



Nanya Technology

2Q' 2016 Investor Conference

Presentation to Investors and Analysts 27 July 2016

Dr. Pei-Ing Lee , President & Spokesman

Safe Harbor

The information herein and the presentation made during the conference contain forward-looking statements and are provided for information purposes only. Neither Nanya Technology Corp. nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements or undertakes duty to update the statements. You are urged to review the information provided herein carefully, and please don't distribute, reproduce or disclose the information in whole or in part without prior written permission of NANYA Technology Corp.

Agenda



- | | |
|-----|-------------------------|
| 01. | Key Takeaways |
| 02. | Q2'16 Revenue & Results |
| 03. | Operations |
| 04. | Market Outlook |
| 05. | Business Outlook |



NANYA



01

KEY TAKEAWAYS

Key Takeaways

- Revenue of NT\$ 8,933 million(M), -14% QoQ
- Gross margin 28.4%, Operating margin 18.5%
- Recognized NT\$ 457M loss from Inotera's loss in Q2
- Recognized NT\$ 765M tax from undistributed earnings
- Net income of NT\$ 397M, EPS NT\$ 0.14, net margin 4.4%
- ASP decreased mid-single digits
- 1H'16 Net income of NT\$2,246M, EPS NT\$ 0.82, net margin 11.6%



