



Nanya Technology

Morgan Stanley

Hong Kong Investor Summit

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Agenda



- | | |
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| 01. | Overview |
| 02. | Inotera Transaction Update |
| 03. | Accelerating 20nm Technology |
| 04. | DRAM Industry Environment |
| 05. | Financial Performance |
| 06. | Summary |



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01

OVERVIEW

NTC Overview



Corporate Facts

- DRAM Design, Production & Sales
- Founded in 1995, IPO in 2000
- Headquarters: Taoyuan, Taiwan
- Formosa Plastic Group (FPG) has 75.8% equity ownership
- Technology:
 - Now: 30nm (>95%) & 42nm (<5%) (JD w/ Micron)
 - Next: 20nm scheduled for pilot run in 1Q 2017.
1x/1ynm have license rights from MU
- Capacity : 60,000 WSPM* (12")
- NTC's 24% Inotera's share will sell to Micron
- Plan to invest Micron through private placement



Product Mix

- High quality consumer & specialty DRAM products and multiple mobile memory solution.

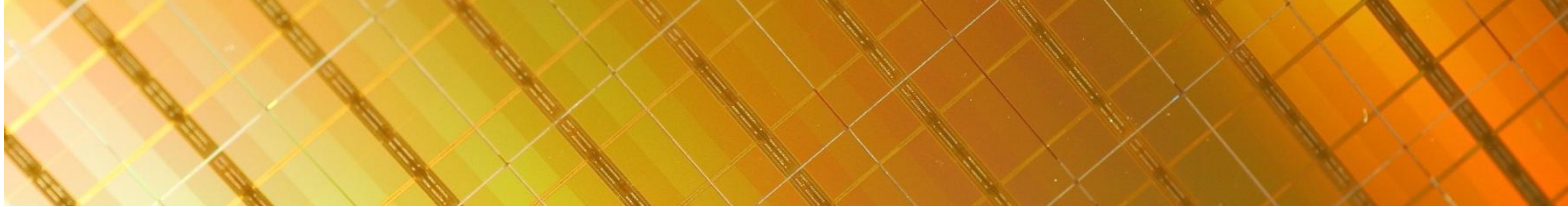


Worldwide Coverage & Location





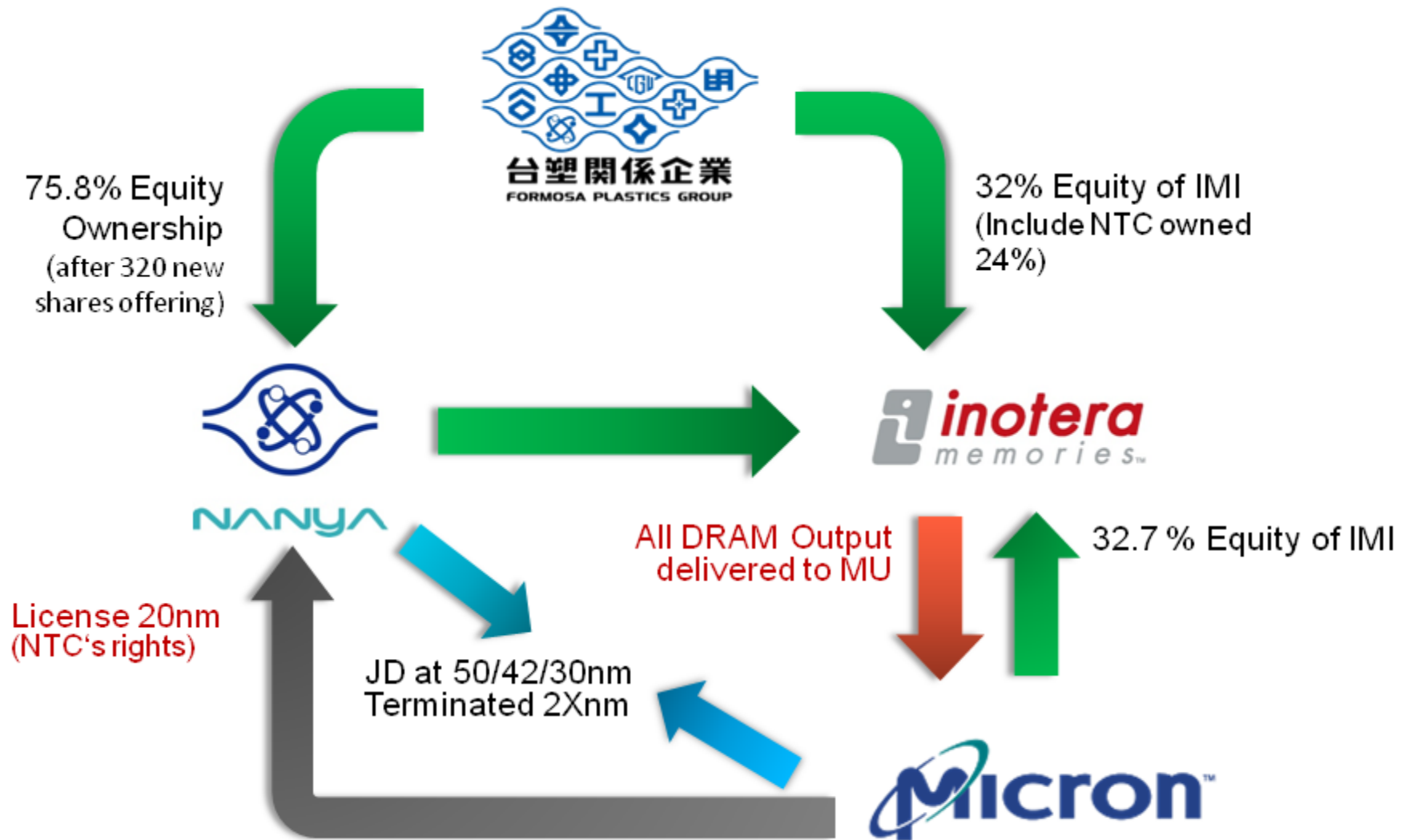
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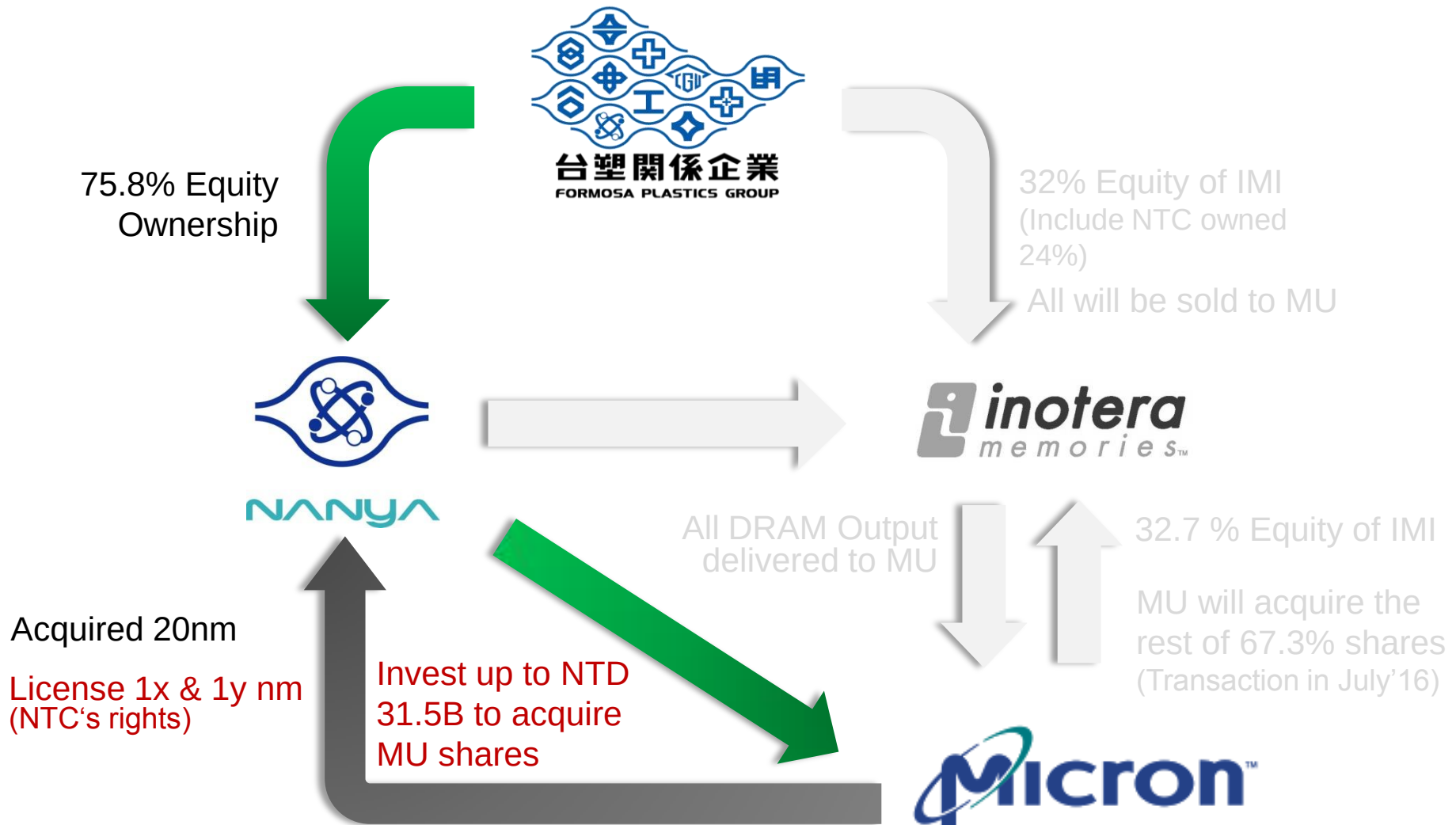
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INOTERA TRANSACTION UPDATE

