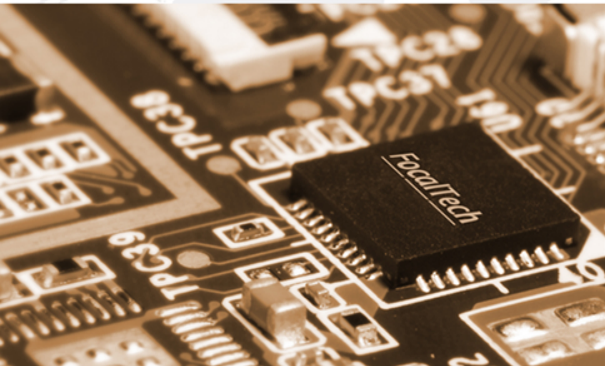
FocalTech

The world leader in human machine interface solutions

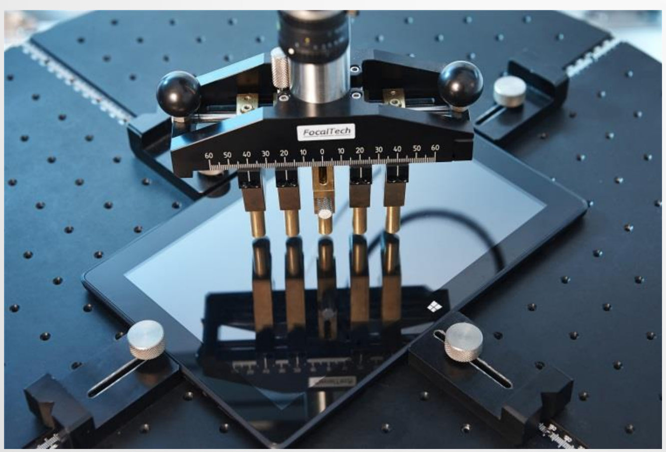


Company Profile

August, 2017

About FocalTech

Listed on TWSE	**Ticker # 3545**
2016 Revenue	**NT$ 11 Billion**
Market Cap. (July, 2017)	**~NT$ 12 Billion**
Employee # (July., 2017)	**~850**
Cash dividend for 2016 profit	**NT$ 0.659/share** (payout 100% after deducting the legal reserve)



Global Presence

Core Competence

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

Integrated Driver & Controller (IDC)

Supports both α-Si and LTPS TFT LCD panels

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Fingerprint Solution

Capacitive area type. Fast, reliable and secure

Automotive / Commercial Solution

Touch and DDI solution for Automotive/Commercial App.

