Nanya Technology

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Dr. Pei Ing Lee, President & Spokesman

Nanya Memory for
Automotive
Home Entertainment
Home Automation
Office

Safe Harbor

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Outline

Nanya Technology Overview

IDM Company

- Founded in 1995,
  IPO in 2000
- DRAM Process, Design, Production & Sales
- Headquarters:
  New Taipei, Taiwan
- Employees: >2,600
- Focus on value-added DRAM market
- Formosa Plastic Group (FPG) has 75.8% equity ownership

Technology & Capacity

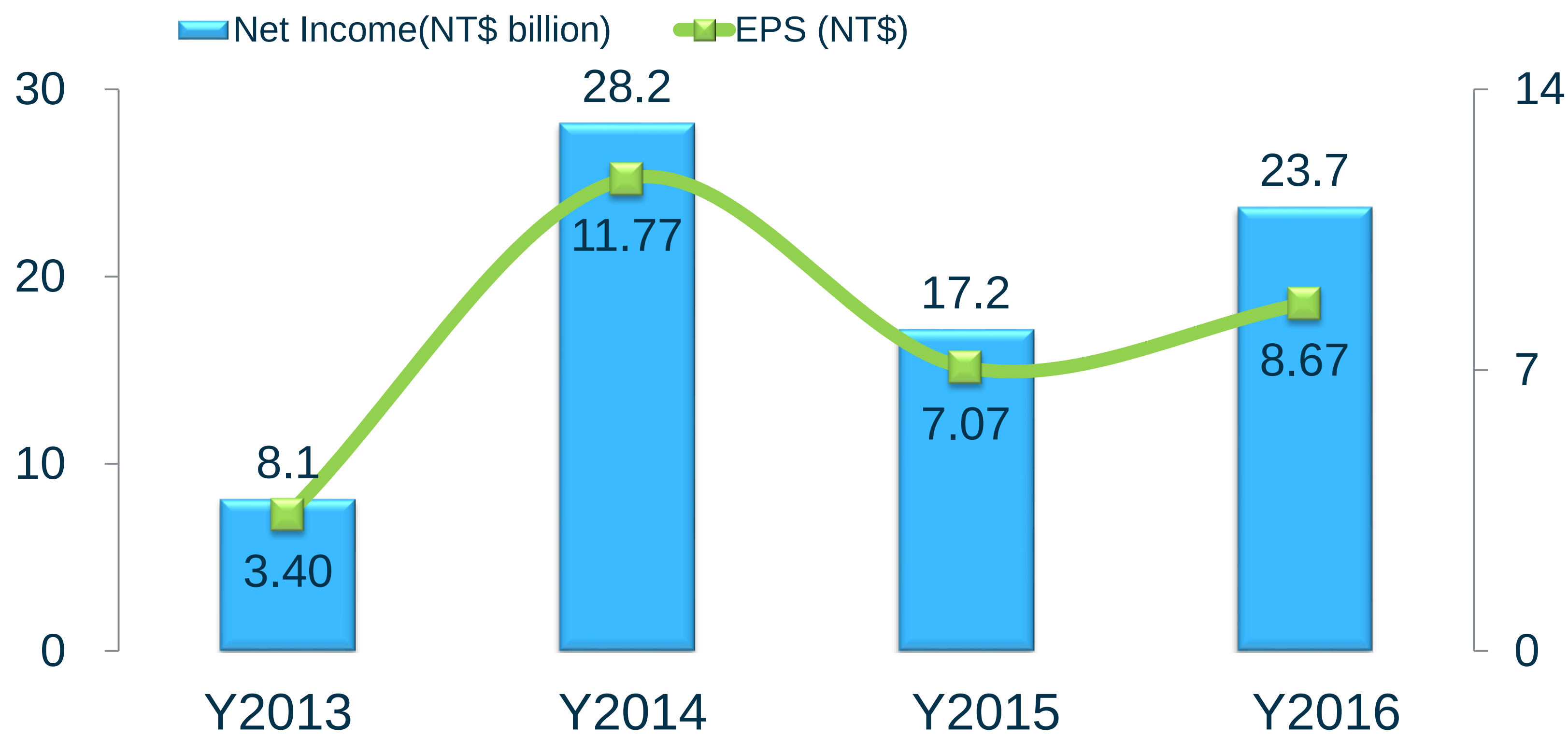
- **Technology** :
  - Starts 20nm piloting in Jan.'17
  - Plan to ramp 20nm to 38K WSPM in 1H'18
- **Capacity:**
  - Current: 60,000 WSPM(12")
  - 2018: 68,000 WSPM(12") (38K 20nm + 30K 30nm)

Partnerships

- **Technology license form MU**
  Option rights to license Micron 1x and 1y nm technologies and products.
- **Shareholding in Micron**
  Acquired about 5.26% of Micron's share.

