INNOLUX
群創光電

2024 Third Quarter

Institutional Investor Conference

Disclaimer

Innolux Corporation's statements of its current expectations and estimates are forward-looking statements subject to significant known and unknown risks and uncertainties and actual results may differ materially from those contained or implied in the forward-looking statements. These forward-looking statements are not guarantees of future performance and therefore one should not place undue reliance on them. Except as required by law, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

Agenda

1. Market Overview
2. Corporate Strategies
3. Financial Results
4. Q&A

Market stays healthy in a structural way

- No new TV capacity in the next two years
- Growth of size help digest capacity
- Tight supply-demand strengthened by fade-out of original factory

Uncertainties:
1. Supply chain turbulence (ex. shortage, logistic disruption)
2. Geo-political issues
3. Production disruption (ex. Earthquake)

- Price fluctuates with market demand and cost of material/component
- Healthy-to-low inventory level secures sensible price trend
- Cost management becomes the key

- Healthy-to-low inventory level in favor to customer new project launch
- Average size growth for various products
- More diverse application adopting LCD display

Market highlights

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TV

Growth driver:

- ✓ Size growth--Global LCD TV panel shipment average size growth 1.4” YoY (51.8” in Y2024(F))

Update:

1. Tight supply-demand trend maintained.

IT

Growth driver:

- ✓ Average size growth for NB and monitor
- ✓ Replacement and system EOL
- ✓ AI PC

Update:

1. Expected PC replacement brought by EOL of Win 10 and new opportunities of AI PC.
2. MiniLED / MicroLED as alternatives for enhanced visual experience, LCD as entry level option.

Automotive

Growth driver:

- ✓ Growth in average shipment size
- ✓ EV promotion policy

Update:

1. The growth of average size and EV promotion policy support the market amid the slow down in vehicle shipment.
2. MiniLED / MicroLED as alternatives for enhanced visual experience, LCD as entry level option.