NANYA

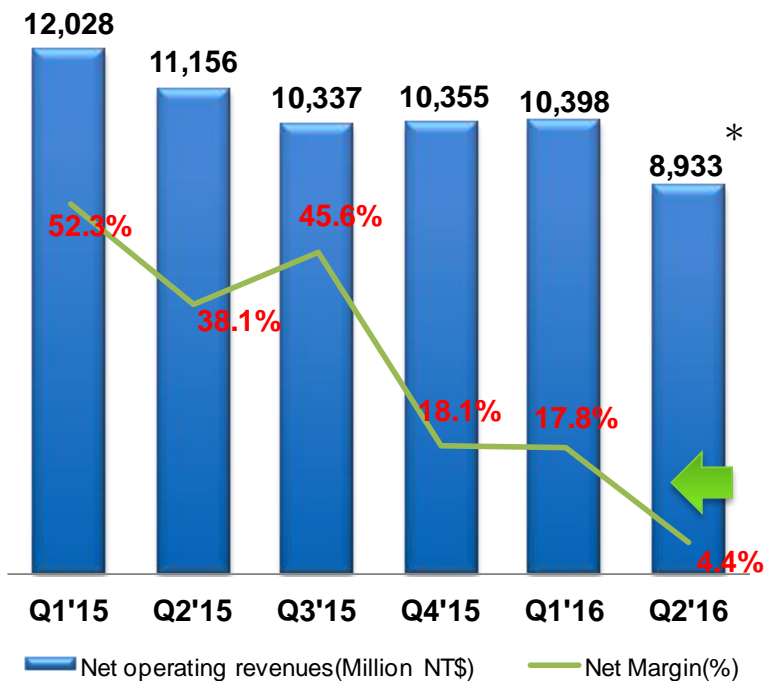
02

Q2'16 REVENUE & RESULTS

Financial Highlights

2015-2016 Quarterly Results

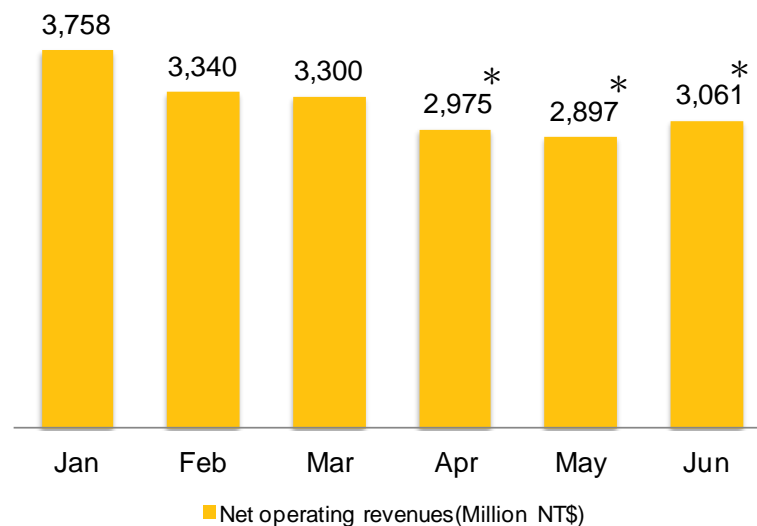
* Unaudited number



← Q2'16 Net margin decline will further explain in P.10

2016 Monthly Revenues

* Unaudited number



Quarterly Revenue Results

	QoQ Q2 '16 vs. Q1'16	YoY Q2'16 vs. Q2'15
Revenue	-14.1%	-19.9%
Shipment	-7.6%	9.2%
ASP	-4.9%	-30.2%
Exchange Rate	-2.2%	5.0%

- Revenue decrease 14% quarter-over-quarter
- Q2'16 ASP decrease 4.9% QoQ; while bit shipment decrease 7.6% due to seasonal weakness.

Q2'16 Financial Results Summary

Amount in Million NT\$, except for EPS & BVPS	Q2'16 Unaudited		Q1'16 Audited		QoQ	Q2'15 Audited		YoY
Net Sales	8,933	100%	10,398	100%	-14.1%	11,156	100%	-19.9%
Gross Margin (Loss) <i>Gross Margin(%)</i>	2,537	28.4%	3,399	32.7%	-25.4%	4,688	42.0%	-45.9%
Operating Income (Loss) <i>Operating Margin(%)</i>	1,651	18.5%	2,633	25.3%	-37.3%	3,908	35.0%	-57.8%
EBITDA* <i>EBITDA Margin (%)</i>	3,161	35.4%	4,138	39.8%	-23.6%	5,363	48.1%	-41.1%
Non-operating Income (Expense)	-599**	-6.7%	-788	-7.6%		847	7.6%	
Income Tax Benefit (Expense)	-647	-7.2%	0	0.0%		-490	-4.4%	
Net Income (Loss) <i>Net Margin (%)</i>	397	4.4%	1,849	17.8%	-78.5%	4,254	38.1%	-90.7%
Earnings Per Share (NT\$)	0.14***		0.68			1.75		
Book Value Per Share (NT\$)	22.03		24.84			19.62		
Shares Outstanding(million shares)	2,748		2,748			2,428		

Note: * EBITDA = Operating income + Depreciation & Amortization Expenses

** Non-Operating expense included NT\$ 457 million from Inotera's loss in Q2'16; exchange rate negative impact NT\$ 70 million