*WSPM: Wafer Starts Per Month

Strong Performance



	Y2013	Y2014	Y2015	Y2016
Net Income (NT$ Billion)	8.1	28.2	17.2	23.7
EPS(NT$)	3.40	11.77	7.07	8.67

2016 P&L Results

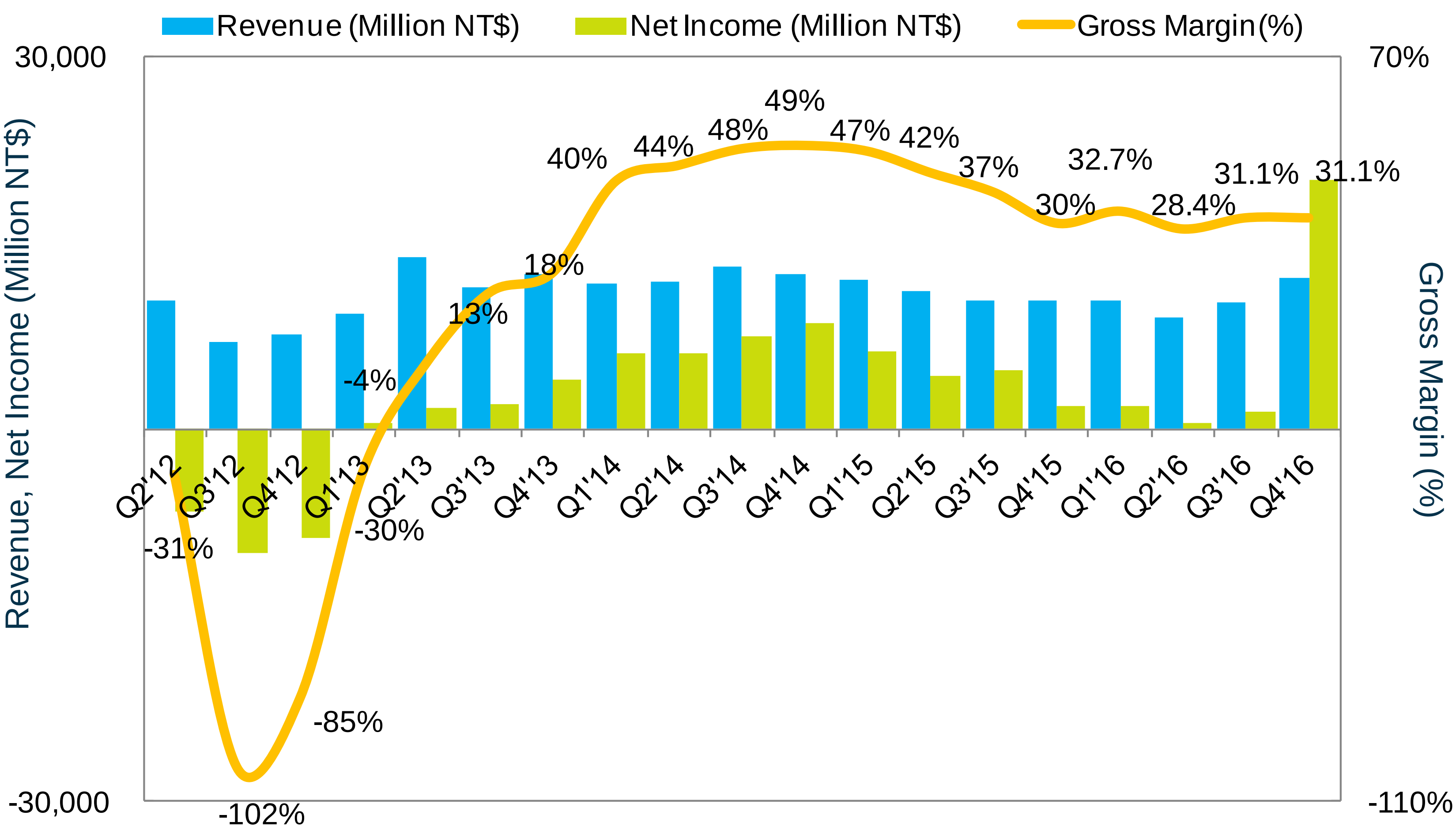
NT$B: Billion	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016
Revenue	43.9B	10.4B	8.9B	10.2B	12.1B	41.6B
Gross Profit ***Gross Margin (%)***	17.3B *39.4%*	3.4B *32.7%*	2.5B *28.4%*	3.2B *31.1%*	3.8B *31.1%*	12.9B *30.9%*
Operating Income ***Operating Margin (%)***	13.5B *30.7%*	2.6B *25.3%*	1.7B *18.5%*	1.7B *16.6%*	2.6B *21.2%*	8.6B *20.5%*
Non-operating Income	4.2B	-0.79B	-0.6B	-0.3B	18.8B	17.2B
Net Income ***Net Margin (%)***	17.1B *39.1%*	1.8B *18%*	0.4B *4.4%*	1.4B *13.7%*	20.1B *165.9%*	23.7B *57.0%*
Capital	24B	27B				
EPS	**7.07**	0.68	0.14	0.51	7.33	**8.67**

Company highlights in 2016

- NT$ 23.72B net income of 2016, EPS NT$ 8.67.
- Shipment increased 20.3% yoy, ASP decreased 22.1% yoy.
- Recognized NT$17.94B profit from Inotera share disposal.
- Debt ratio 37.5% at the end of the 31st of Dec, 2016.