Source: INX Mkt. Omdia

Innolux diversification map

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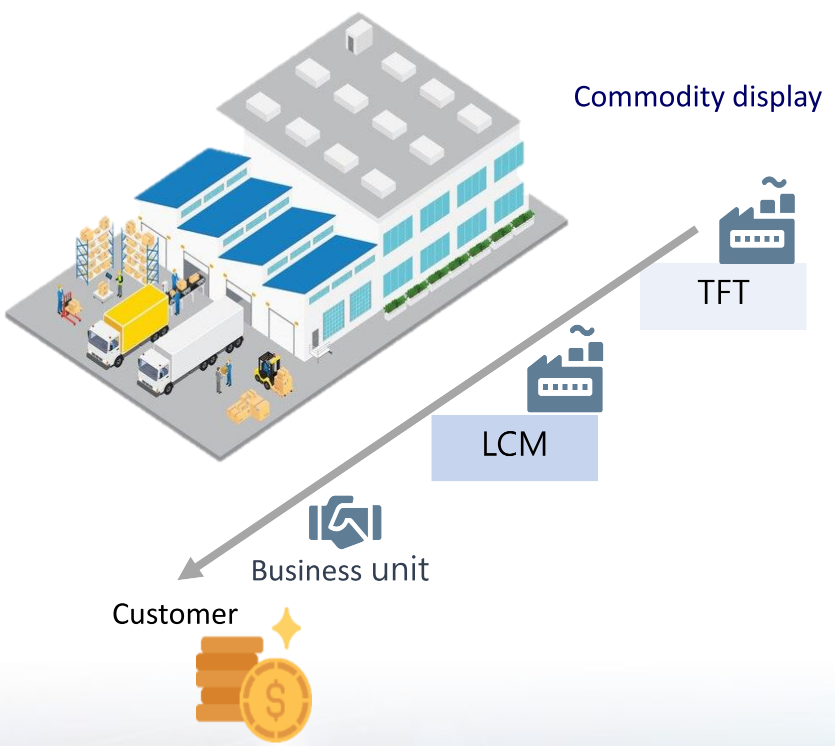
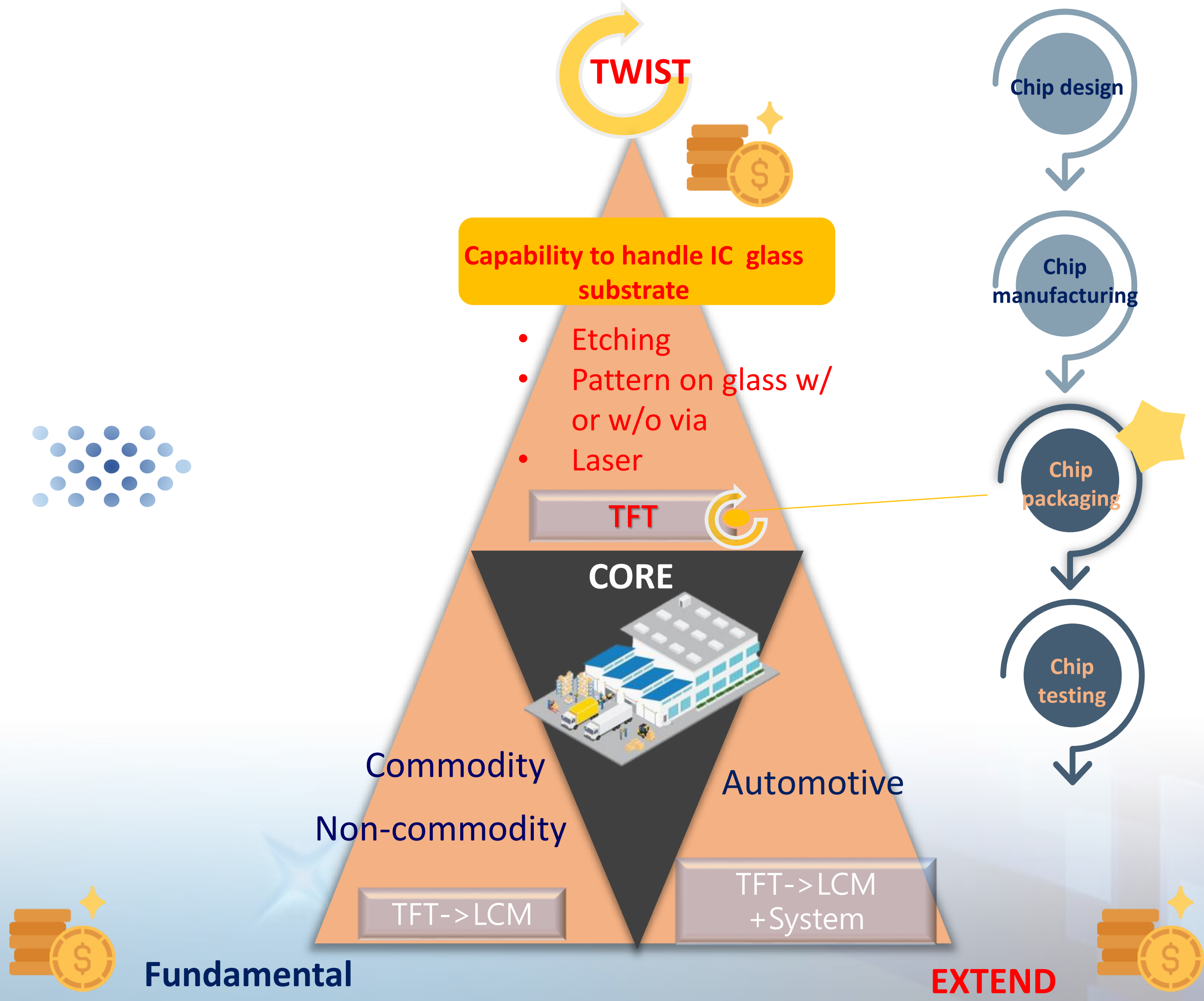
Linear