AMOLED DDI/ Touch

DDI and Touch solution for rigid and flexible AMOLED

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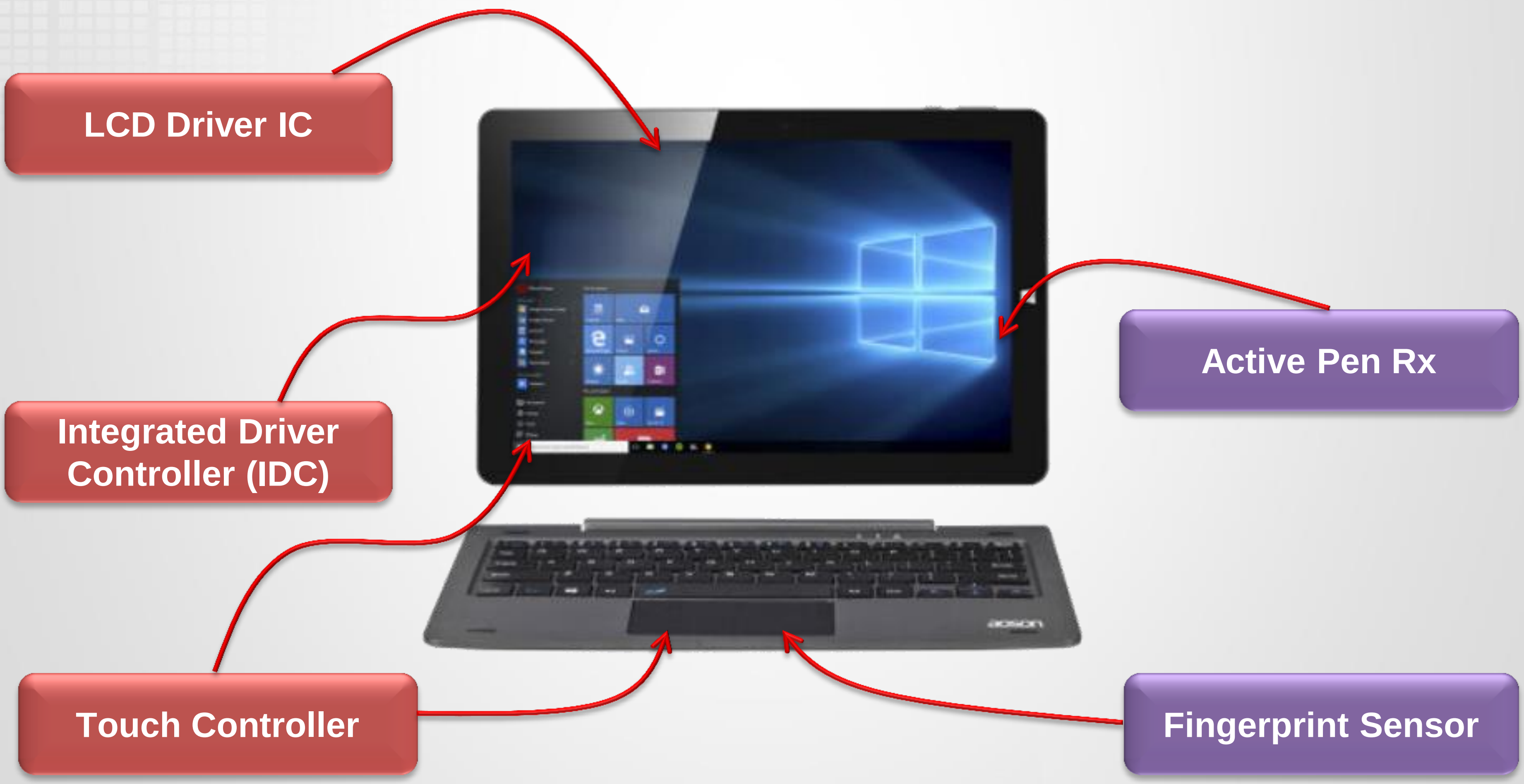
Complete Solution for Mobile/ IT Human IF