Financial Highlights

- Q1'17 gross margin likely to improve QoQ due to favorable market condition.

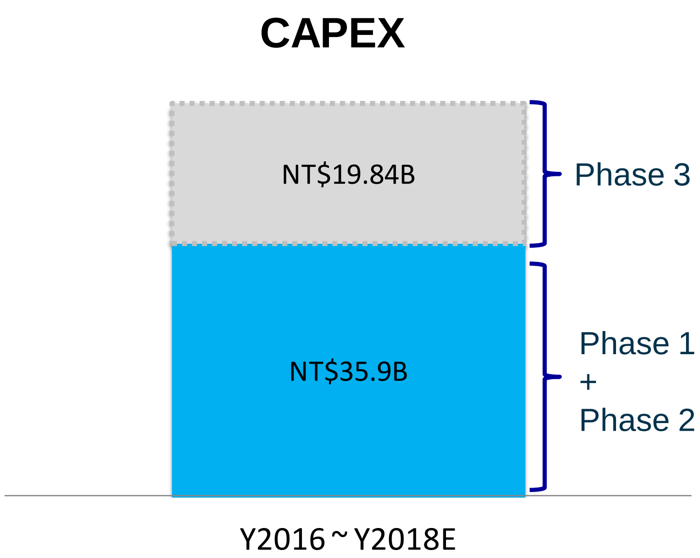


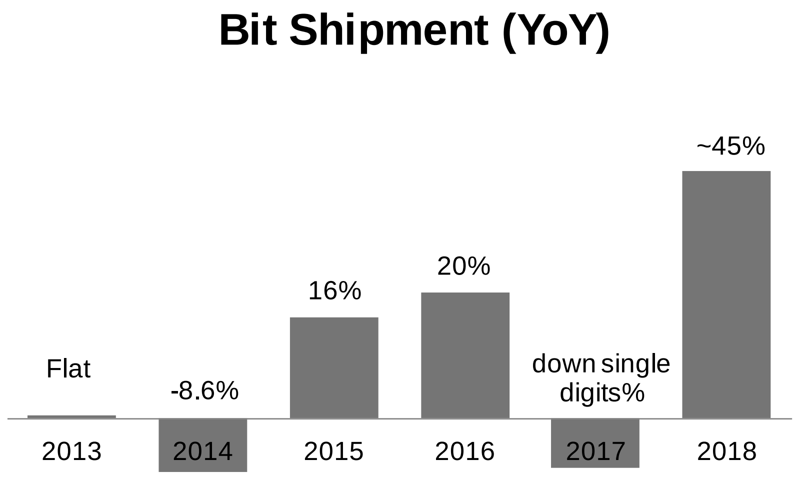
Cash Flows

(Unit: Million NT$)	2016 **Audited & Consolidated**	2015 **Audited & Consolidated**
Beginning Balance	**3,104**	**7,268**
Cash from Operating Activities	15,945	18,522
Capital expenditures	-22,336	-3,842
Long-term & Short-term loans	-6,351	-14,382
Investments and others	18,740	-4,463
Ending Balance	**9,102**	**3,104**
Free Cash Flow (1)	**-6,391**	**14,680**

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

20nm CAPEX & Bit Shipment





- **Capital Expenditure** (CAPEX)
  - Anticipated CAPEX of NT$55.74B for 38K WSPM 20nm migration. (2016 CAPEX NT$ 20.6B for 20nm)
  - BoD approved 3rd stage 20nm CAPEX of NT$19.84B. (as of 2017/3/9)
  - Estimated 2017 CAPEX of NT$ 34.3B
  - 2017 CAPEX mainly from: 1. Cash on hand 2. US$5B ECB, 3. Cash from operating activities
- **Bit Shipment**
  - 2017 bit shipment down single digits. Bit shipment resume positive(2018 +45% yoy, 2019 +15% yoy).
  - 20nm cost per bit expected to cross over by end of 2017

20nm Plan

- Plan to convert 38K WSPM to 20nm Technology. Total capacity increase to 68K WSPM.
- 20nm volume production schedule in Q3’17, 30K wafers input expected in Q4’17.
- Cost cross over expected by end of 2017.
- Initial offering DDR4 & LPDDR4X.