*** EPS is based on weighted average outstanding shares of 2,725 million.

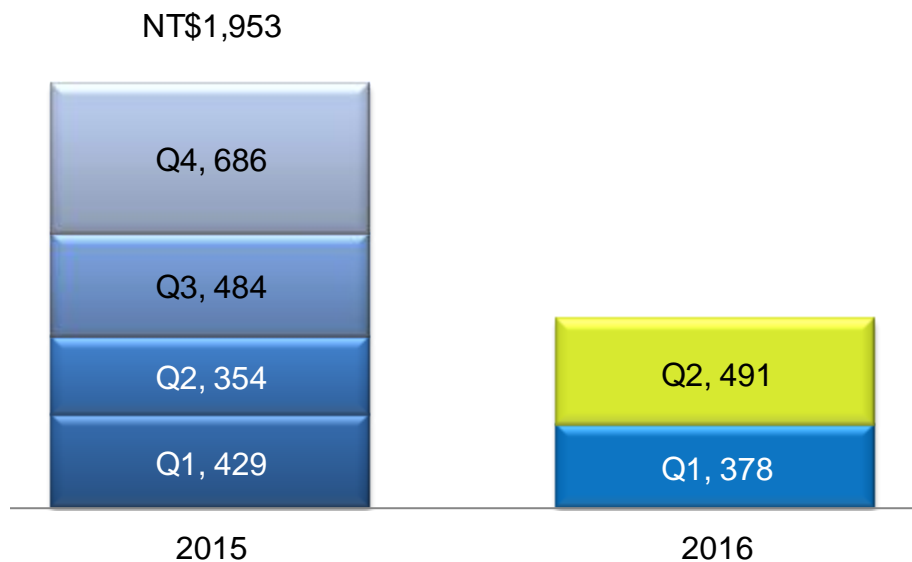
Q2'16 vs. Q1'16 Results Comparison

	Q2'16		Q1'16		QoQ (PPT*)	Difference
Amount in Million NT\$	Unaudited		Audited			
Net Sales	8,933	100%	10,398	100%		<ul style="list-style-type: none">ASP decreased 4.9% QoQBit shipment decreased 7.6% QoQWeighted average NT dollar appreciation 2.2%
Gross Margin (Loss) Gross Margin(%)	2,537	28.4%	3,399	32.7%	-4.3%	<ul style="list-style-type: none">Q2'16 Gross Margin decreased NT\$ 862M (4.3%), mainly due to ASP decline
Operating Income (Loss) Operating Margin(%)	1,651	18.5%	2,633	25.3%	-6.8%	<ul style="list-style-type: none">Approx. NT\$ 100M R&D expense increased compared with Q1
Net Income (Loss) Net Margin (%)	397	4.4%	1,849	17.8%	-13.4%	<ul style="list-style-type: none">Recognized Inotera loss increased NT\$ 78M (Q2: NT\$ 457M, Q1: NT\$ 379M)Exchange loss decrease NT\$ 266M (Q2: NT\$ 70M, Q1: NT\$ 335M)Q2 recognized NT\$ 765M from 10% surtax on undistributed earnings and NT\$ 120M tax reduction for 2015 R&D Investment

Operating Expenses

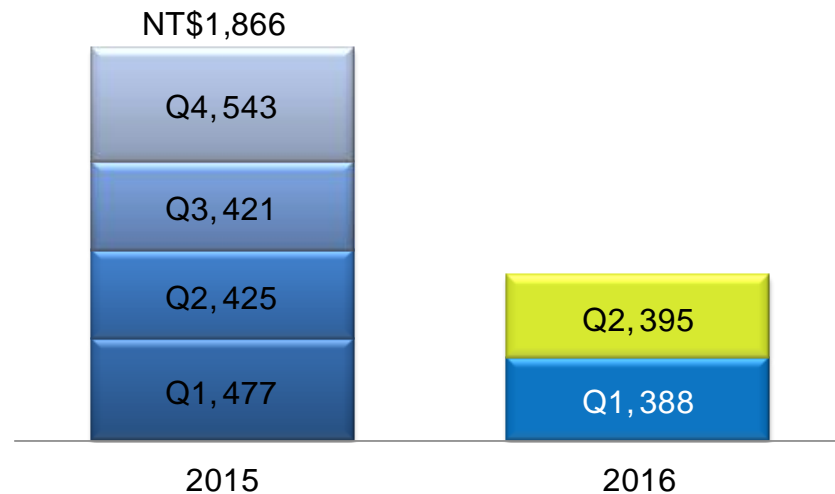
R&D Expenses

(Million NT\$)



SG&A Expenses

(Million NT\$)



Note: Q2'16 R&D expense increased by NT\$ 113M mainly for 20nm preparation.