- Traditional way of business



Diversification

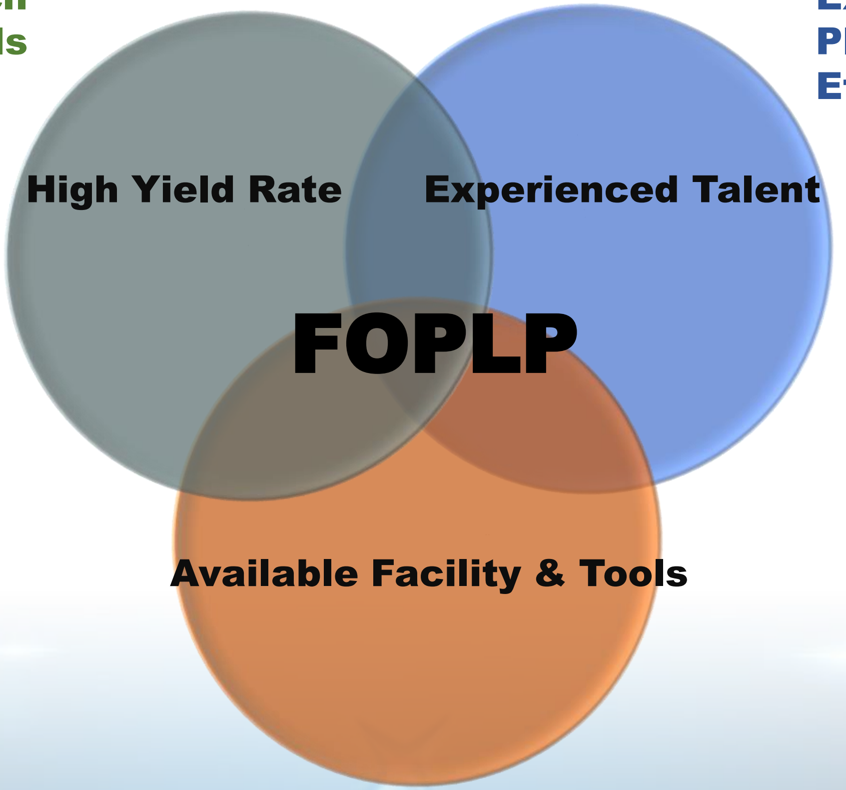


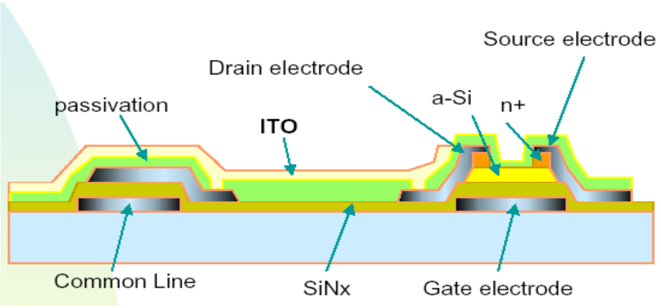
Innolux More than Panel

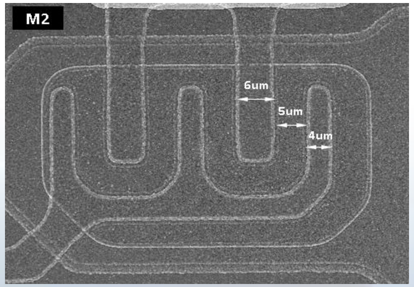
Transformation journey from Display to Semiconductor, levering our advantage of panel form glass patterning and manufacturing.

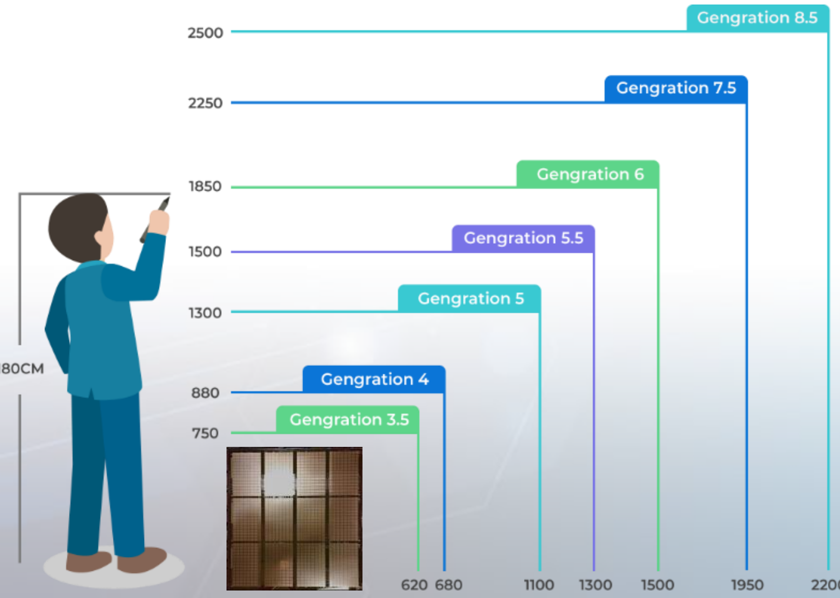
1st Core Competiveness
Manufacturing high yield fine pitch pattern on big size panels

2nd Core Competiveness
Experienced manpower expert in Plasma, Photolithography, Etching, and Panel Inspection.