Jul, 2015

Ground breaking of new HQ and additional 12” Fab for 20nm

Oct, 2016

- New 12” Fab (FAB-3A-N) complete

Jan, 2017

Jan. 2017 Piloting of 20nm Starts

2H, 2017

- 20nm Volume Production
- 8Gb DDR4 Mass Production Q4’17
- Ramping up to 30K Q4’17

2018

- Ramping up to 38k 1H’18
- 8Gb LPDDR4X Mass Production Q3’18

Investment of Micron Private Placement

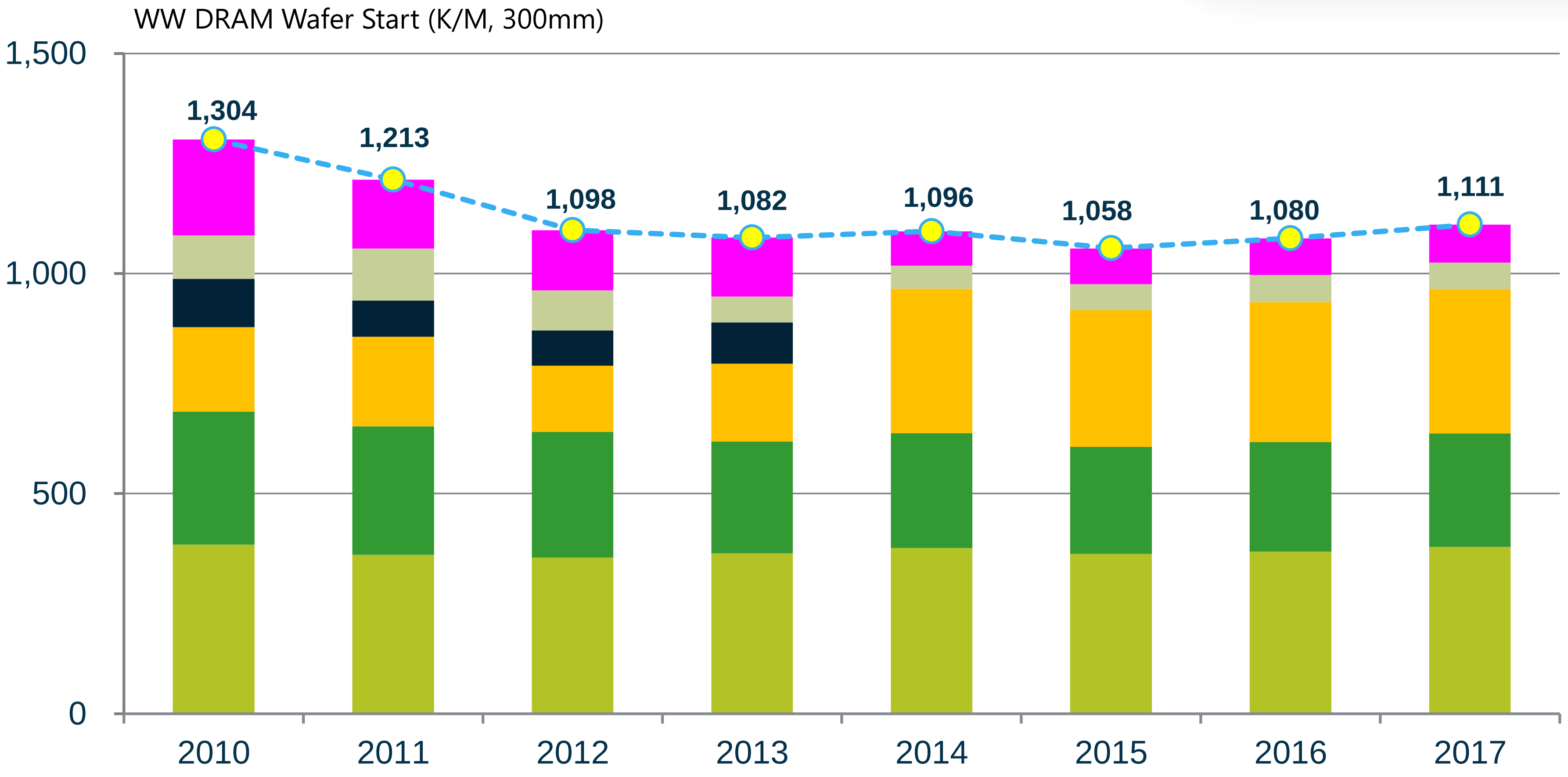
The Investment as of 2016/12/02		Accounting Treatment as of 2016/2/28	
Volume	• 57,780,138 shares	Account	• Available-for-sales financial assets
Purchase price & EX rate	• US$ 17.29 per share (=NT$544.42752) US$ 1: NT$ 31.488	Market Price	• US$ 23.44 per share (=NT$718.436) US$ 1: NT$ 30.65
Investment amount	• NT$ 31,457,097,237	Market Value	• NT$41,511,331,233
Shareholding	• about 5.26% of Micron's interest	Measurement	• Mark to market on monthly basis
Lock-up period	• Six months (till 2017/6/2)	Unrealized gain	• **NT$10,054,233,987**

