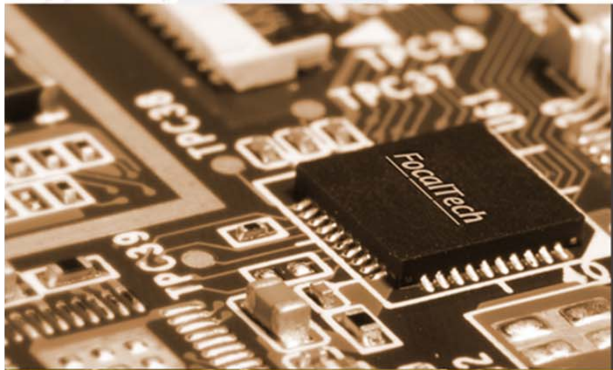
FocalTech

The world leader in human machine interface solutions

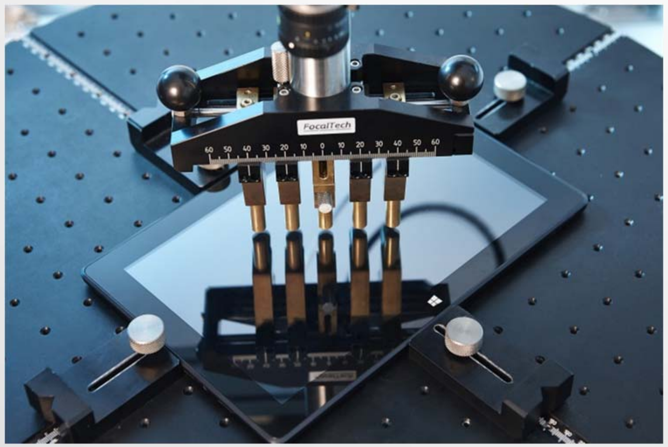


Company Profile

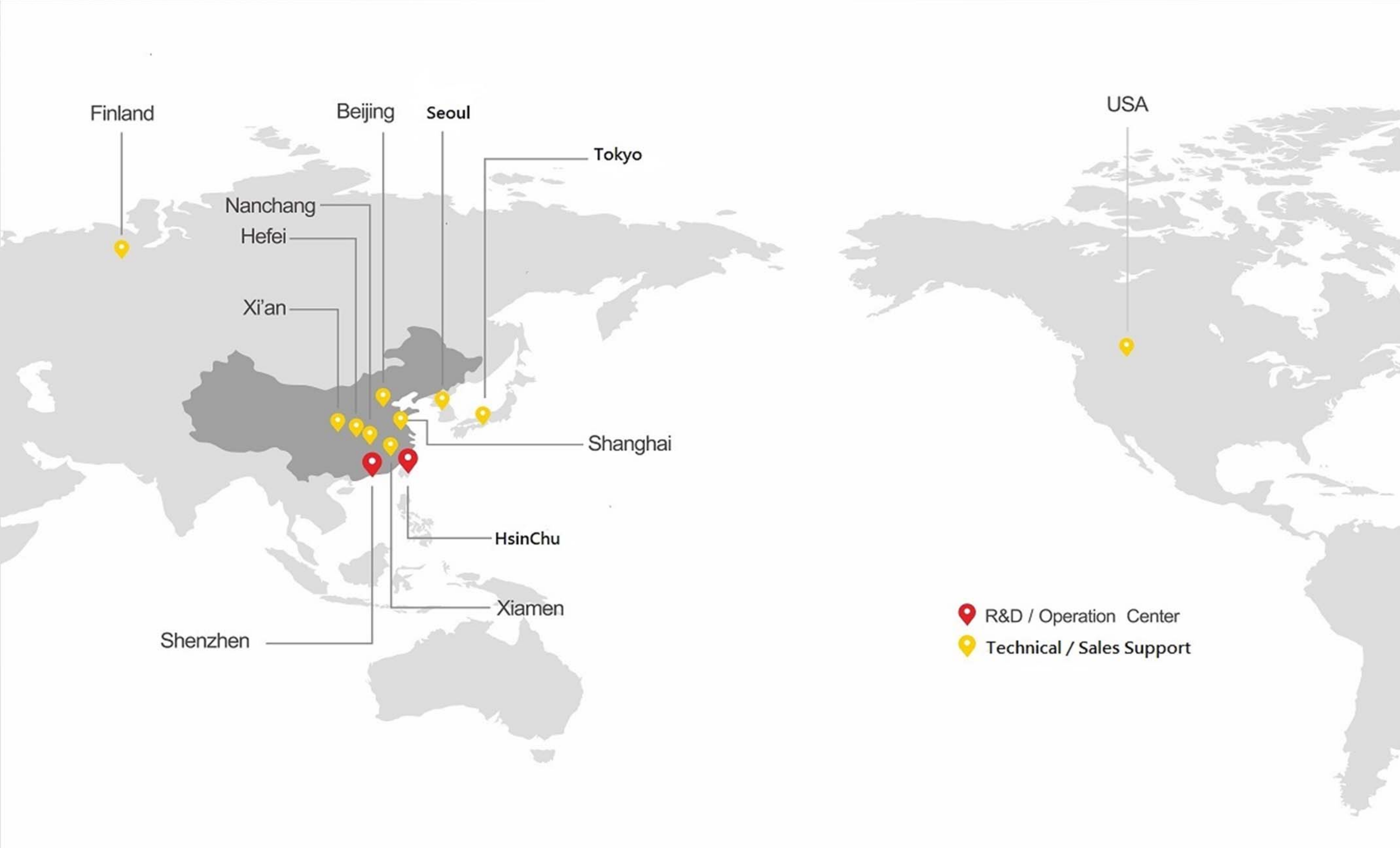
September, 2016

About FocalTech

Listed on TWSE	Ticker # 3545
2016 1H Revenue	NT$ 5.3 Billion
Market Cap. (August, 2016)	~NT$ 9 Billion
Employee # (August, 2016)	~800
Dividend/ share	$0.7316



Global Footprint



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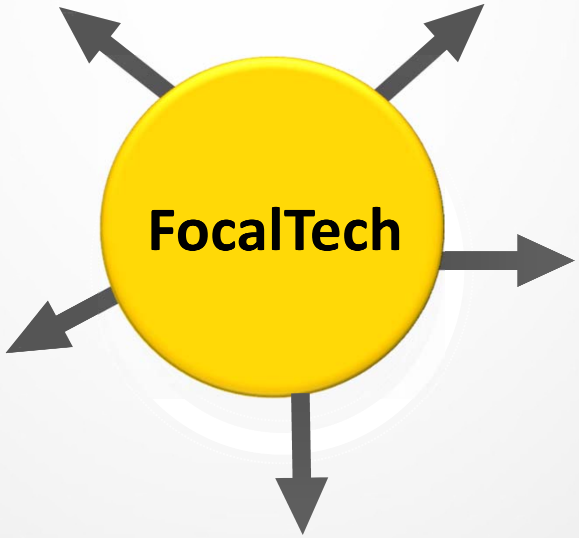
Product Lines

LCD Driver IC

Includes SOC, Source driver (SD) Gate driver (GD), Feature driver (SD+TCON), Timing controller (TCON)

Touch Controller IC

Both self and mutual capacitive controllers support 1.5”~15” panels



Fingerprint Solution

Capacitive area type. Fast, reliable and secure

Integrated Driver & Controller (IDC)

Supports both α-Si and LTPS TFT LCD panels

Force Touch Solution

Solutions for out-cell, on-cell and in-cell applications

Applications and Customers

Selected Applications

Smartphones

Tablet

E- Readers

Wearable Device

Automotive

Passive Stylus

Laptop

Selected Customers

- ASUS
- Coolpad
- SONY
- ZTE
- HUAWEI
- Microsoft
- MI
- vivo Hi-Fi & Smart
- TOSHIBA
- TCL
- lenovo
- acer
- LG Life's Good
- GoPro
- htc
- amazon
- oppo