Nanya, Inotera & Micron (Now)



Nanya, Inotera & Micron (After closing)



Inotera Transaction Update

Transaction Price

NTD 30 per share in cash

Status Update

Definitive Agreement

- Definitive share swap agreement signed on Feb. 3rd, 2016

Specail Shareholders' Meeting

- Subject to approval by 3/29 Inotera Extraordinary General Meeting

Certain condition precedents

- Approvals by the Investment Commission and Fair Trade Commission in Taiwan, or necessary regulatory authorities in other countries

Financing

- NTD 52.5B (approximately \$ 1.6B) cash on Micron's balance sheet (40%)
- Micron Taiwan will take NTD 80B (approximately \$2.4B) Taiwan debt financing (60%) (1 USD: 33.2 NTD)

Partnerships

- Nanya will invest Micron up to NTD 31.5B through private placement

Transaction Close

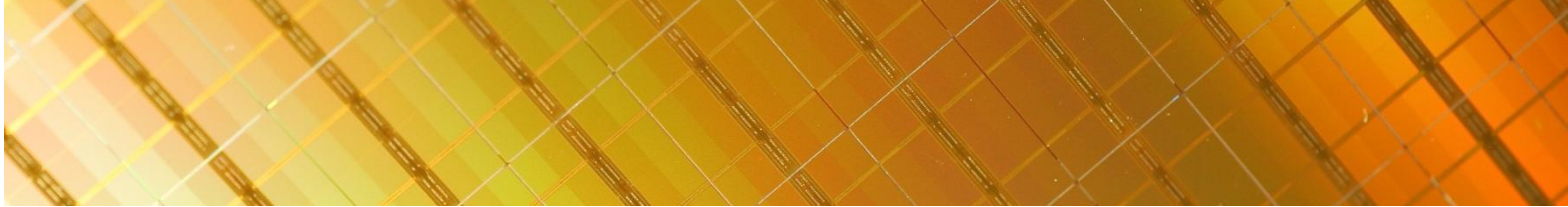
- Target to close in July 2016

Gain on Disposal

- Approximately NTD 19.9B(Income before tax) will be recognized in Q3



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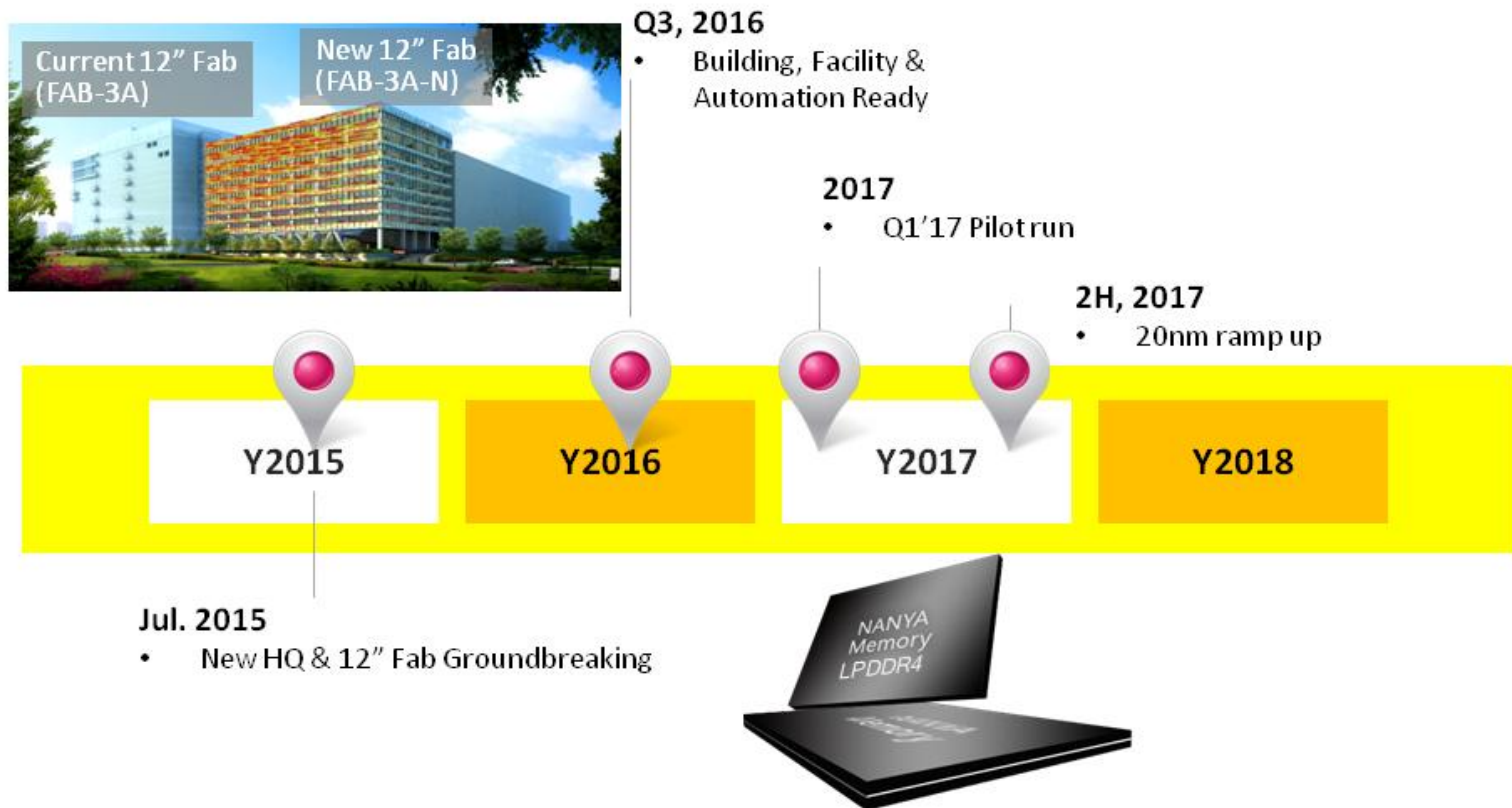


03

ACCELERATING 20NM TECHNOLOGY

20nm Technology Plan

- Plan to convert 30K WSPM to 20nm Technology.
- Additional clean room space will be needed, output schedule for 2H 2017.
- Total capacity remains at 60K WSPM. (30K convert to 20nm, 30K at 42/30nm)
- Anticipated Capex of NT\$ 23.63B for 20nm migration in 2016.