Dividend for Y2016

Subject	Cash dividend of NT$ 1.5 per common share
BoD Approval	• BoD approved cash dividend of NT$ 1.5 per common share on 2017/3/9 . • Will be proposed to the AGM for approval scheduled on 2017/5/26
Cash yields	• 3.2% (3/20 closing price NT$ 47.20)
Payout ratio	• 17.3% (NT$ 1.5 / EPS NT$ 8.67) • 70.8% (exclude disposal gain of Inotera, NT$ 1.5 / EPS NT$ 2.12)
Remark	• Exclude disposal gain of Inotera, EPS was NT$ 2.12 (EPS NT$ 8.67 – NT$ 6.55) • Net cash in NT$ 16B (Disposal of IMI shares(NT$ 47.5B), Acquisition of Micron's private placement (NT$ 31.5B)). • Expect NT$ 34.3 billion CAPEX in 2017 for 20nm ramping.

Outline

Rational DRAM Supply Growth



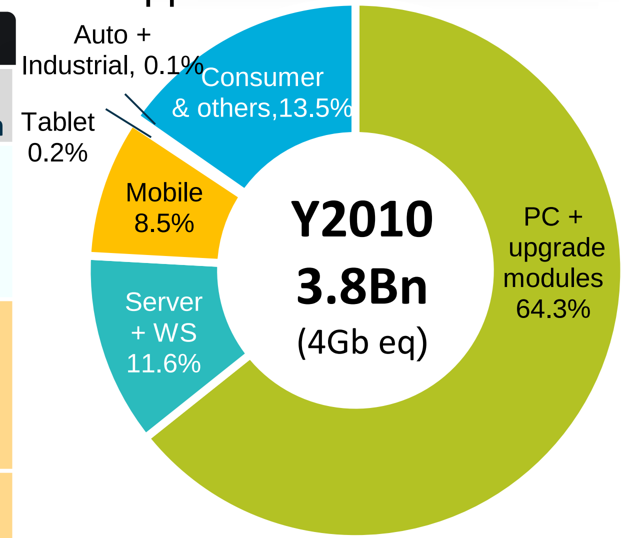
- Limited supply growth contributed mainly by process conversion
- About 20% supply growth in 2017 expected

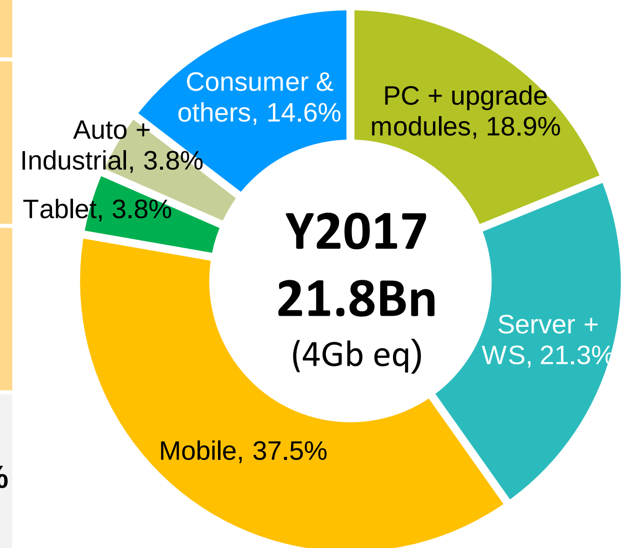
Source: DRAMeXchange, NTC MKT

Diversification of Demand

- 22% yoy bit demand increase in 2017 projected
- Ongoing growth momentum from cloud computing and mobile applications