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Consumer products

Hero4: touch screen on the back

GoPro

Superb touch performance under extreme environments

ZTE

Model Name: Axon Watch

Adidas

Model Name: Smart Run

XiaoYuZaiJia

Application: Smart Robot
Model Name: XiaoYuZaiJia

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Mobile Device

Model Name: P9 Lite

Huawei

Model Name: LeMeng X3

Lenovo

Model Name: Zenfone

ASUS

Model Name: Honor 5C

Huawei

Model Name: Redmi Note3

Xiaomi

Model Name: ZenPad370

ASUS

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Mobile Device -- IDC

HD

CXXX

GXXX

SXXX

LXXX

FHD

GXXX

3XXX

MXXX

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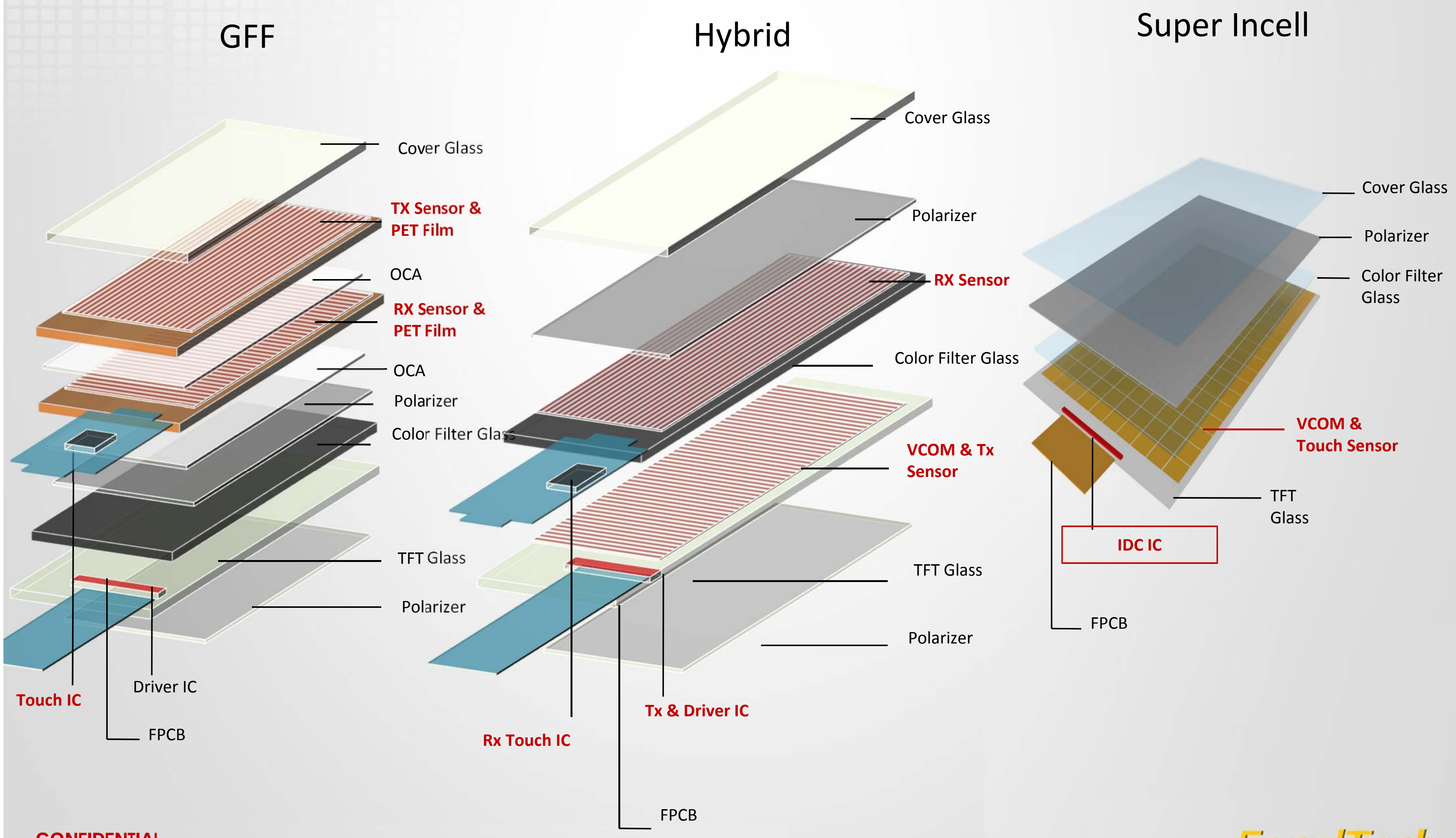
GFF, Hybrid and Super In Cell Comparison