Q2'16 Cash Flows

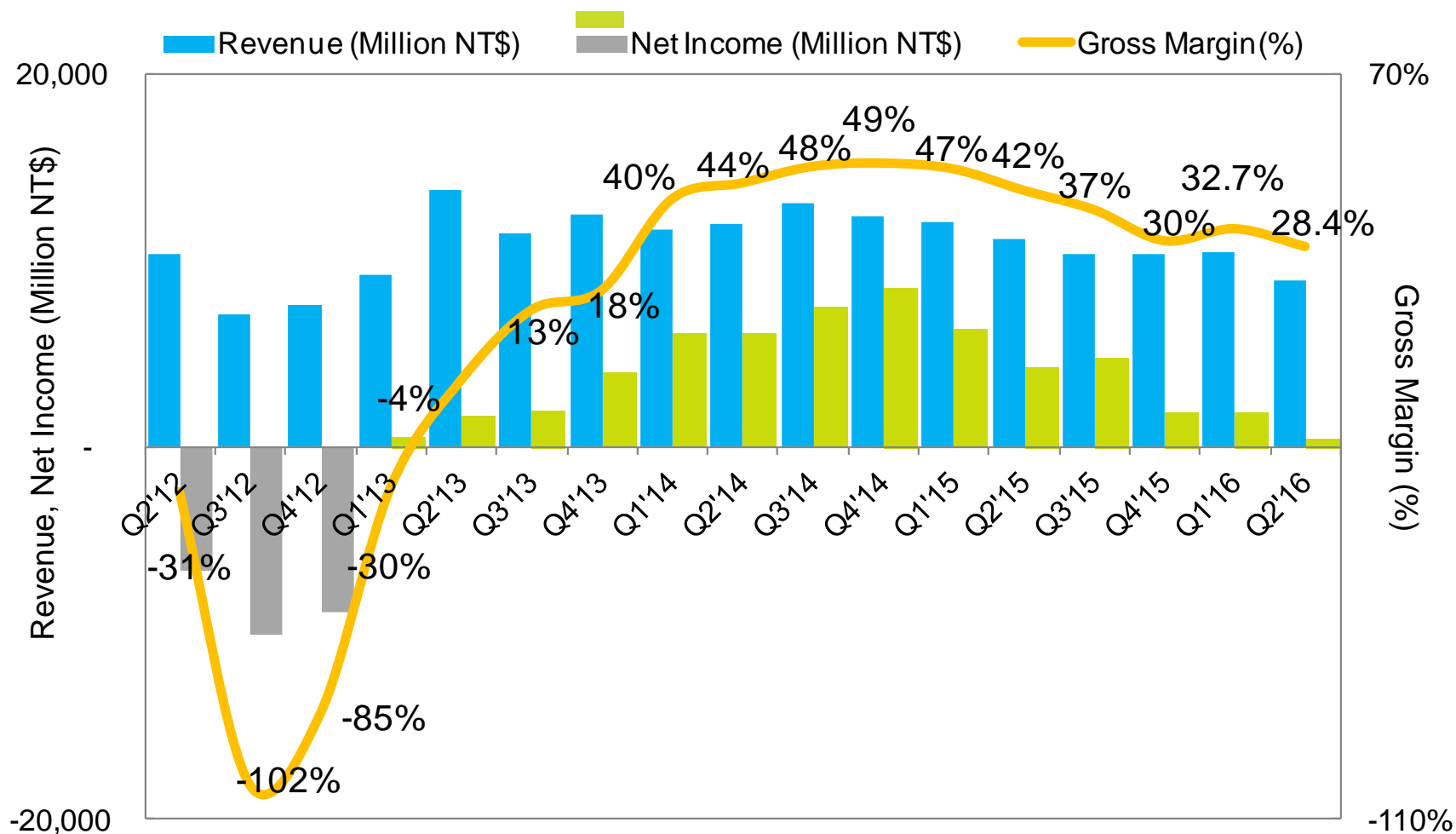
(Unit: Million NT\$)	Q2'16 Unaudited & Consolidated	Q1'16 Audited & Consolidated	Q2'15 Audited & Consolidated
Beginning Balance	14,545	3,104	7,429
Cash from Operating Activities	3,341	4,449	4,418
Capital expenditures	-1,686	-866	-782
Long-term & Short-term loans	1	155	-3,993
Investments and others	-240**	7,703*	118
Ending Balance	15,961	14,545	7,189
Free Cash Flow ⁽¹⁾	1,655	3,583	3,636