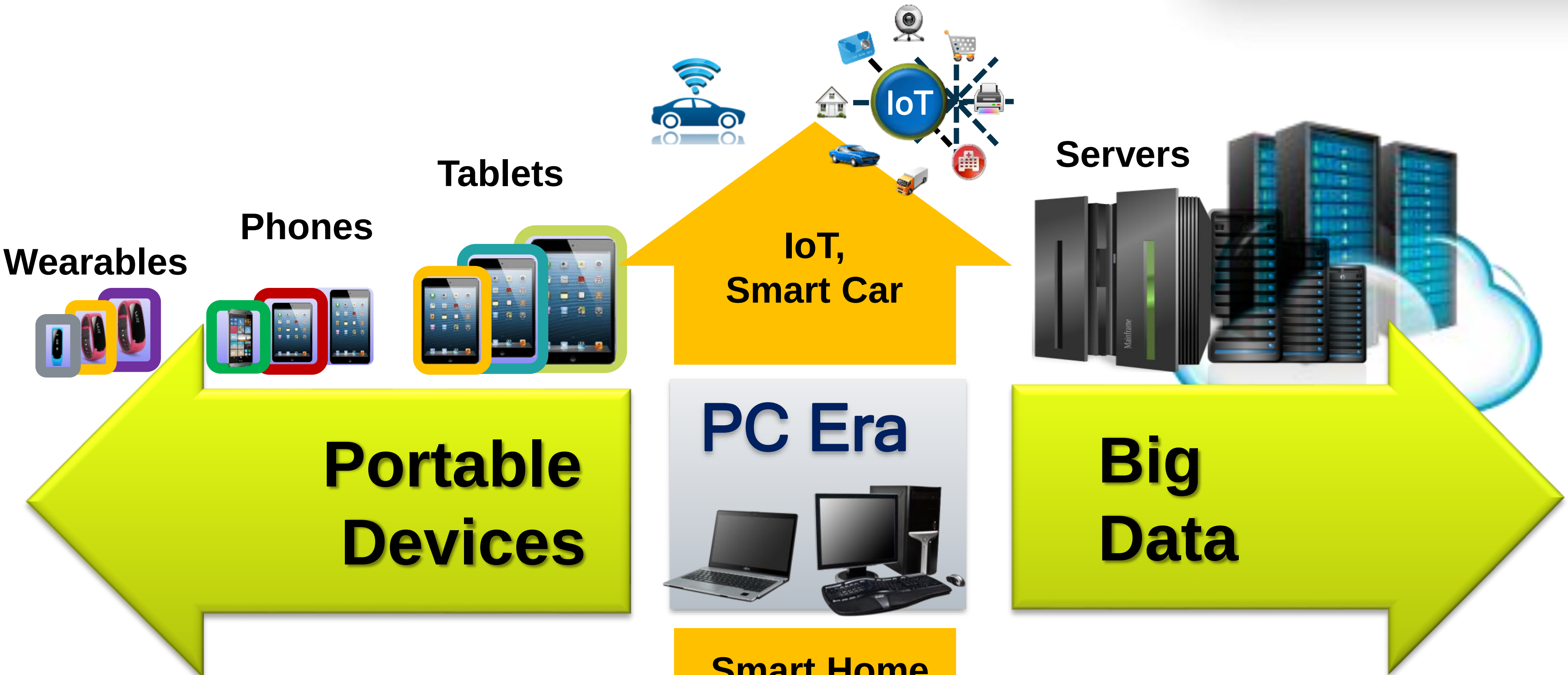
Unit : QTY(Mu) | C/B(GB)		Y2016 QTY,	Y2016 C/B	Y2017 QTY	Y2017 C/B	YoY QTY(Y/Y)	YoY C/B(Y/Y)	YoY Bit Growth
Cloud	Server	17	110	17.6	133	3.5%	20.9%	25.2%
P2P	PC	270	5.1	263	5.6	-2.6%	9.8%	7.0%
P2P	Tablet	180	2.1	164	2.6	-8.9%	23.8%	12.8%
P2P	Smart Phone	1,480	2.1	1,482	2.7	0.1%	28.6%	28.7%
P2P	LCD TV	223	1.8	219	2.0	-1.8%	11.1%	9.1%
M2M	Car	91.3	0.6	93.8	2.1	2.7%	250.0%	259.6%