Technology Ramp Progress

30nm

Design Shrink

- 30nm Design shrink to reach 70% in Q2 2016
- Target reach 80% by Q4 2016

20nm

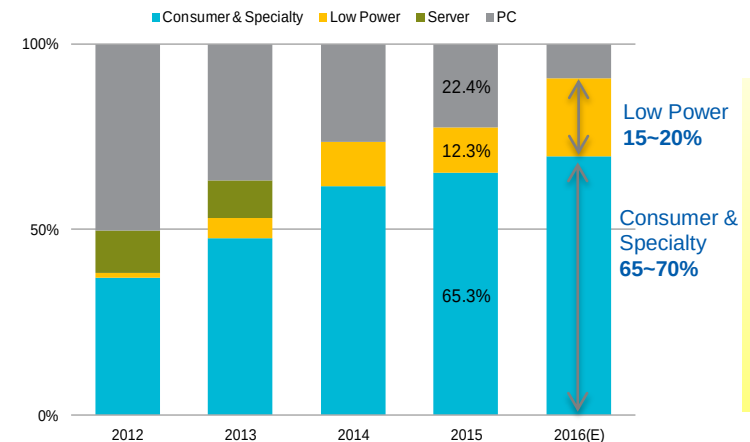
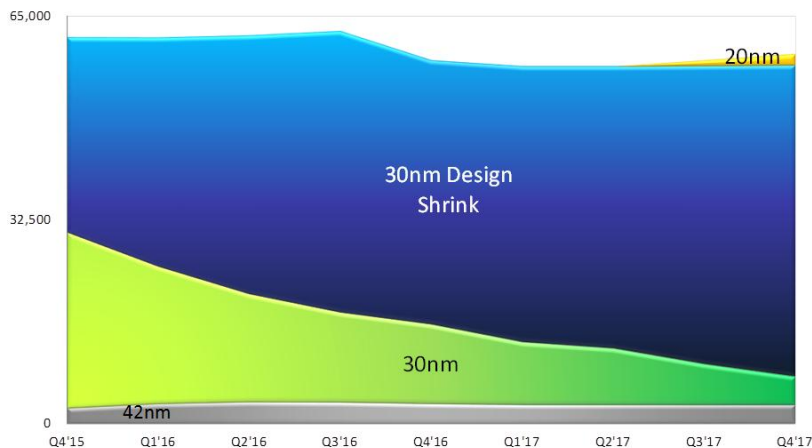
Process Technology

- Start 20nm technology pilot run in Q1 2017
- 20nm DRAM ramp in 2H 2017

1Xnm/1Ynm

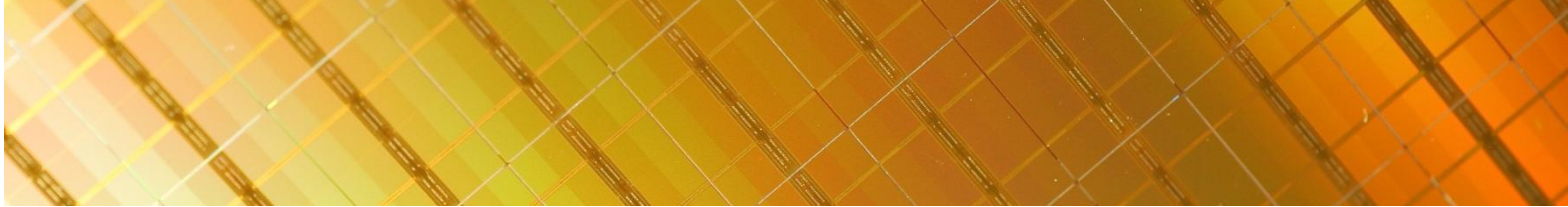
Process Technology

- Signed 1x and 1y Technology transfer & license option agreement with Micron





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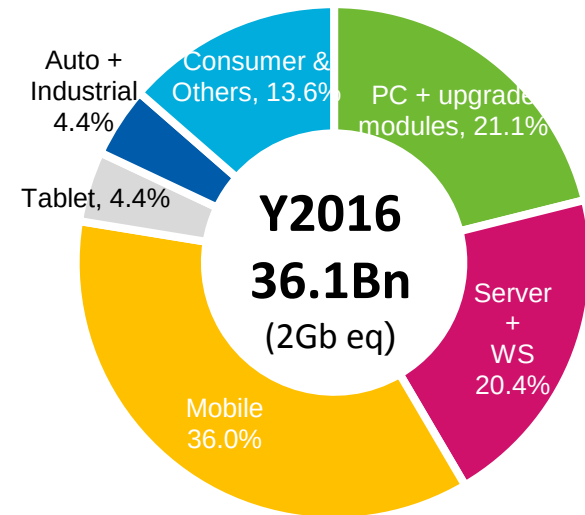
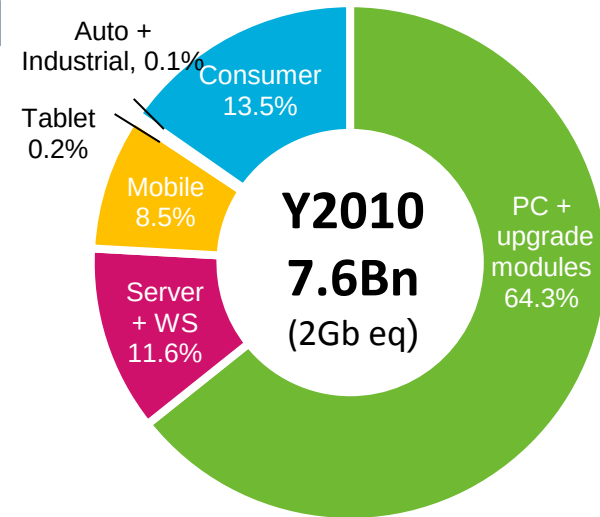