Applications and Customers

Selected Applications

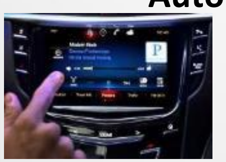
Smartphones

Tablet

E- Readers

Wearable Device

Automotive



Passive Stylus

Laptop

Selected Customers

ASUS

SONY

HUAWEI

MI

TOSHIBA

lenovo

LG Life's Good

htc

oppo

Coolpad

ZTE

Microsoft

vivo Hi-Fi & Smart

TCL

acer

GoPro

amazon

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Consumer products

Hero4: touch screen on the back

GoPro

Montblanc

Model Name: Summit

Superb touch performance under extreme environments

Panasonic

Model Name: UN-JL15T2

XiaoYuZaiJia

Application: Smart Robot
Model Name: XiaoYuZaiJia

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Mobile Device

Model Name: G5 Plus

Moto

Model Name: P10 Plus

Huawei

Model Name: Y67

vivo

Model Name: A1 Plus

Gionee

Model Name: Redmi Pro

Xiaomi

Model Name: ZenPad 10

ASUS

IDC MP Models

HD

S***

G***

S***

L***

G***

H***

FHD

G***

H***

M***

H***

X***

B***

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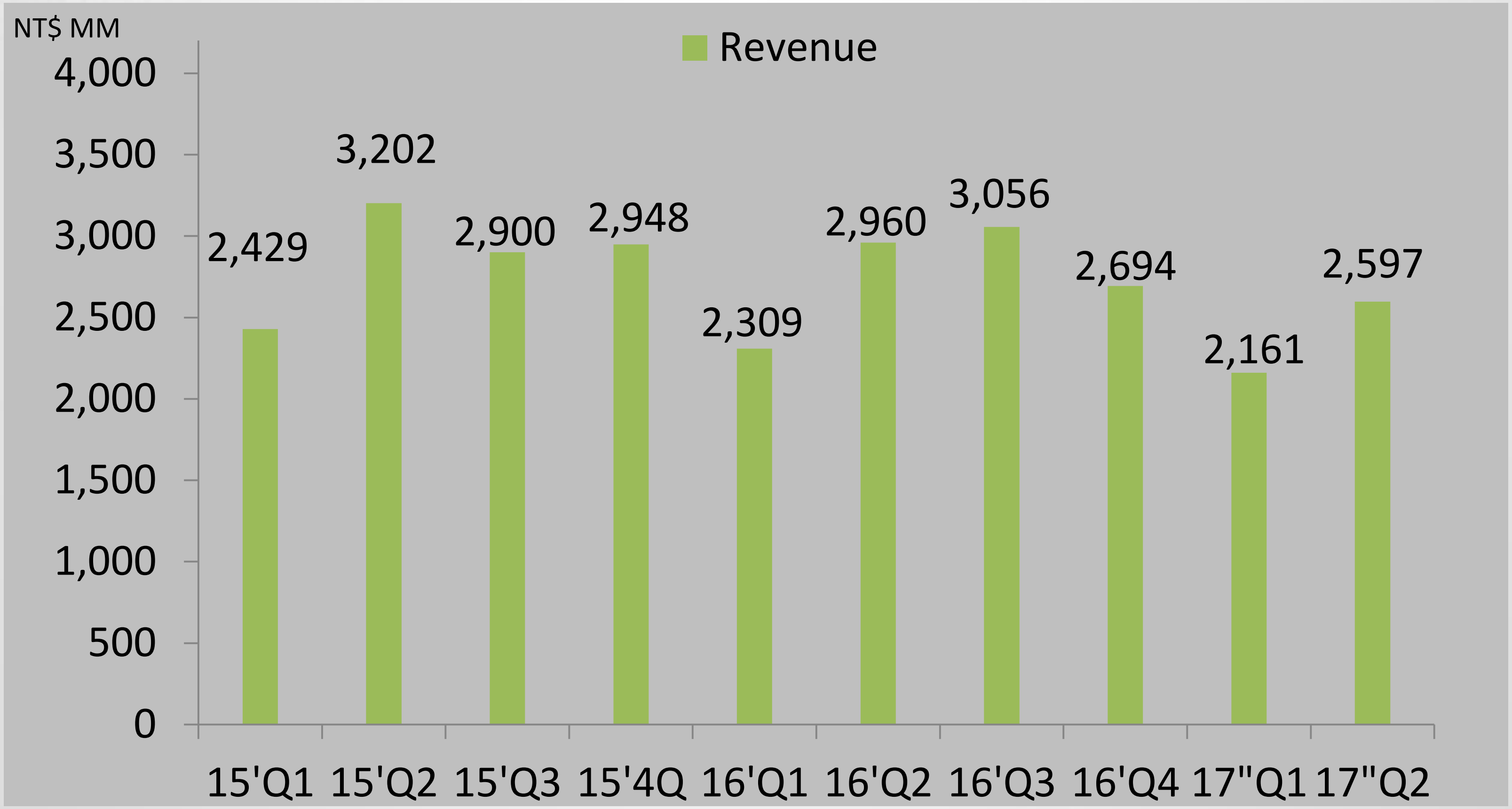
Company Revenue