Source: Gartner, IHS, NTC MKT

DRAM Essential to New Data Era



Main DRAM Features

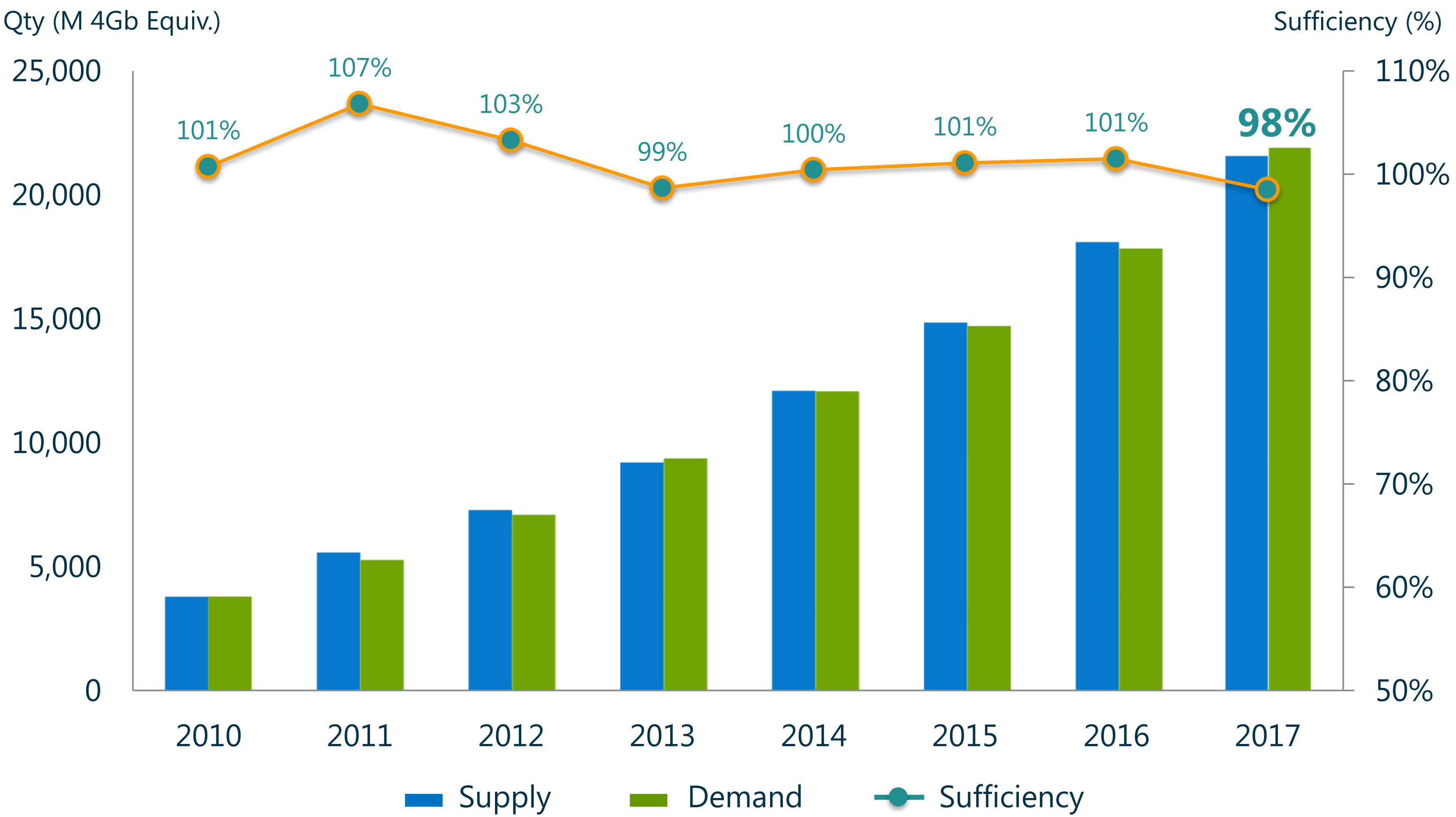
- Low power consumption
- High Bandwidth for data transit
- Small form factor by stacking
- Reasonable density to save cost