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

*Completed NT\$ 11.7 billion capital injection and invested NT\$ 3.8 billion on short term money market fund in Q1'16

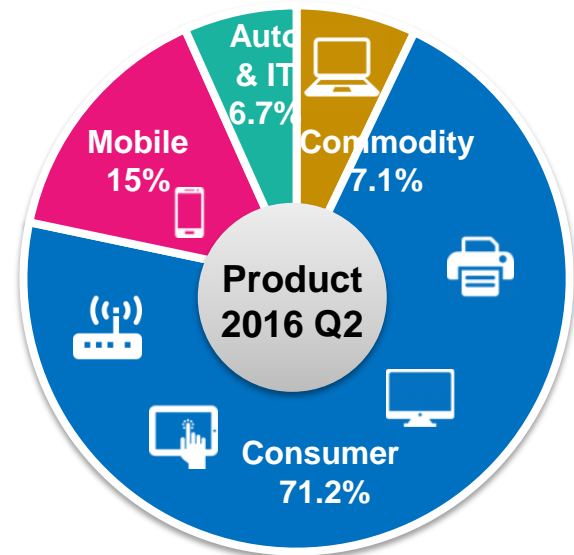
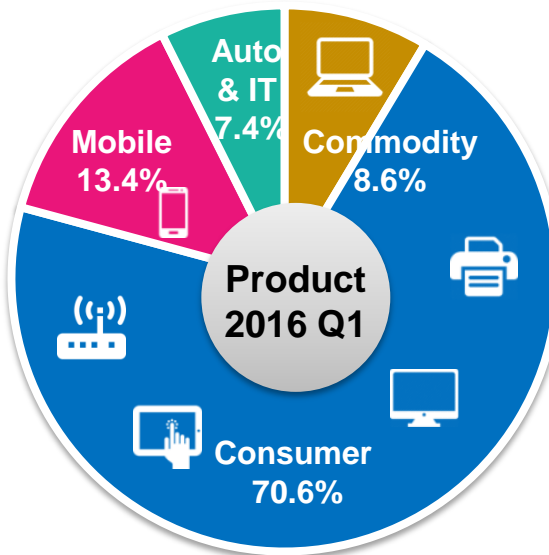
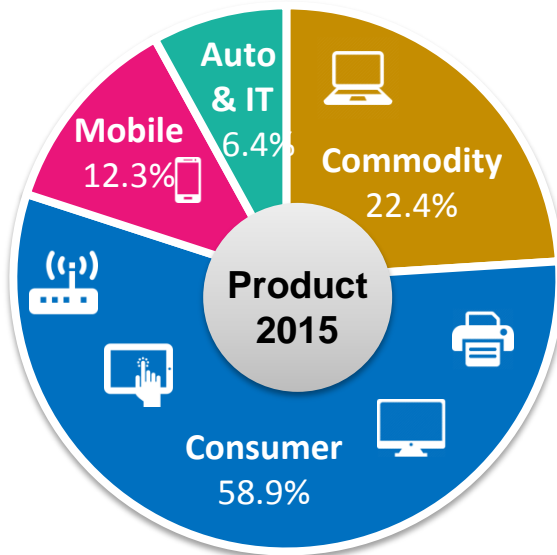
** Mainly for Investment on short term money market fund

Financial Highlights



Sales Breakdown by Application

- Q2'16 Non PC revenue reached 93%
- Q2'16 Auto & IT accounted for 6.7% of total revenue.



Highlights

Financial Highlights

- Cash dividend of NTD 2.8 per common share, payment date scheduled on Aug. 12, 2016.
- Debt ratio 49% in 2Q'16, target further reduction in 3Q'16.
- Cash & Cash equivalents of Jun. 30, 2016 of NTD 15.961 billion

Inotera Transaction Updates

- Parties continue to work on transaction process.
- Nanya Technology will support its completion.
- The companies expect to provide an update toward the later part of calendar 2016.