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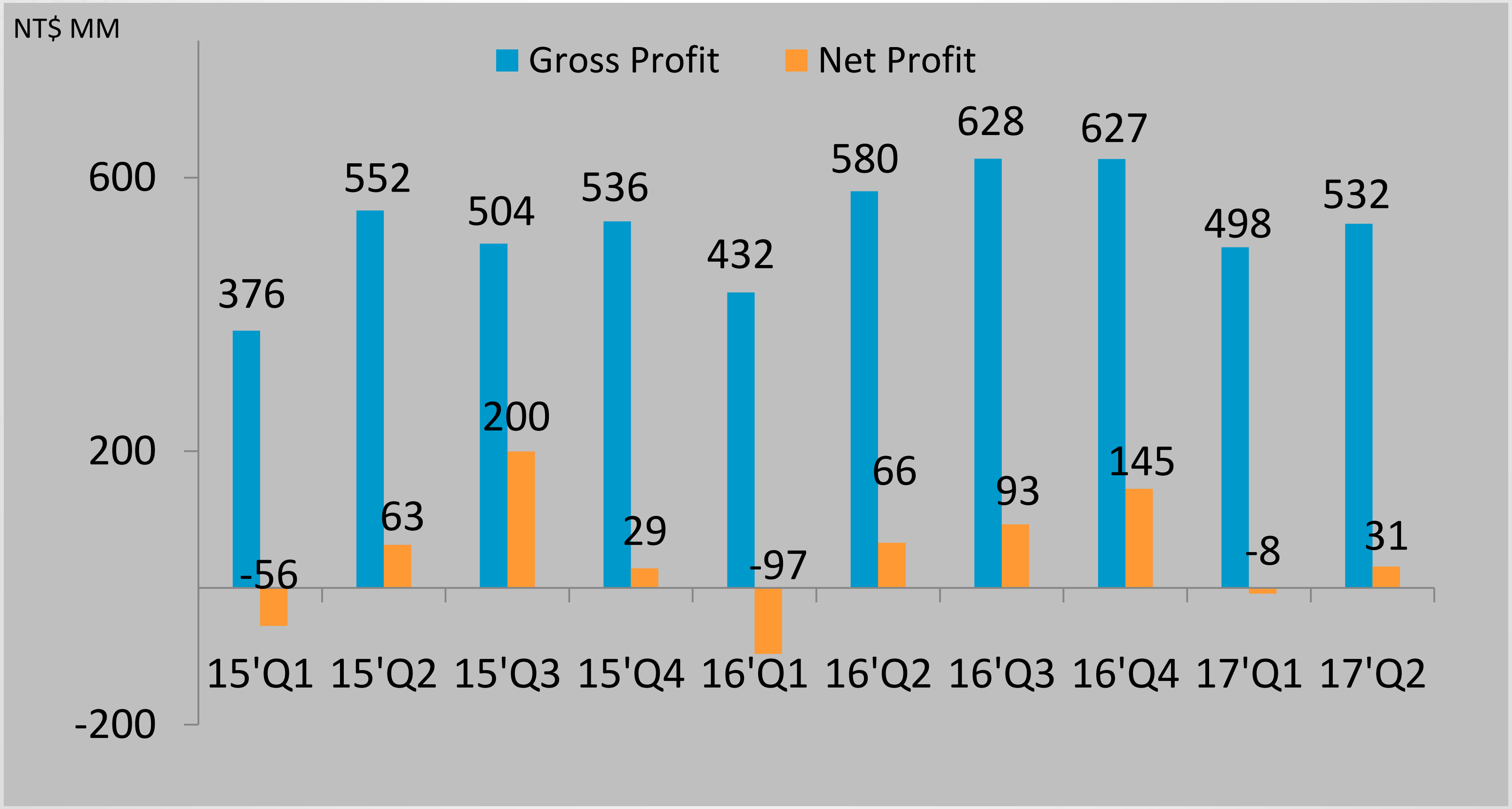