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DRAM INDUSTRY ENVIRONMENT

Demand Diversifying

		Y2015		Y2016		YoY		
Unit : QTY(Mu) C/B(GB)		QTY,	C/B	QTY	C/B	QTY(Y/Y)	C/B(Y/Y)	Bit Growth
Cloud	Server 	15.6	85.1	16.8	110	7.7%	29.3%	39.2%
	PC 	288	4.7	283	5.2	-1.7%	9.4%	8.7%
	Tablet 	202	1.8	194	2.0	-3.9%	11.1%	6.7%
	Smart Phone 	1,398	1.6	1,546	2.0	10.5%	25.0%	38.2%
	LCD TV 	214	1.5	223	1.8	4.2%	20%	25.0%
M2M	Car 	87.4	0.3	90.5	0.6	3.5%	100%	107.1%



Bit growth of 2016 in other consumer segments forecast to increase 16.9% yoy.

Source: Gartner, IHS, NTC MKT

DRAM Market Outlook

- Overall worldwide economic is conservative, low to moderate demand growth expected in 2016.
- Short term seasonal demand and demand in China market marginally improved in Q1'16, follow by potential consumer demand from Summer Olympics in 2016.
- Demand remain sluggish in PC segment, cloud computing growth under expectation, mobile unit shipment shows flattish but grow in content.
- Expect DRAM price fall moderately in Q2, price uncertainty expected in 2H'16 due to new capacity introduced by major suppliers.



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FINANCIAL PERFORMANCE

2015 P&L Results

					
	Unit: NT\$B				
	Q1'15	Q2'15	Q3'15	Q4'15	2015
Revenue	12B	11.2B	10.3B	10.4B	43.9B
Gross Profit <i>Gross Margin (%)</i>	5.7B 47%	4.7B 42%	3.9B 37%	3.1B 30%	17.3B 39.4%
Operating Income <i>Operating Margin (%)</i>	4.8B 40%	3.9B 35%	3.0B 29%	1.9B 18%	13.5B 30.7%
Non-operating Income	1.5B	0.8B	1.8B	0.03B	4.2B
Net Income <i>Net Margin (%)</i>	6.3B 52%	4.3B 38.1%	4.7B 46%	1.9B 18%	17.1B 39.1%
Capital	24B*				
EPS	2.61	1.75	1.94	0.77	7.07

•Company highlights:

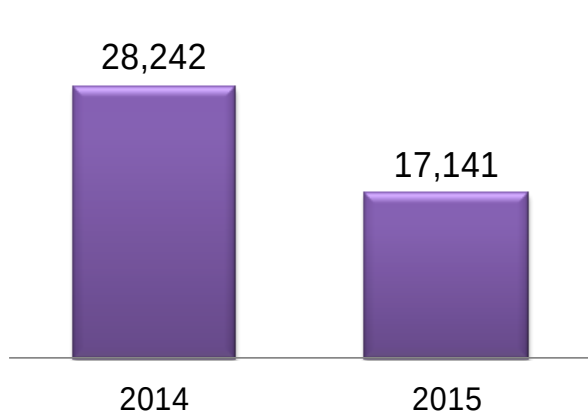
- Debt ratio : debt ratio 42% after equity funding.
- EBITDA Margin: 32.2% of Q4'15, BVPS: NT\$22.55 of Q4'15.