NANYA

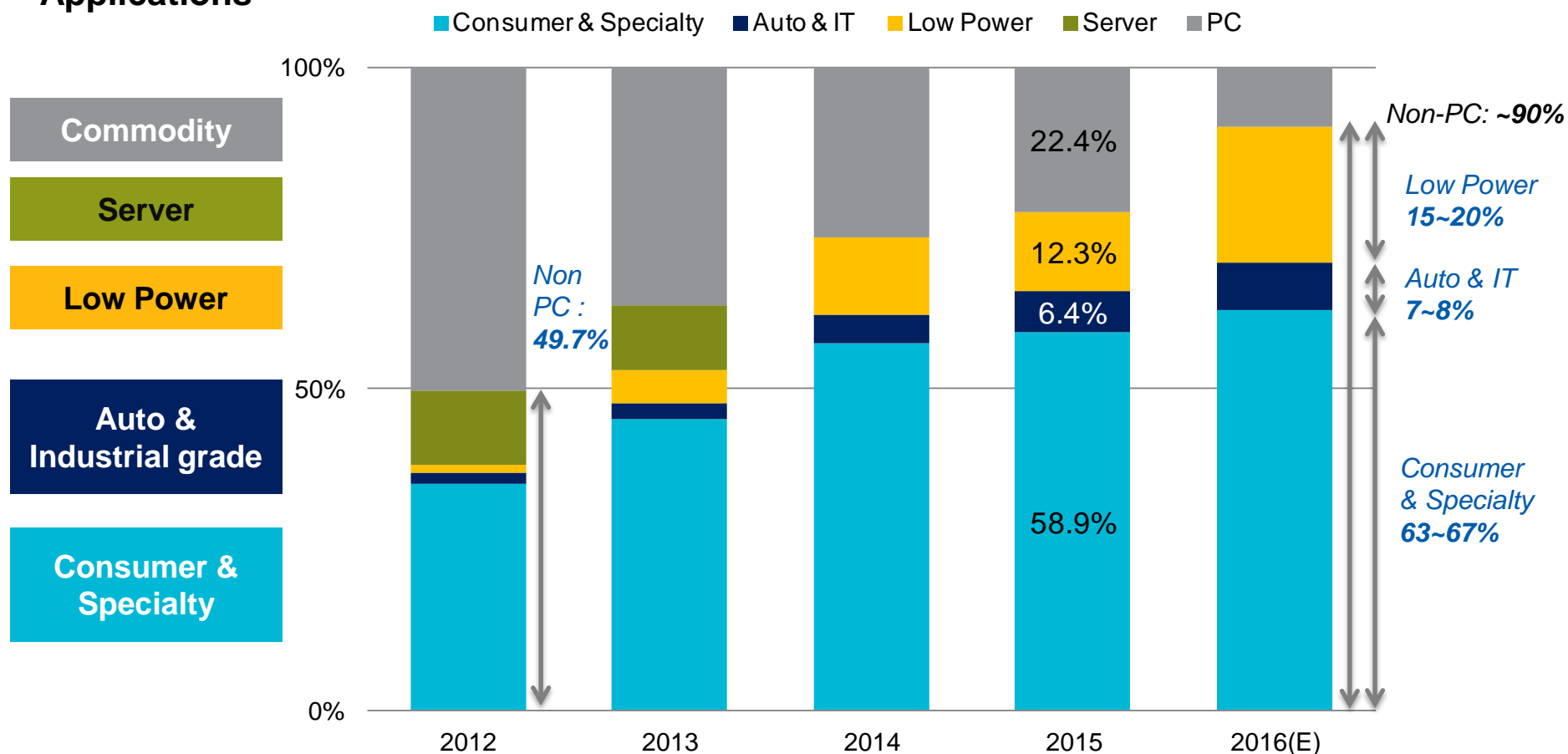


03

OPERATIONS

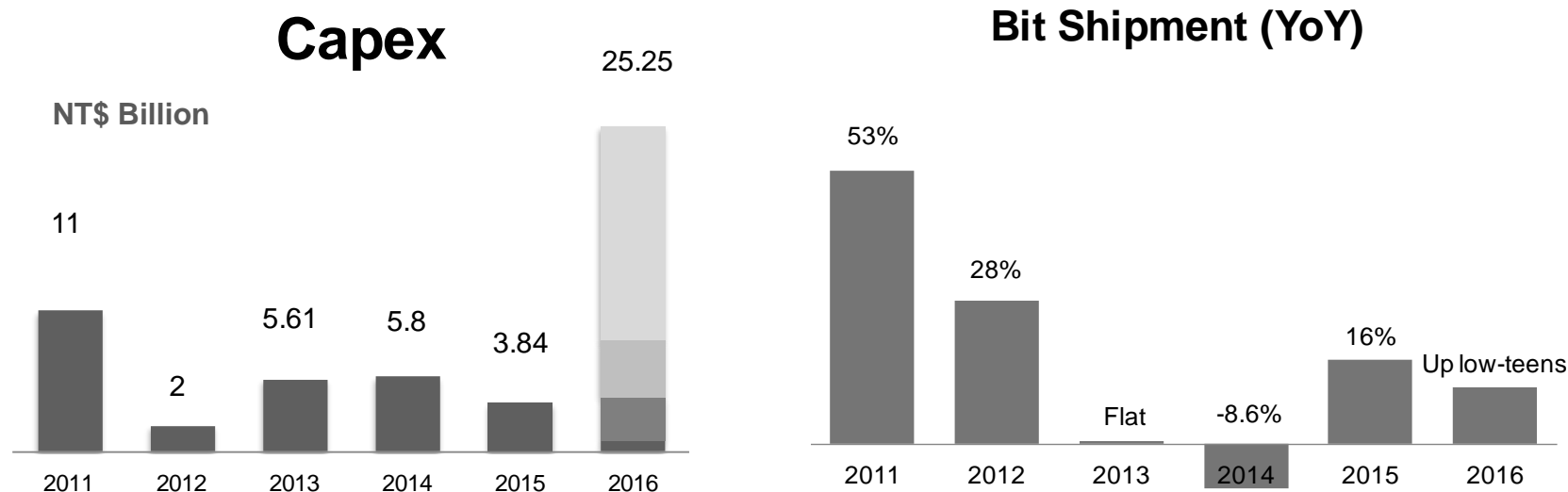
2016 Revenue Breakdown Guidance

Applications



* Revenue portion by Application

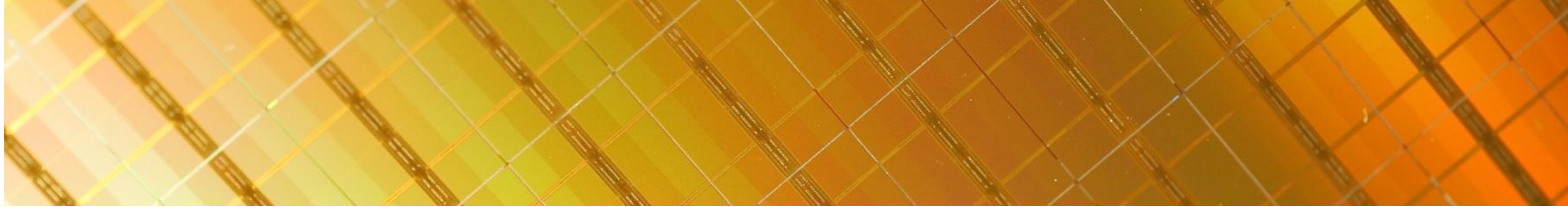
Capex & Bit Shipment



- **Capital Expenditure (Capex)**
 - NT\$ 1,686M Capex of Q2'16.
 - Estimated NT\$ 25,253M for 2016 Capex. (20nm Conversion Capex in 2016 guided for NT\$ 23,632M)
- **Bit Shipment**
 - Q2'16 bit shipment decrease 7.6% QoQ.
 - Estimated bit shipment up single digits in Q3'16.
 - 2016 bit shipment guidance to increase low-teens yoy.