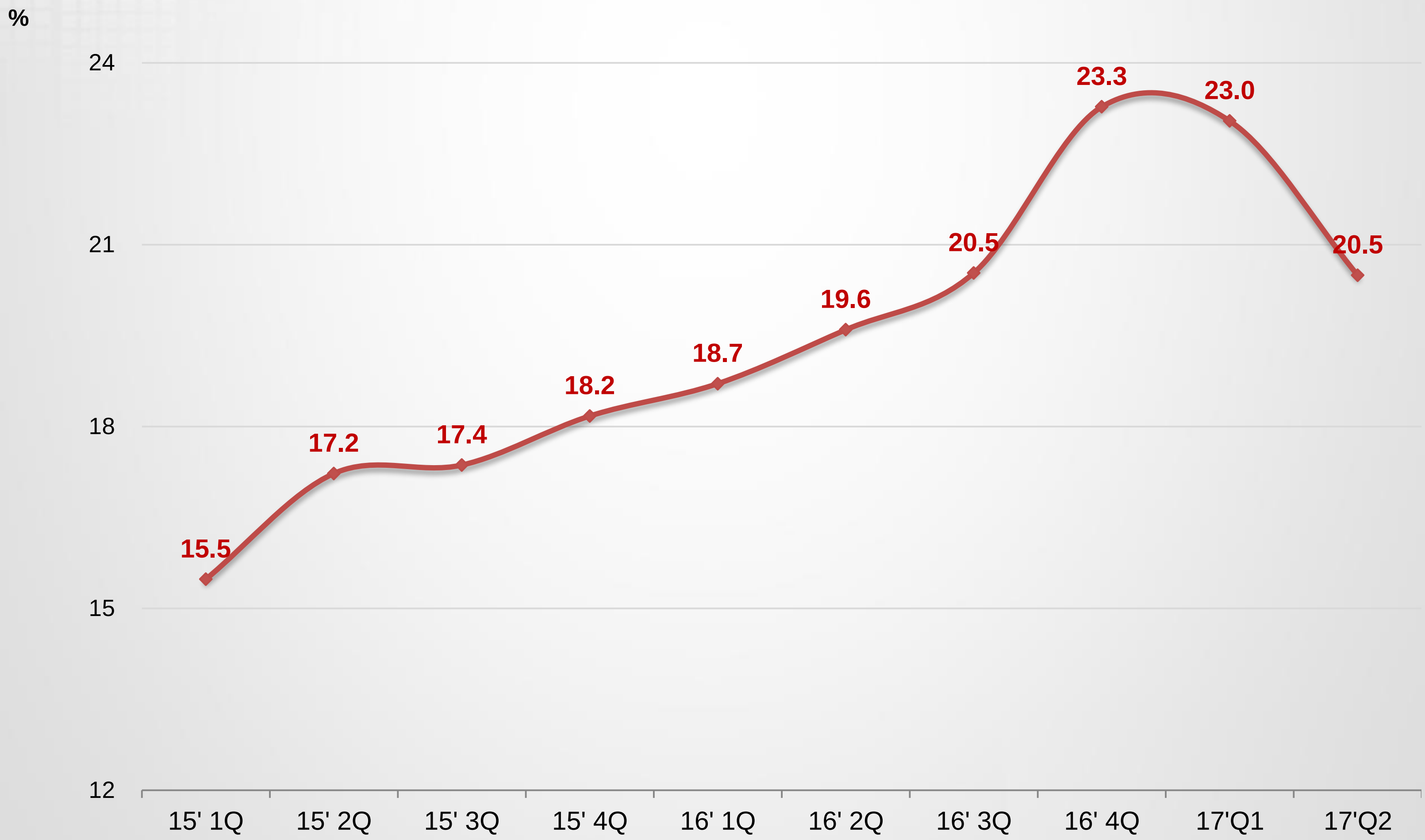
Financial Results