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SIC+IDC in Short

Performance

- Thinner & Lighter — 20% Thinner
- Better Optical Performance — 10% Brighter

Cost & Reliability

- Simpler Structure: Easier to Make& More Reliable
- More Integration, Shorter Supply Chain
- Competitive System Cost

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FocalTech's Strengths in IDC & SIC

- Strong patent portfolio in Super In-Cell with IDC
- Cooperate with multiple LCD makers in TW, JP, CN & KR
- Support HD, FHD ,WQHD, 4K
- Support larger display size up to 10~13"
- Support both LTPS & a-si TFT LCD

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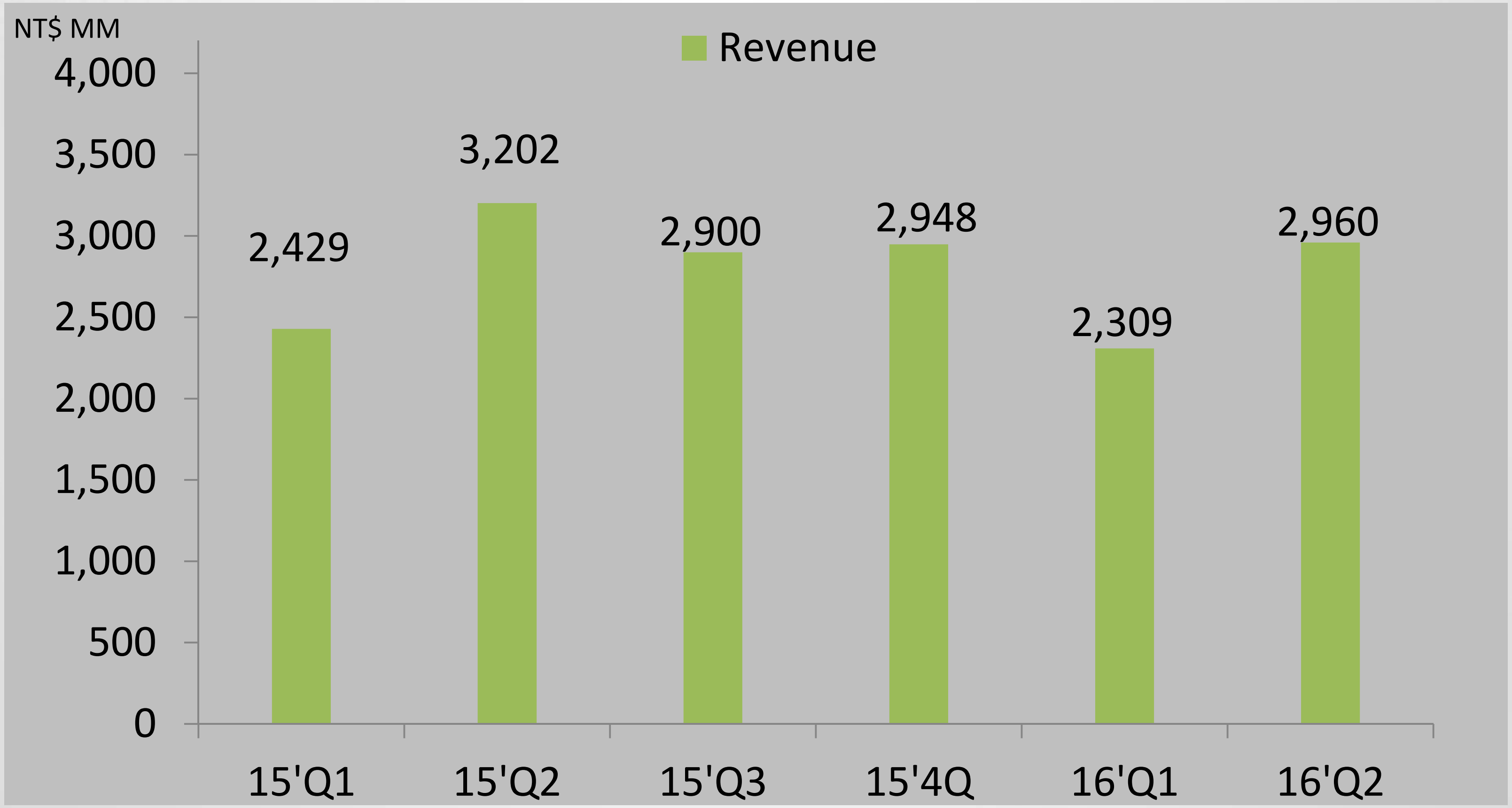
Company Revenue