*BVPS: Book value per share

2015 Financial Highlights

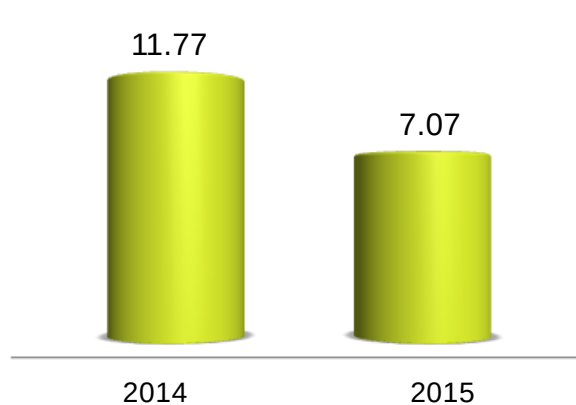
Net Income

(Million NT\$)



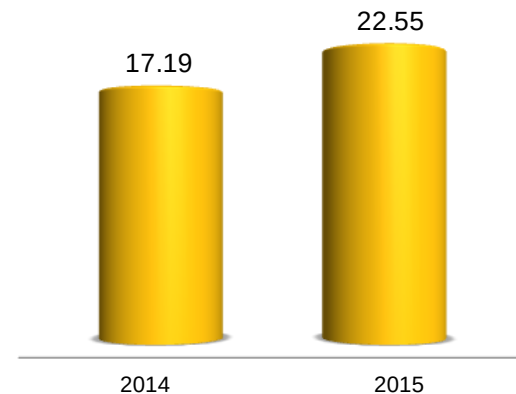
Earnings Per Share

(NT\$)



Book Value Per Share

(NT\$)



Y2015 Performance

- Net income of NT\$17.141 billion(B)
- Net Margin 39.1%
- EPS NT\$ 7.07, BVPS NT\$ 22.55
- Debt ratio 47% vs. 60 % in 2014

Key Messages

- Shipment up 16.3% YoY.
- Cost /bit improved >20% YoY.
- Recognized IMI's profit of NT\$ 4.4B

2015 Cash Flows

(Unit: Million NT\$)	Q1'15 Audited & Consolidated	Q2'15 Audited & Consolidated	Q3'15 Audited & Consolidated	Q4'15 Audited & Consolidated
Beginning Balance	7,268	7,429	7,189	3,747
Cash from Operating Activities	5,311	4,418	4,622	4,171
Capital expenditures	-964	-782	-1,320	-775
Long-term & Short-term loans	-4,541	-3,993	-1,853	-3,994
Investments and others	356	118	-4,890*	-46
Ending Balance	7,429	7,189	3,747	3,104
Free Cash Flow ⁽¹⁾	4,346	3,636	3,302	3,397