Main DRAM Features

- High Density for big data
- High Bandwidth for data transition

Sufficiency

- Favorable market conditions continues in 1H 2017

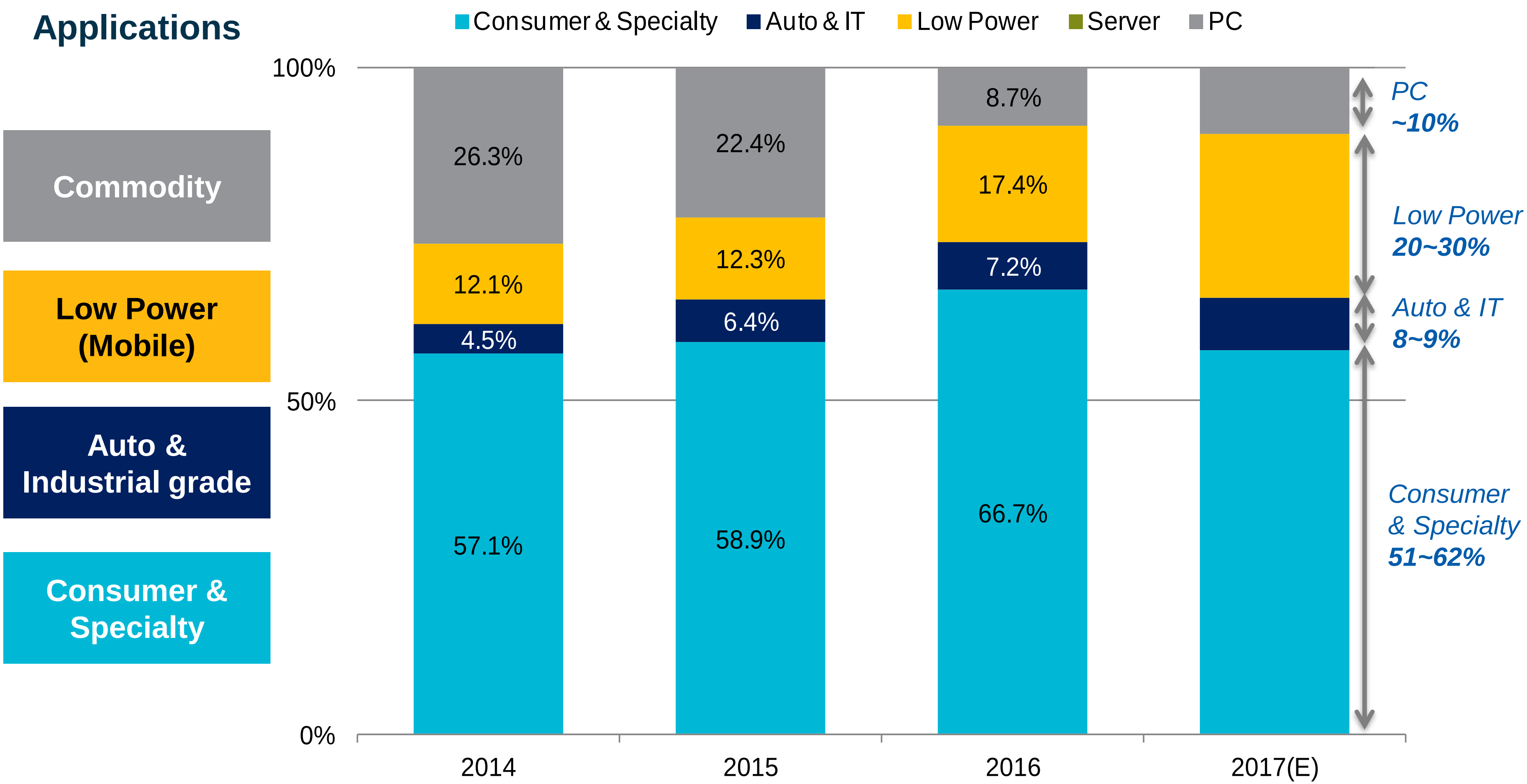


Source: Gartner, IHS, DRAMexchange, NTC MKT

Outline

2017 Revenue Breakdown Guidance

Applications



** Revenue portion by Application*

Comprehensive DRAM Portfolio

Specialty

- DDR4 ~ DDR
- Packaged & SiP

Mobile

- LPDDR3 ~ LPDDR
- KGD, PoP & MCP

Auto & IT

- DDR4 ~ DDR2
- LPDDR3 ~ LPDDR
- Packaged & KGD

Custom

- Foundry
- Non-JEDEC DRAM

SiP = System in Package

KGD = Known Good Die
PoP = Package on Package
MCP = Multiple-Chip Package

Nanya Business Outlook

- Limited DRAM supply growth 2017, healthy market condition expected.
- Q1’17 ASP guidance up 10-15% QoQ.
- 20nm volume production scheduled Q3’17, target 30K WSPM Q4’17.
- Target 38K WSPM of 20nm in 1H 2018 to better meet customers’ needs and improve cost structure.
- DDR4 & LPDDR4 new product engagement.
- Nanya offers a comprehensive portfolio of DRAM solutions and continues to focus on specialty DRAM business.

*WSPM: Wafer Starts Per Month

Thanks & Questions

2016 Income Statement

Amount: Million NT$	Y2016 Audited & Consolidated		Y2015 Audited & Consolidated		YoY
Net Sales	41,633	100.0%	43,876	100.0%	-5.1%
Cost of Goods Sold	28,781	69.1%	26,568	60.6%	
Gross Margin	12,851	30.9%	17,308	39.4%	-25.8%
SG&A Expenses	1,821	4.4%	1,867	4.3%	
R&D Expenses	2,478	6.0%	1,954	4.5%	
Operating Income	8,552	20.5%	13,487	30.7%	-36.6%
Non-operating Income (Exp.)	17,173	41.3%	4,190	9.5%	
Income before Tax	25,726	61.8%	17,677	40.3%	45.5%
Income Tax Benefit (Expense)	-1,997	-4.8%	-506	-1.2%	
Net Income	23,729	57.0%	17,171	39.1%	
Net income attributable to non-controlling interests	7	0.0%	30	0.1%	
Net Income attributable to NTC	23,721	57.0%	17,141	39.1%	38.4%
EPS(NT$)	8.67		7.07		

ECB Offering

Subject	Issue US$ 500 million Zero Coupon Convertible Bond due 2022
Issue Size & Coupon	• Issue Amount: US$ 500 million • Coupon Rate: 0%
Listing	• Singapore Exchange Securities Trading Limited
Issue Date	• Jan. 24 2017
Maturity Date	• Jan. 24, 2022
Initial Conversion Price	• NT$ 52.47 per share
Yield to Put/ Maturity	• 1.75%
Put Option Date	• On January 24, 2020 (At the end of 3rd year)
Call Option Period	• At any time after January 24, 2020 (36 months from Issue Date)
Conversion	• Converted Securities: The newly-issued common shares of Nanya Technology • Conversion Period: At any time starting from the day immediately following the 40th day after the Issue Date to the 10th day prior to the Maturity Date. (2017/3/6~2022/1/14)
Dilution Effect	• If the bonds are fully converted, the dilution effect to original shareholders is about 9.9%. (excluding book value adjustment)