NANYA



04

MARKET OUTLOOK

DRAM Industry Environment

Supply Side

- Suppliers reduce commodity DRAM output; commodity DRAM spot price rebound in the middle of June.
- Solid NAND Flash demand expected, suppliers may allocate Capex from DRAM to NAND which will further lead to stable market situation in 2H16.

Demand Side

- Expect DRAM demand 2H'16 better than 1H'16.
- Holiday seasonality demand, potential consumer demand will stimulate DRAM demand. Expect content growth in new smartphone models to drive demand growth. Server and cloud computing remain growth momentum.



NANYA

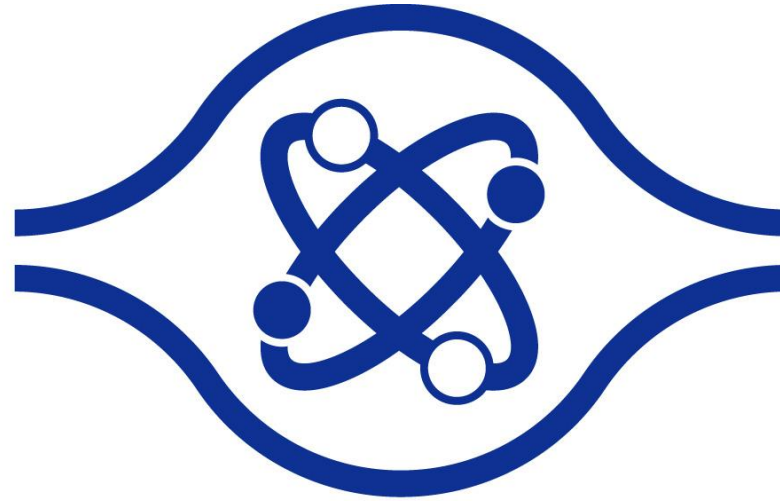


05

BUSINESS OUTLOOK

Business Outlook

- Q3 2016 bit shipment expect to increase single digits due to seasonality demand.
- Cash dividend of NTD 2.8 per common share, payment date scheduled on Aug. 12, 2016.
- Support Inotera share swap transaction process.
- Slower industry capex expansion in DRAM and holiday seasonality demand will result in stable market situation in 2H16.



NANYA

Thanks & Questions

2Q'16 Consolidated Income Statement

Amount: Million NT\$	Q2'16 Unaudited		Q1'16 Audited		QoQ	Q2'15 Audited		YoY
Net Sales	8,933	100.0%	10,398	100.0%	-14.1%	11,156	100.0%	-19.9%
Cost of Goods Sold	6,396	71.6%	6,999	67.3%		6,468	58.0%	
Gross Margin	2,537	28.4%	3,399	32.7%	-25.4%	4,688	42.0%	-45.9%
SG&A Expenses	395	4.4%	388	3.7%		425	3.8%	
R&D Expenses	491	5.5%	378	3.6%		354	3.2%	
Operating Income	1,651	18.5%	2,633	25.3%	-37.3%	3,908	35.0%	-57.8%
Non-operating Income (Exp.)	-599	-6.7%	-788	-7.6%		847	7.6%	
Income before Tax	1,052	11.8%	1,845	17.7%	-43.0%	4,755	42.6%	-77.9%
Income Tax Benefit (Expense)	-647	-7.2%	0	0.0%		-490	-4.4%	
Profit from Continuing Operation	405	4.5%	1,845	17.7%		4,265	38.2%	
Income (Loss) from Discontinued Operation	0	0.0%	0	0.0%		0	0.0%	
Net income attributable to noncontrolling interests	8	0.1%	-4	0.0%		10	0.1%	
Net Income attributable to NTC	397	4.4%	1,849	17.8%	-78.5%	4,254	38.1%	-90.7%
EPS(NT\$)	0.14		0.68			1.75		
Book Value Per Share (NT\$)	22.03		24.84			19.62		