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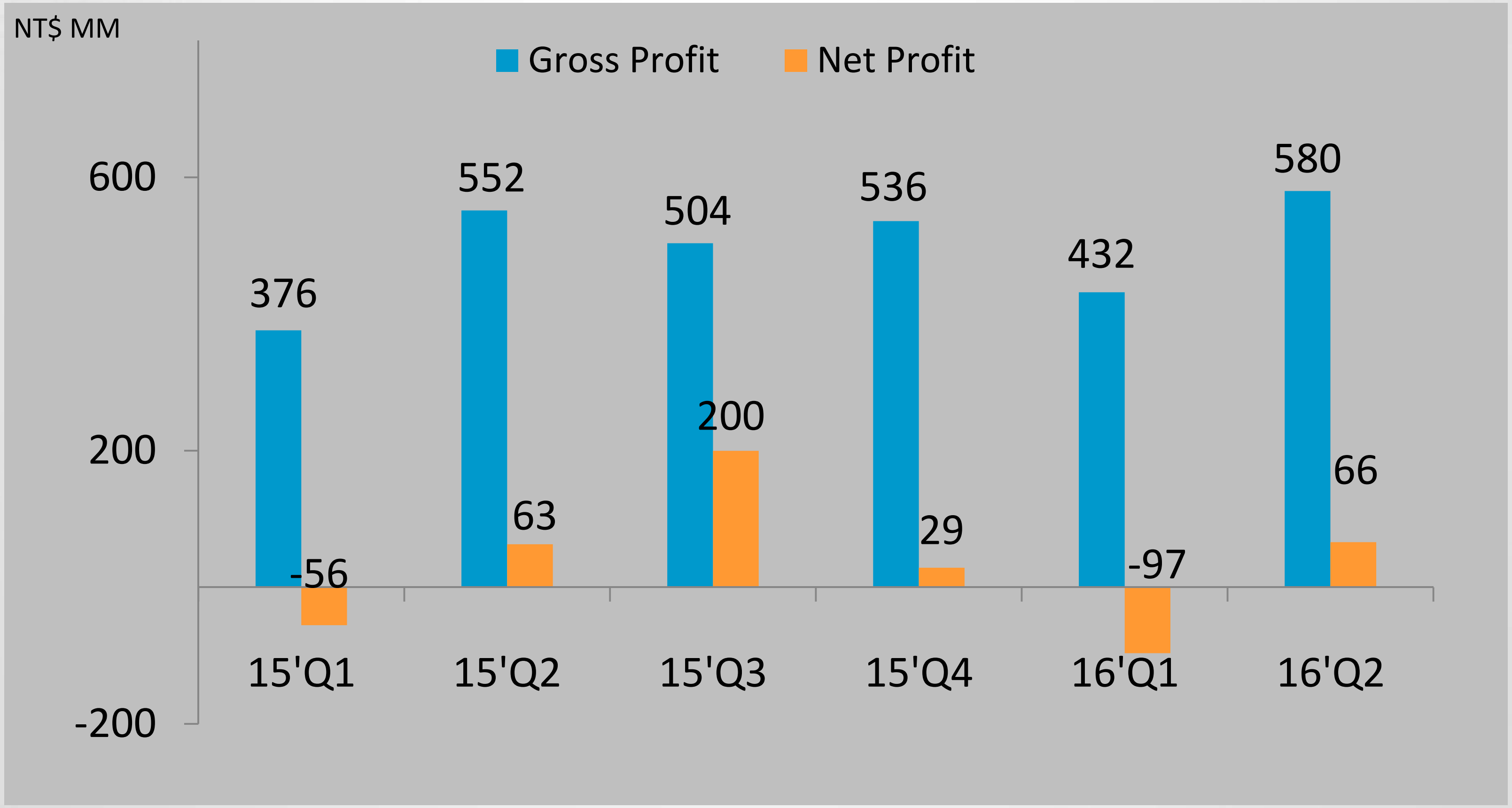