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

* Mainly due to cash dividend payout to shareholders

Business Highlights

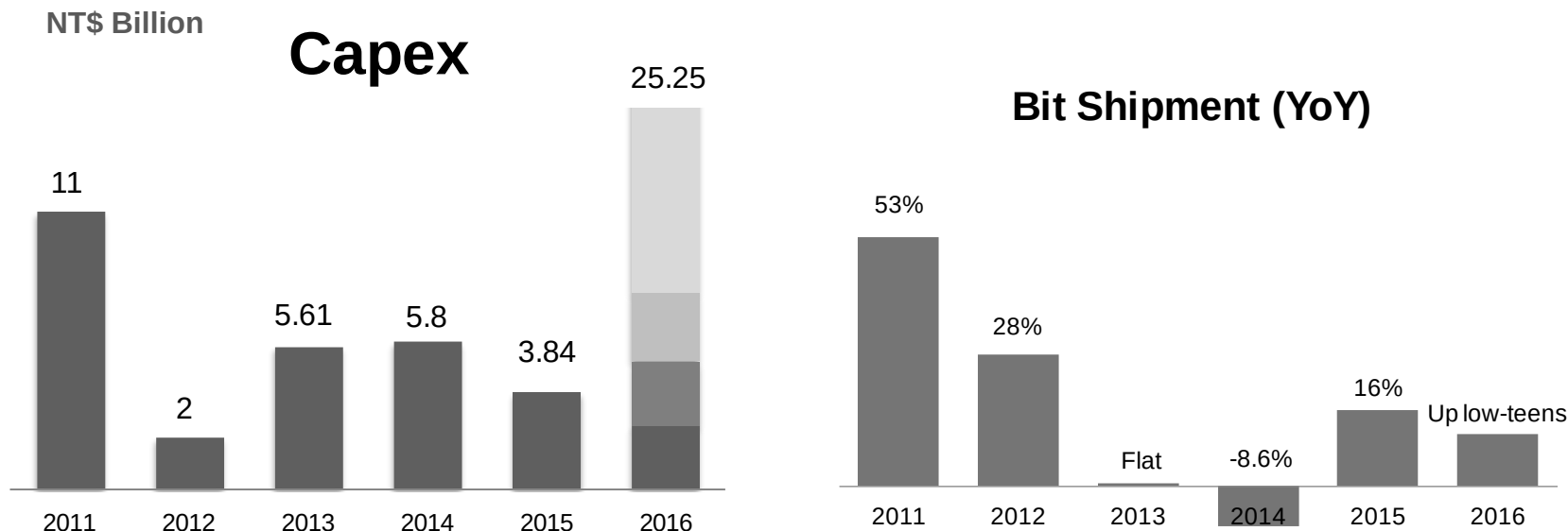
Rights Offering

- Completed 320 million new common shares issuance at NT\$ 36.5 per share
- Received NT\$11.68 billion
- Investors including: Kingston, ADATA, Cathay Life Insurance, Mercuries Life Insurance, Taiwan Post, etc.

NTD 12 Billion Syndicated Loan

- Nanya signed an NTD 12 billion five-year syndicated loan agreement with 15 Banks

Capex & Bit Shipment



- **Capital Expenditure (Capex)**
 - NT\$3,842M Capex of Y2015.
 - Estimated NT\$25,253M for 2016 Capex. (20nm Conversion Capex in 2016 guided for NT\$ 23,632M)
- **Bit Shipment**
 - 16.3% bit shipment growth in 2015.
 - 2016 bit shipment guidance to increase low-teens yoy.
 - Estimated bit shipment flat in Q1'16.



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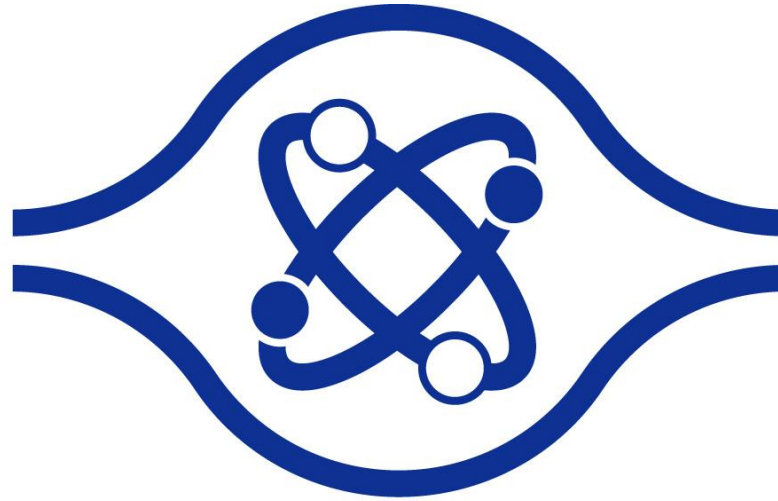


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SUMMARY

Key Takeaways

- **Support Inotera share swap transaction target to close in July, 2016.**
- **Start 20nm technology pilot run in Q1 2017.**