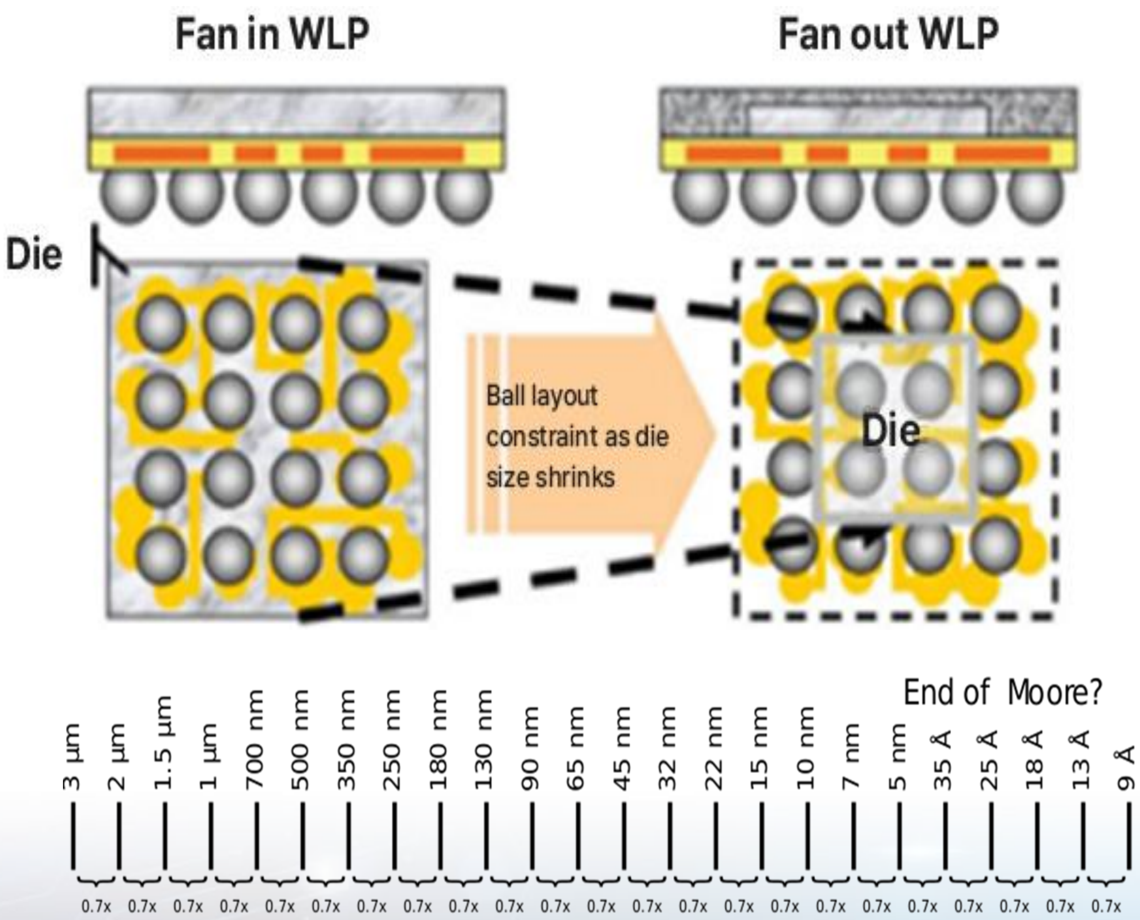






3rd Core Competiveness
High depreciated facility and tools

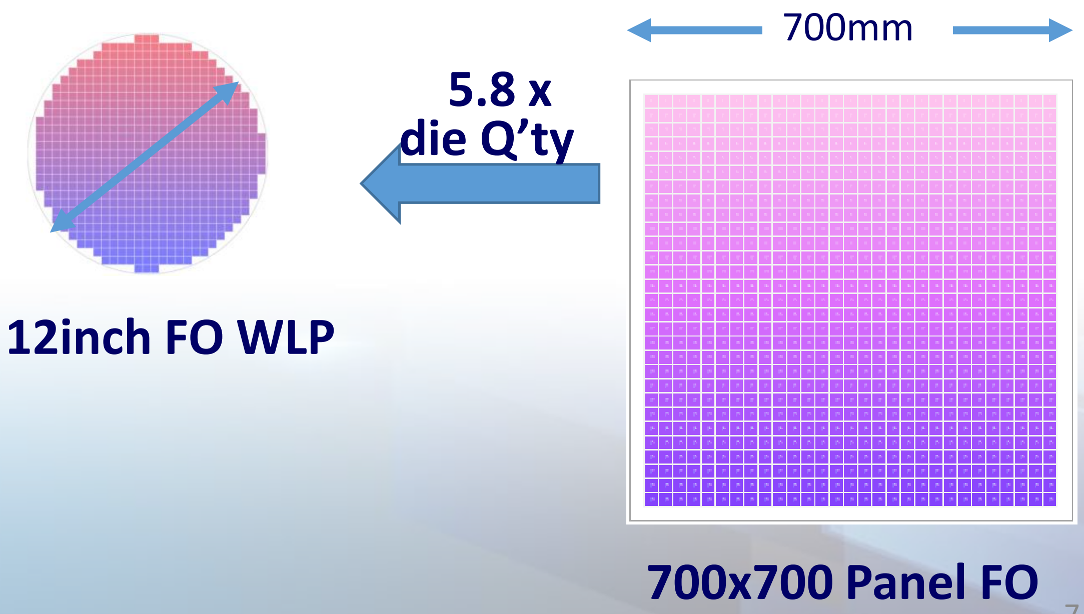
Innolux FO-PLP Chip First



(Source: WikiChip Analysis)