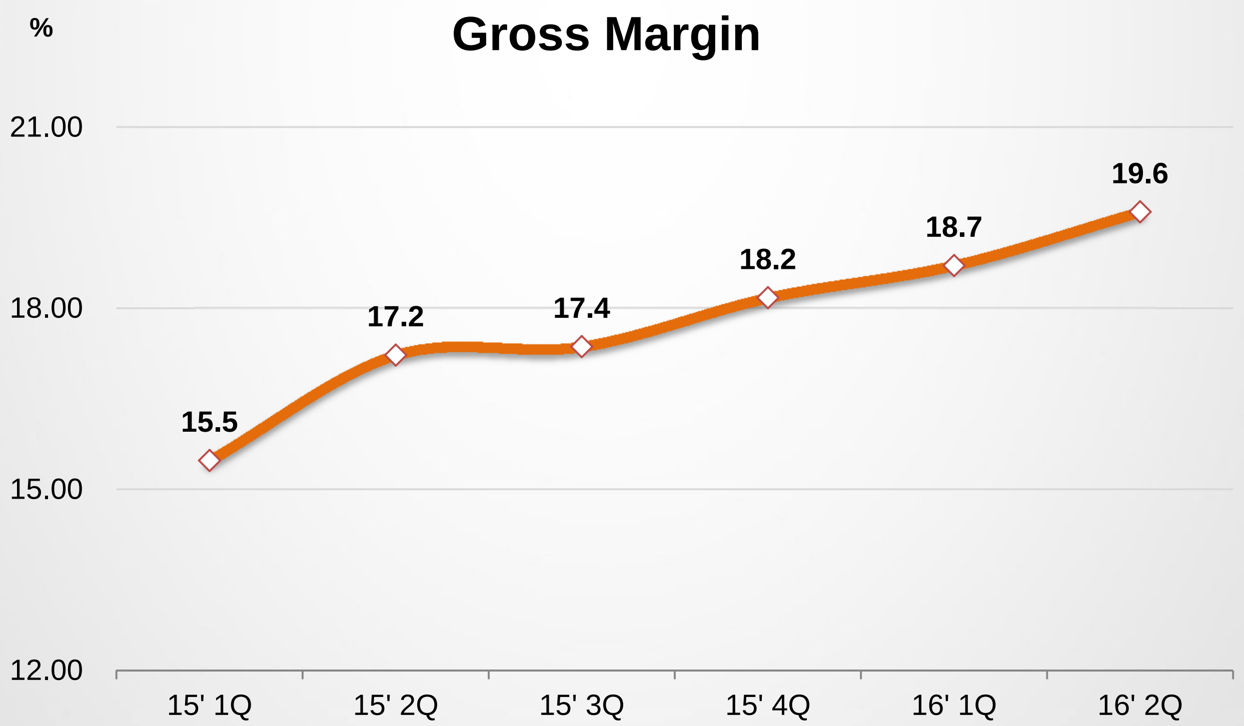
Financial Results