- **Expect DRAM price fall moderately in Q2, price uncertainty expected in 2H'16 due to new capacity introduced by major suppliers.**
- **Cash dividend of NT\$2.8 per common share will be proposed to the AGM scheduled on 6/22.**



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Thanks & Questions

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2015 Income Statement

Amount: Million NT\$	Y2015		Y2014		YoY
	Audited & Consolidated		Audited & Consolidated		
Net Sales	43,876	100.0%	49,108	100.0%	-10.7%
Cost of Goods Sold	26,568	60.6%	26,939	54.9%	
Gross Margin	17,308	39.4%	22,169	45.1%	-21.9%
SG&A Expenses	1,867	4.3%	1,987	4.0%	
R&D Expenses	1,954	4.5%	1,378	2.8%	
Operating Income	13,487	30.7%	18,805	38.3%	-28.3%
Non-operating Income (Exp.)	4,190	9.5%	12,928	26.3%	
Income before Tax	17,677	40.3%	31,733	64.6%	-44.3%
Income Tax Benefit (Expense)	-506	-1.2%	-2,481	-5.1%	
Profit from Continuing Operation	17,171	39.1%	29,251	59.6%	
Income (Loss) from Discontinued Operation	0	0.0%	-1,056	-2.2%	
Net income attributable to noncontrolling interests	30	0.1%	-47	-0.1%	
Net Income attributable to NTC	17,141	39.1%	28,242	57.5%	-39.3%
EPS(NT\$)	7.07		11.77		