- Smaller Die cost saving > 40%
- Keep or enhance the chip function by Fan-Out
- Innolux offers the world's largest panel of FOPLP
- (700mm x 700mm)

Package size (mm)	12" Wafer PKG Q'ty (Utilization Rate)	700mm Panel PKG Q'ty (Utilization Rate)
10*10	**614** (86%)	**3564** (92%)

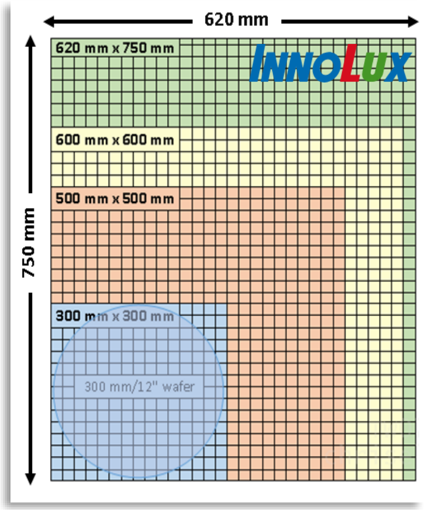


Innolux FOPLP roadmap

Advanced packaging value chain

Innolux FOPLP

6.X times area output



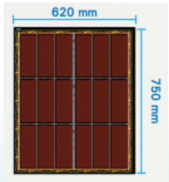
- ✓ IC package in RF, PMIC, Audio, Automotive Radar, for shorter interconnection, and cost efficiency

Ex. **77GHz** Radar transceiver

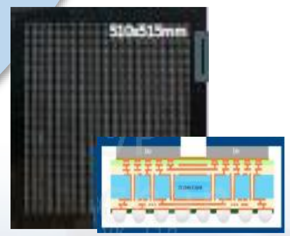
Chip-First for High Frequency

Ex. **650V** DC/DC convertor

- ✓ InnoLux RDL fan-out substrate provide cost competitive solution for AI and HPC chip-let application with fine pitch pattern.
- ✓ Strip (95x240mm) or sub-panel (297x240) format delivery.



- ✓ TGV (Through-glass-via) process on glass substrate
- ✓ Target large size xPU /FPGA AI/ HPC application
- ✓ Better thermal stability, mechanical stability



Chip-first

Low contact resistance, high breakdown voltage

RDL-first

Fine pitch pattern for AI, HPC chip-let

TGV

High speed for generative AI/ HPC application

Target market

From Yolegroup 2023

Golden opportunities for global advanced packaging players

	2022	2023	2024	2025	2026	2027	2028	CAGR (2022-2028)
ED	0.10	0.15	0.22	0.28	0.36	0.48	0.51	30.40%
SiP	8.63	8.77	9.38	9.62	9.98	10.38	10.66	3.59%
Flip-Chip	22.53	23.28	25.49	27.70	31.35	34.90	36.72	8.48%
2.5D/3D	9.20	10.87	12.90	15.14	18.25	22.38	25.77	18.72%
WLCSP	2.21	2.11	2.16	2.24	2.29	2.38	2.42	1.58%
FO	1.59	1.63	1.77	1.95	2.16	2.33	2.47	7.65%
TOTAL	44.26	46.83	51.92	56.92	64.40	72.84	78.55	10.03%
YoY Growth	10%	6%	11%	10%	13%	13%	8%	

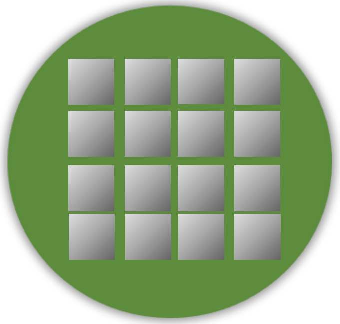
Innolux as a reliable partner of glass substrate solution provider
與全球半導體夥伴合作，為下一代半導體提供玻璃端的解決方案

GLOBAL MAPPING OF
THE ADVANCED PACKAGING SUPPLY CHAIN*

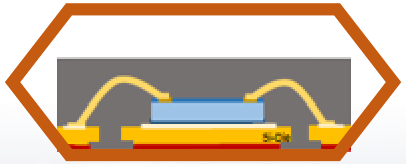
* Illustrative purpose only, not indicative of current customer / partners
Source: Technology & Market Trends for Advanced Packaging, 2023 Yolegroup