Gross Margin



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Quarterly Income Statement

Amt: in NT$ M

3 months ended on	2016/6/30		2016/3/31		2015/6/30		QoQ	YoY
Net Revenue	2,960.0	100.0	2,308.6	100.0	3,202.5	100.0	28%	-8%
Cost of Rev.	2,379.9	80.4	1,876.7	81.3	2,650.8	82.8	27%	-10%
Gross Profit	580.1	19.6	431.9	18.7	551.6	17.2	34%	5%
Op. Exp.	500.0	16.9	522.1	22.6	523.0	16.3	-4%	-4%
Income from Op.	80.1	2.7	(90.2)	- 3.9	28.6	0.9		180%
Non-Op. Income & Exp.	(1.9)	- 0.1	(12.0)	- 0.5	27.4	0.9	-84%	
IBIT	78.2	2.6	(102.2)	- 4.4	56.0	1.7		40%
Income Tax Income (Exp.)	(12.2)	- 0.4	5.6	0.2	7.0	0.2		
Net Income	66.0	2.2	(96.5)	- 4.2	63.0	2.0		5%
EPS	0.23		(0.33)		0.15			53%

Note1: EPS- -based on weighted average outstanding common shares.

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YTD Income Statement

Amt: in NT$ M

6 months ended on	2016/6/30		2015/6/30		YoY
Net Revenue	5,268.6	100.0	5,631.6	100.0	- 6.4
Cost of Rev.	4,256.6	80.8	4,703.9	83.5	- 9.5
Gross Profit	1,012.0	19.2	927.7	16.5	9.1
Op. Exp.	1,022.1	19.4	1,044.9	18.6	- 2.2
Income from Op.	(10.1)	- 0.2	(117.2)	- 2.1	- 91.4
Non-Op. Income & Exp.	(13.9)	- 0.3	122.8	2.2	
IBIT	(24.0)	- 0.5	5.6	0.1	
Income Tax Income (Exp.)	(6.6)	- 0.1	1.9	0.0	
Net Income	(30.6)	- 0.6	7.5	0.1	
EPS	(0.10)		0.02		

Note1: 2015 EPS- -based on weighted average outstanding common shares.

Balance Sheets & Key Indices

Amt: in NT$ M

As of	2016/6/30	2016/3/31	2015/6/30	QoQ	YoY
Total Assets	14,415	14,704	16,126	-2%	-11%
Cash Equivalent	6,219	7,328	7,623	-15%	-18%
AR	1,436	1,118	2,083	28%	-31%
Inv.	2,737	2,355	2,470	16%	11%
Total Lia.	3,320	3,334	3,928	0%	-15%
Short-term Loans	323	245	62	32%	423%
AP	1,406	851	1,373	65%	2%
Convertible Bonds	34	961	949	-96%	-96%
Shareholder Eqt.	11,096	11,370	12,199	-2%	-9%
Net CF In (Out)	1,105	544	763	103%	45%
CF fm Operation	345	356	283	-3%	22%
Net worth per share (NT$)	37.70	38.65	29.21		
AR Days	52	53	69		
Inv. Days	109	119	112		

Q2 16’ Results Summary

- Revenue in Q2 16’ was NT$ 2,960M, up 28% qoq and down 8% yoy. The yoy decline is due to the operational adjustment on the product mix. The qoq sequential increase indicates the worse quarter of 2016 is over.

- Gross profit increased 34% qoq to NT$ 580M due to higher revenue and higher margin %. More significantly, this represents 5% growth in profit with a 8% less revenue on yoy basis. Gross margin in Q2 16’ was 19.6%, marking 6 quarters of consecutive improvement.

- Net income before tax in Q2 was NT$ 78M, up 40% yoy, mainly attributed to more efficient operations.

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Q3 16’ Outlook

- Q3 is typically a strong season for smartphones, we expect to see the same situation this year. Therefore, the Q3 business is expected to be better than Q2.

- Gross margin will stay on an upward trend as product mix continues to improve. Favorable contribution mainly comes from growth in mid to high-end product shipment.

- On the product mix improvement, the increase in shipment of IDC product is an important contribution. Another important contribution comes from On-cell touch solution. Both IDC and On-cell products will continue to play a noticeable role for the entire 2H of 2016.

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Thank you !

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