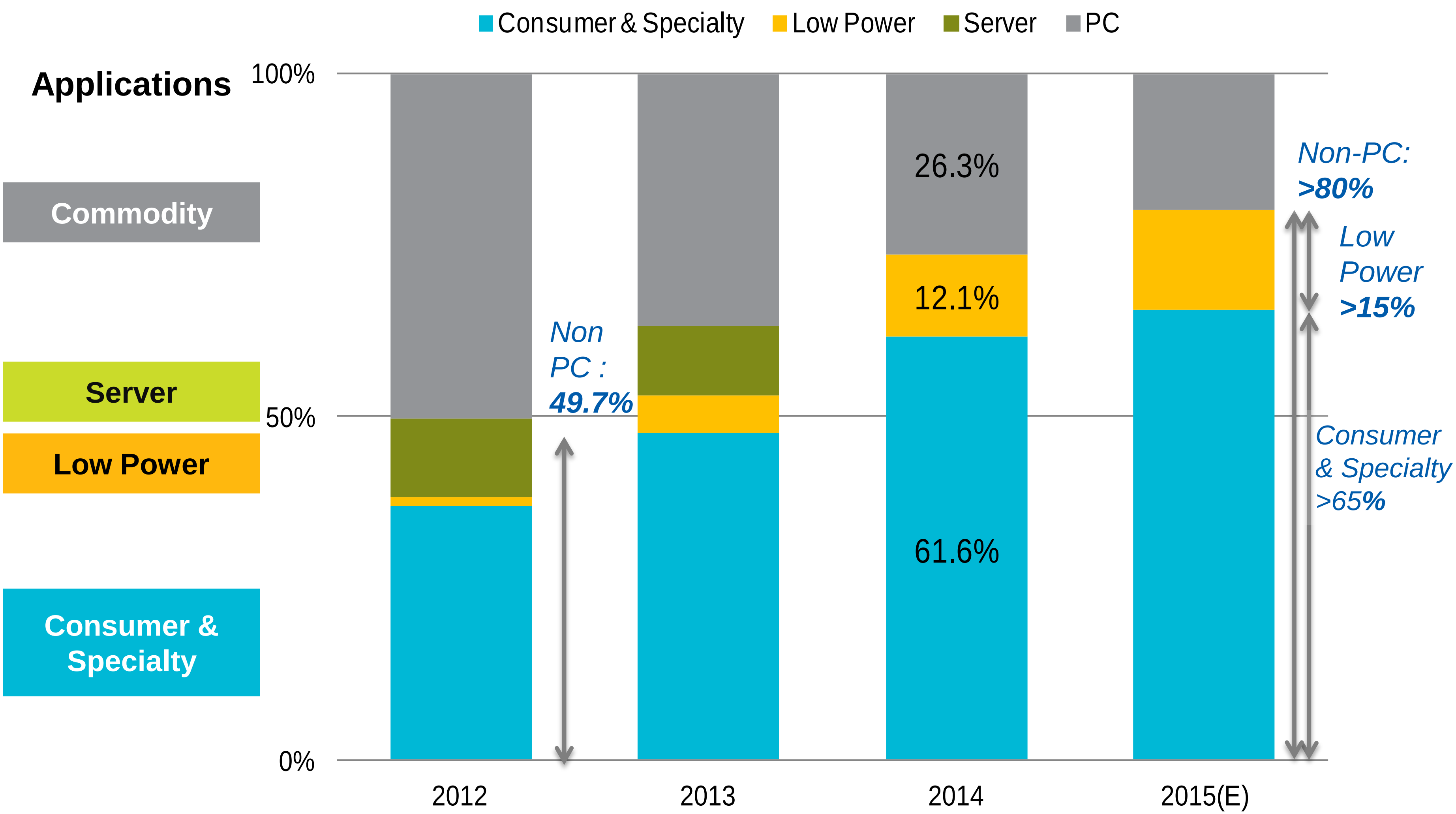
BUSINESS OUTLOOK

2015 Revenue Breakdown Guidance



* Revenue portion by Application

Business Outlook

- **Estimate 2015 mid-teens shipment increase yoy by expanding 30nm Design Shrink and improving production efficiency.**
- **Plan to convert 30nm Design Shrink over 50% in 2H15.**
- **20nm decision will be made in Q1’15.**
- **20nm technology conversion will require additional Capex and fund raising.**
- **Dividend distribution will be discussed in BoD Meeting in Q1’15.**

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Thanks & Questions

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4Q'14 Consolidated Income Statement

Amount: Million NT$	Q4'14 Unaudited		Q3'14 Audited		QoQ	Q4'13 Audited		YoY
Net Sales	12,409	100%	13,091	100.0%	-5.2%	11,950	100%	4%
Cost of Goods Sold	6,384	51.4%	6,828	52.2%		9,787	82%	
Gross Margin	6,026	48.6%	6,262	47.8%	-3.8%	2,162	18%	179%
SG&A Expenses	446	3.6%	453	3.5%		392	3%	
R&D Expenses	411	3.3%	358	2.7%		310	3%	
Operating Income	5,169	41.7%	5,452	41.6%	-5.2%	1,460	12%	254%
Non-operating Income (Exp.)	5,001	40.3%	2,883	22.0%		2,829	24%	
Income before Tax	10,170	82%	8,335	63.7%	22.0%	4,290	36%	137%
Income Tax Benefit (Expense)	-1,595	-12.9%	-874	-6.7%		-28	0%	
Profit from Continuing Operation	8,575	69.1%	7,461	57.0%		4,261	36%	
Income (Loss) from Discontinued Operation	0	0.0%	4	0.0%		-325	-3%	
Net income attributable to noncontrolling interests	6	0.0%	3	0.0%		-21	0%	
Net Income attributable to NTC	8,569	69.1%	7,462	57.0%	14.8%	3,957	33%	117%
EPS(NT$)	3.56		3.11			1.66		
Book Value Per Share	17.17		13.45			0.41		

2014 Income Statement

Amount: Million NT$	Y2014 Unaudited & Consolidated		Y2013 Audited & Consolidated		YoY
Net Sales	49,108	100%	45,224	100%	8.6%
Cost of Goods Sold	26,939	54.9%	37,102	82%	
Gross Margin	22,169	45.1%	8,122	18%	173%
SG&A Expenses	1,971	4.0%	1,757	4%	
R&D Expenses	1,378	2.8%	1,404	3%	
Operating Income	18,820	38.3%	4,961	11%	279%
Non-operating Income (Exp.)	12,921	26.3%	4,099	9%	
Income before Tax	31,741	64.6%	9,060	20%	250%
Income Tax Benefit (Expense)	-2,472	-5.0%	-39	0%	
Profit from Continuing Operation	29,269	59.6%	9,021	20%	
Income (Loss) from Discontinued Operation	-1,074	-2.2%	-910	-2%	
Net income attributable to noncontrolling interests	-47	-0.1%	-27	0%	
Net Income attributable to NTC	28,242	57.5%	8,138	18%	247%
EPS(NT$)	11.77		3.40		