IC packaging performance

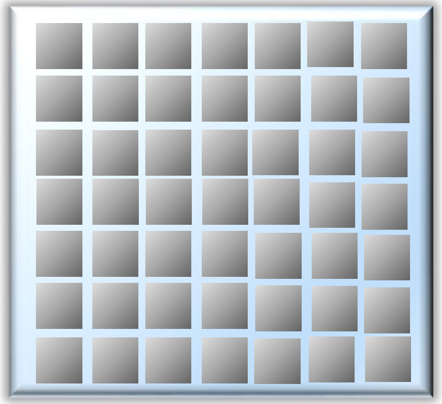
Silicon wafer based substrate



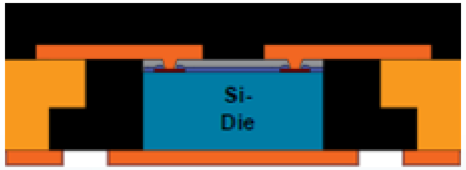
Wire bond at lead frame or substrate



Panel based glass substrate



Copper direct interconnect with EMC 6 sides encapsulation



Panel vs. wafer

- ✓ Better area utilization
- ✓ Better productivity and material usage efficiency

Panel glass vs. silicon

- ✓ Better cost competitiveness in glass with stronger bargaining power (INX as panel maker)
- ✓ Larger size possibility
- ✓ Heterogeneous package

Wire bond vs. copper direct interconnect

- ✓ Shorter trace means lower resistance and lower signal interference
- ✓ Interconnection provide package miniaturization

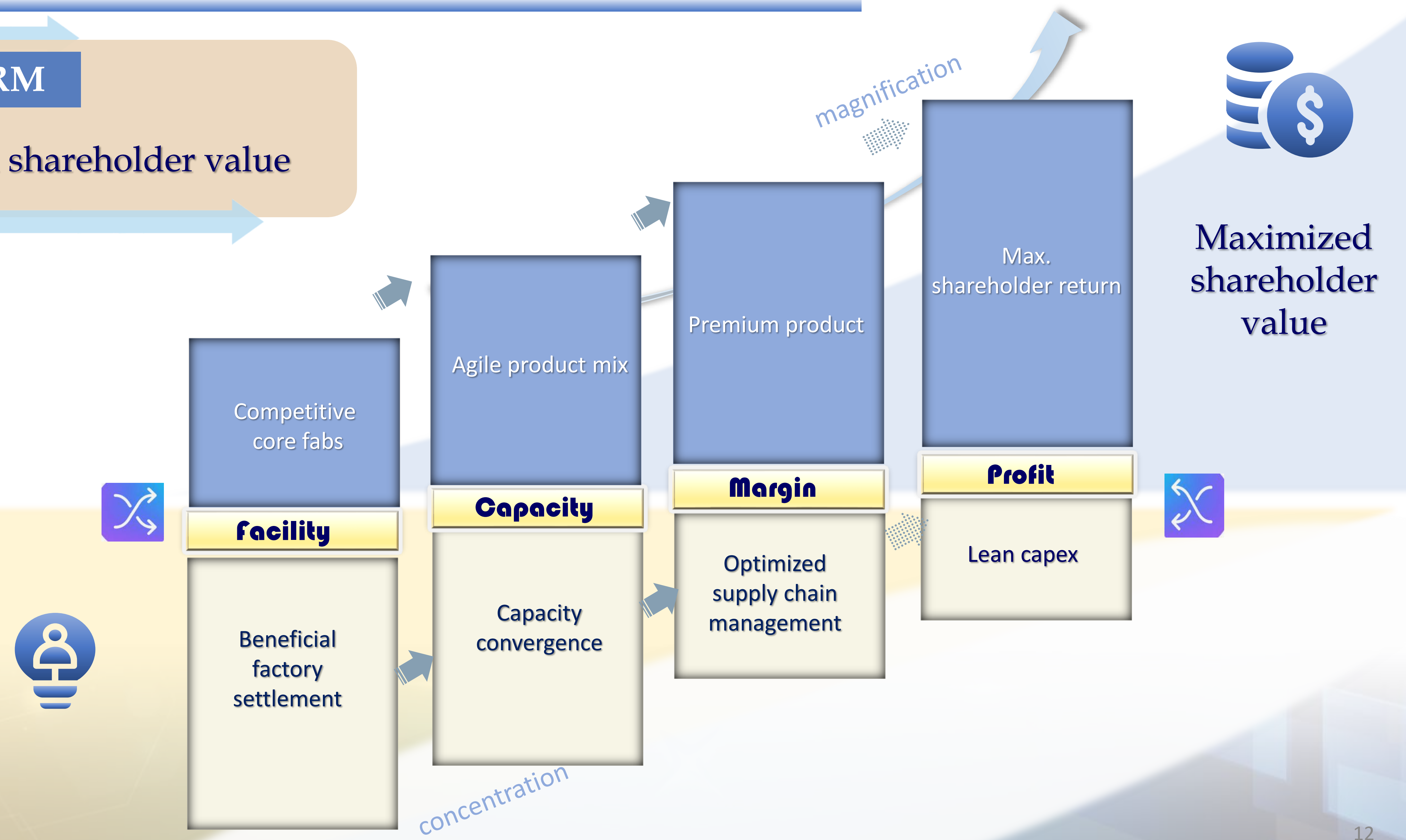
EMC 6 sides encapsulation

- ✓ MSL-1 (highest level of moisture proof)
- ✓ Better heat dissipation
- ✓ High electrical current 100A and high voltage of 650V.