Gross Margin



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Quarterly Income Statement

Amt: in NT$ M

3 months ended on	2017/6/30		2017/3/31		2016/6/30		QoQ	YoY
Net Revenue	2,597.4	100.0	2,161.1	100.0	2,960.0	100.0	20%	-12%
Cost of Rev.	2,065.0	79.5	1,663.1	77.0	2,379.9	80.4	24%	-13%
Gross Profit	532.4	20.5	498.0	23.0	580.1	19.6	7%	-8%
Op. Exp.	525.8	20.2	481.9	22.3	494.9	16.7	9%	6%
Income from Op.	6.6	0.3	16.1	0.7	85.2	2.9	-59%	-92%
Non-Op. Income & Exp.	28.7	1.1	(26.5)	- 1.2	(1.9)	- 0.1		
IBIT	35.2	1.4	(10.4)	- 0.5	83.3	2.8		-58%
Income Tax Income (Exp.)	(4.0)	- 0.2	2.2	0.1	(12.1)	- 0.4		-67%
Net Income	31.2	1.2	(8.2)	- 0.4	71.2	2.4		-56%
EPS	0.12		(0.01)		0.24			-50%

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

YTD Income Statement

Amt: in NT$ M

6 months ended on	2017/6/30		2016/6/30		YoY
Net Revenue	4,758.5	100.0	5,268.6	100.0	-10%
Cost of Rev.	3,728.2	78.3	4,256.6	80.8	-12%
Gross Profit	1,030.3	21.7	1,012.0	19.2	2%
Op. Exp.	1,007.7	21.2	1,019.4	19.3	-1%
Income from Op.	22.6	0.5	(7.4)	- 0.1	
Non-Op. Income & Exp.	2.2	0.0	(13.9)	- 0.3	
IBIT	24.8	0.5	(21.3)	- 0.4	
Income Tax Income (Exp.)	(1.8)	- 0.0	(6.6)	- 0.1	-73%
Net Income	23.0	0.5	(27.9)	- 0.5	
EPS	0.11		(0.10)		

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

Balance Sheets & Key Indices

Amt: in NT$ M

As of	2017/6/30	2017/3/31	2016/6/30	QoQ	YoY
Total Assets	14,284	14,131	14,415	1%	-1%
Cash Equivalent	3,999	4,456	6,219	-10%	-36%
AR	1,176	1,145	1,436	3%	-18%
Inv.	3,472	3,031	2,737	15%	27%
Total Lia.	3,361	3,029	3,300	11%	2%
Short-term Loans	608	607	323	0%	89%
AP	1,367	1,272	1,406	7%	-3%
Convertible Bonds	-	-	34		-100%
Shareholder Eqt.	10,923	11,102	11,115	-2%	-2%
Net CF In (Out)	(1,460)	(1,051)	1,095	39%	
CF fm Operation	(1,117)	(796)	317	40%	
Net worth per share (NT$)	36.76	37.38	37.77		
AR Days	48	52	52		
Inv. Days	147	153	113		

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Q2 17’ Results Summary

- Due to seasonal demand increase in cellphones, revenue in Q2 grew 20% sequentially to NT$ 2,597M. However, the level of the revenue this year was below last year. This was primarily due to the sudden change in screen aspect ratio for the new designs. This change caught the supply chain by surprise and stalled the shipment of many new designs. For FocalTech, this impact slows down the ramp up of IDC products. Thus, our Q2 revenue showed a sequential quarterly increase but a yoy drop of 12%.

- The change in display aspect ratio so far impacted more on mid to high-end cellphones than on mid to low-end phones. This adversely affected our Q2 product mix and in turn affecting the gross margin, which dropped to 20.5% by nearly 2.5% qoq. However, on a yoy basis, our gross margin rate managed a continuing improvement.

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1H 17’ Results Summary

- As for the net income of Q2, it turned positive to NT$ 31M from a loss of NT$ 8M in Q1. Despite small revenue base, similar result was also found for the 1H of this year vs. 1H of 2016; the net profit of NT$ 23 million this year vs. a loss of NT$28 million last year.

- In summary, the overall gross profit and net profit of the first half of 2017 are better than those of last year. This is due to the continuing improvement in overall manufacturing efficiency and cost; the gross margin improved by 2.5% to 21.7%.

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Future Outlook

- Q3 is typically a high season in the year. We expect this remains to be true for mid to low-end cellphone market this year. However the design change for higher aspect ratio screen will cast some uncertainty on how fast the recovery is for the mid to high-end cellphone market. It may be a supply limit situation. Both OLED and LCD in-cell modules will become the key focus.

- For mid to high-end segment, FocalTech is expecting noticeable growth in the full in-cell IDC products. Both LTPS and α-Si in-cell panels will be in strong demand in 2H of this year. However, due to cost advantage, the shipment of α-Si HD in-cell modules may overtake the LTPS FHD counterpart.