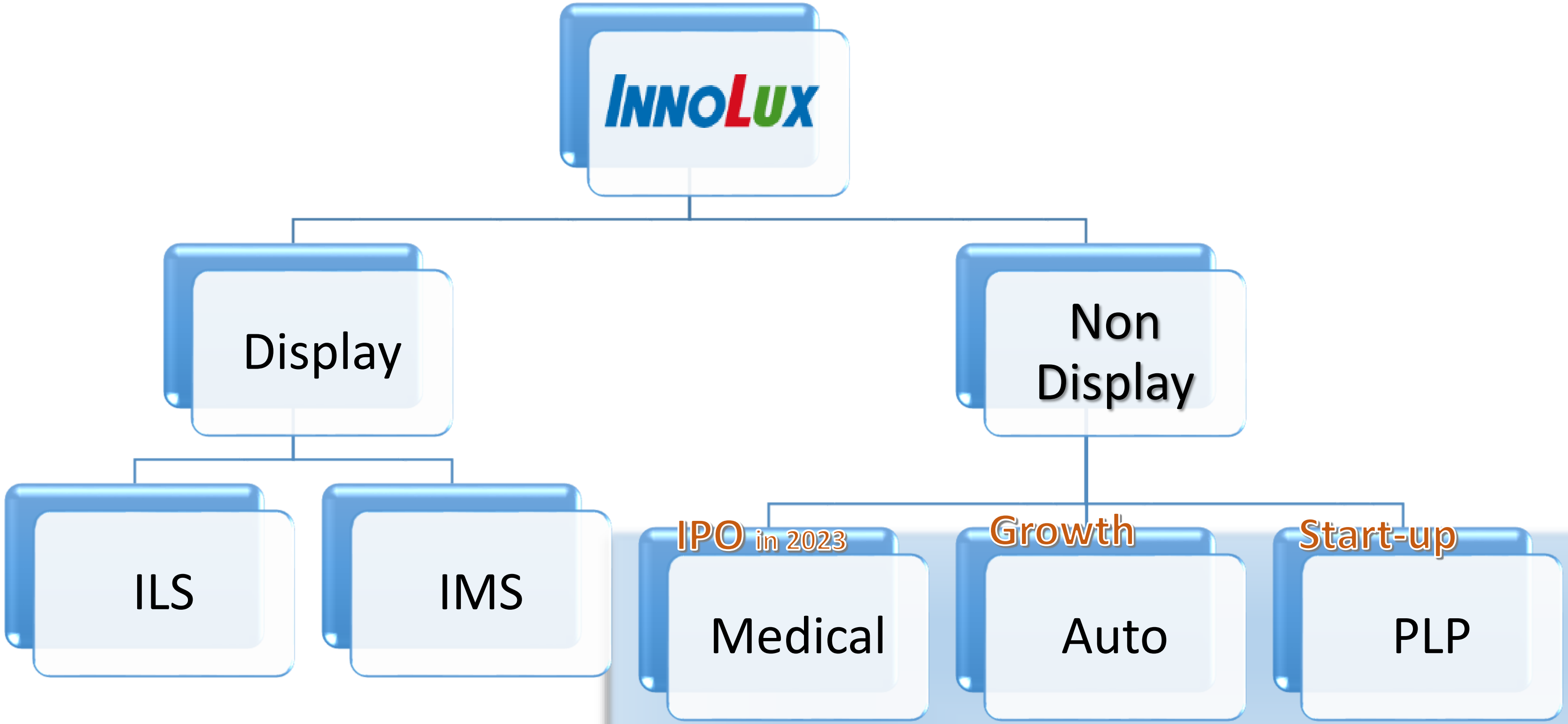
Long term strategy and shareholder value

LONG TERM

Maximized shareholder value



Steering transformation



- ✓ Solution integration approach
- ✓ X-ray and automotive as system integration solution providers
- ✓ Roll out inherent strength to other non-display business

ESG recognition

ESG Indices

Morgan Stanley Capital International (MSCI)
ESG Ratings : A

DJSI World Index
Membership for 6 consecutive years

FTSE4Good
Emerging Markets Index

Sustainability

- Water A
- Climate Change A-

- Approved in May 2023 (Well-Below 2°C commitment)
- Scope 1 and Scope 2 emissions by 15% by 2026 (compared to 2020)
- Scope 3 emissions by 6.2% (compared to 2021)

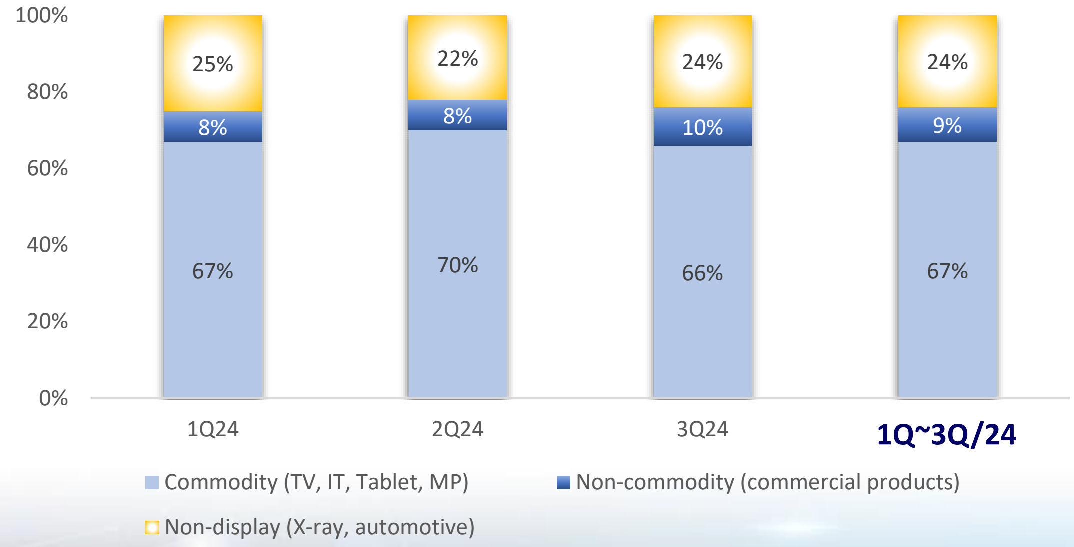
- Sustainalytics ESG Risk Ratings: Low Risk
- Top 10% among electronic components industry

- ISS (Institutional Shareholder Services) ESG Ratings and Rankings: B-
- Top 10% among electronic components industry

Operation performance by domain

- Revenue of higher margin domains marked an increase in value QoQ
- Gross margin could vary greatly across different product types

Revenue share by domain



Gross margin by domain

Product Type	Revenue (NT$ million)			Average GM
	3Q24	QoQ (%)	% share	1Q~3Q/24
Non-display	13,465	6%	24%	11-15%
Non-commodity	5,562	21%	10%	21-25%
Commodity	36,446	-8%	66%	6-10%

Statements of comprehensive income highlights

(NT$ million)	3Q 2024		2Q 2024		QoQ %	3Q 2023	
Net Sales	55,473	*100.0%*	56,861	*100.0%*	***-2.4%***	57,654	*100.0%*
Cost of Goods Sold	50,471	*91.0%*	51,150	*90.0%*	***-1.3%***	53,510	*92.8%*
Gross Profit	5,002	*9.0%*	5,711	*10.0%*	***-12.4%***	4,144	*7.2%*
Operating Expenses	5,793	*10.4%*	5,347	*9.4%*	***8.3%***	5,729	*9.9%*
Operating Profit (Loss)	(790)	*-1.4%*	364	*0.6%*	-	(1,585)	*-2.7%*
Net Non-operating Income (Exp.)	1,521	*2.7%*	1,118	*2.0%*	***36.1%***	238	*0.4%*
Profit (Loss) before Tax	730	*1.3%*	1,482	*2.6%*	***-50.7%***	(1,347)	*-2.3%*
Net Profit (Loss)	494	*0.9%*	1,184	*2.1%*	***-58.2%***	(1,885)	*-3.3%*
Net Profit (Loss) Attributable to Owners of Company	421	*0.8%*	1,131	*2.0%*	***-62.7%***	(1,898)	*-3.3%*
Basic EPS (NT$)(1)(2)	0.05		0.12			(0.21)	
EBITDA(3)	7,080	*12.8%*	8,213	*14.4%*	***-13.8%***	6,064	*10.5%*
Depreciation & Amortization	7,871		7,849			7,649	
Capital Expenditure	3,846		3,782			5,330	

Notes:
1. Basic EPS = Net Income-Parent / Weighted Average of Outstanding Common Shares
2. Capital Stock (common): NT$79.9billion as of September 30, 2024
3. EBITDA = Operating Income + Depreciation & Amortization
4. All figures are prepared by Innolux Corporation in accordance with the International Financial Reporting Standards as endorsed in TIFRS.

Q&A

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