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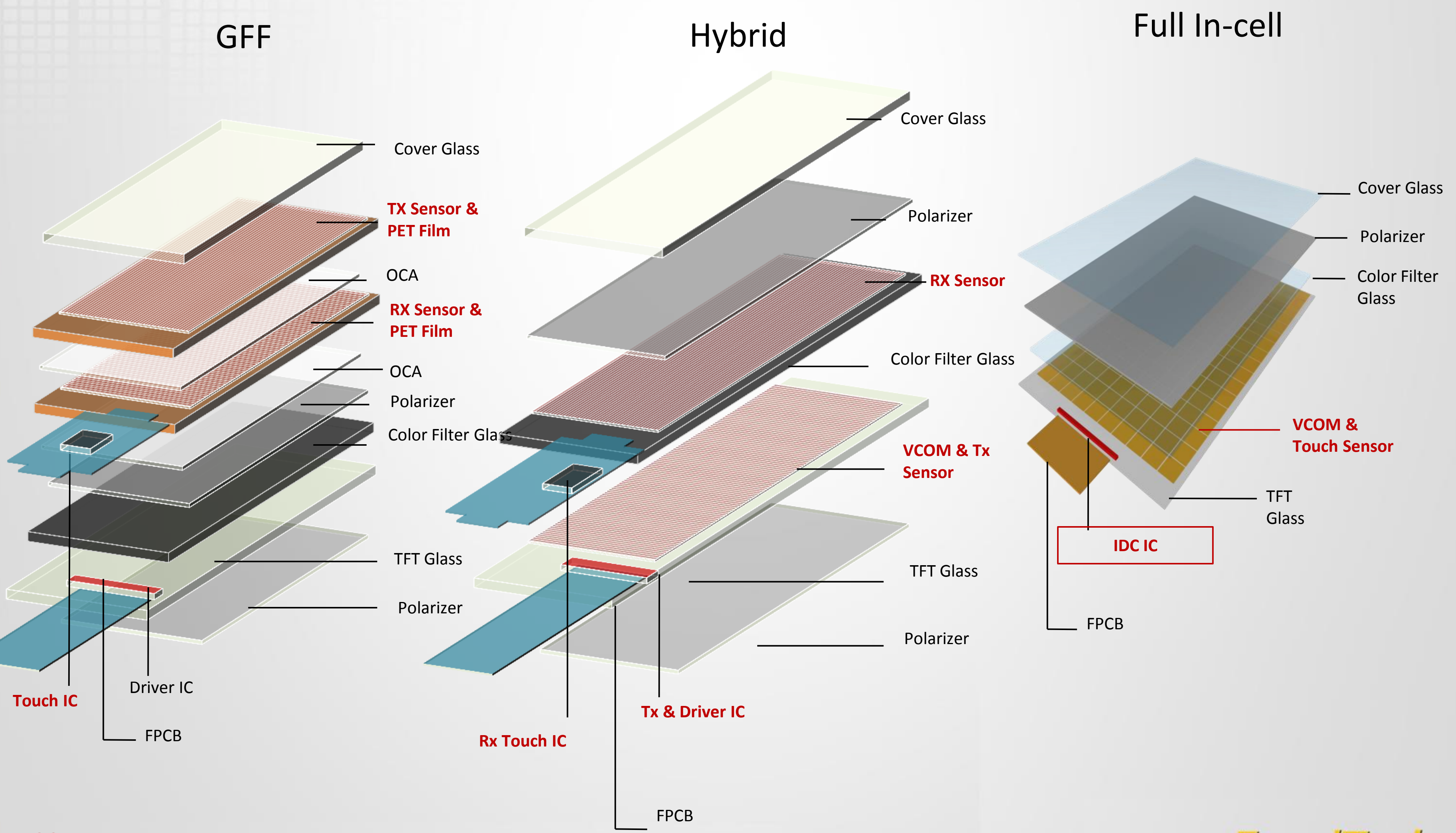
Thank you !

www.focaltech-electronics.com

GFF, Hybrid and Full In-Cell Comparison



FIC+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 & FIC

- Strong patent portfolio in Full 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
- Support either COG or COF structure