



eMemory Technology Inc. Reports Results for the First Quarter 2015

Hsinchu, Taiwan, 27 May 2015 – eMemory Technology Inc. (Stock code: 3529) announces its financial results for the first quarter ended 31 March 2015.

Q1 2015 - Financial Summary (Unit: NT\$ thousands)	Q1 2015	Q4 2014	%Change	Q1 2014	% Change
Net revenue	258,602	258,159	0.17%	246,060	5.10%
Gross margin	100%	100%	-	100%	-
Operating expenses	128,976	148,501	-13.15%	126,719	1.78%
Operating margin	50.1%	42.5%	+7.6ppts	48.5%	+1.6ppts
Net income	114,423	100,896	13.41%	110,936	3.14%
Net margin	44.2%	39.1%	+5.1ppts	45.1%	-0.9ppts
EPS (NT\$ per common share)	1.51	1.33	13.53%	1.46	3.42%

Q1 2015 Financial Summary

- Revenue in Q1 2015 was up 5.10% over Q1 2014.
- Operating expenses in Q1 2015 were up 1.78% compared to Q1 2014.
- Net income in Q1 2015 was up 3.14% year-on-year.
- Net margin in Q1 2015 was down 0.9ppts year-on-year.
- EPS in Q1 2015 was up 3.42% over the same period of last year.

Progress on key growth drivers in Q1 2015

- Growth in technology licensing
 - 5 technology licenses were signed with 5 customers in Q1 2015. 74 process platforms are under development, which cover technologies from 0.25um to 16nm.
- Growth in design licensing
 - 103 design licenses were signed in Q1 2015 for a broad range of applications including DDI, PMIC, MCU, and sensor-related products.
 - At the end of Q1 2015, the number of design licenses signed totaled 2,858.

Outlook

Looking into Q2 and the second half of the year, we continue to see growth momentum from applications related to smart phone and security. As the contribution from advance nodes starts to kick in and new opportunities in CIS and fingerprint sensors develop, we expect the revenues for the full year 2015 to remain on the growth trend.

Management remarks

As in previous years, revenue will be weighted towards the second half of the year. For royalty revenues, we see the contribution from 55nm significantly increasing and expect to see the first contributions from 28nm. For licensing fees, as the income is subject to the achievement of project milestones, revenue recognition tends to be lumpy. However, the licensing opportunities remain healthy for Q2 and the rest of the year due to over 70 ongoing projects and the proliferation of new technology platforms. Given the increasing penetration



of 12-inch wafer technology and expansion in applications utilizing OTP/MTP solutions, we are confident that eMemory can capture key businesses and achieve its multiyear growth target.

Financial review

Q1 2015 – Revenue Breakdown (Unit: NT\$ thousands)	Q1 2015	Q4 2014	% Change	Q1 2014	% Change
Licensing	64,056	51,849	23.54%	75,045	-14.64%
Royalty	194,546	206,310	-5.70%	171,015	13.76%
Total	258,602	258,159	0.17%	246,060	5.10%

Total revenues

Total revenues in Q1 2015 were NT\$ 258.60 million, up 5.10% versus Q1 2014.

Licensing revenues

Licensing revenues in Q1 2015 decreased by 14.64% year-on-year to NT\$64.06 million, representing 24.77% of Q1 revenue. One large licensing fee was not recognized in Q1 as the contract's legal terms were under discussion and expected to be recognized within Q2 2015.

Royalty revenues

Royalty revenues in Q1 2015 were up 13.76% year-on-year to NT\$194.55 million, representing 75.23% of Q1 revenue.

Gross margin

Gross margin in Q1 2015 was 100%, equal to in Q1 2014.

Operating expenses and operating margin

Operating expenses in Q1 2015 increased by 1.78% year-on-year to NT\$128.98 million. Operating margin in Q1 2015 was 50.1%, up 1.6ppts versus Q1 2014.

Earnings and income tax expense

Net income in Q1 2015 increased by 3.14% year-on-year to NT\$114.42 million.

Income tax expense in Q1 2015 was NT\$ 15.25 million, up 4.66% from Q1 2014.

In Q1 2015, earnings per share were NT\$1.51, up 3.42% from Q1 2014.

Balance sheet

At the end of Q1 2015, cash and marketable securities totaled NT\$1,431.43 million, an increase of NT\$150.61 million from Q1 2014.

Total current liabilities were NT\$194.71 million, increasing by NT\$18.95 million from Q1



2014. The increase was mainly due to higher bonus provisions.

Net working capital was NT\$1,318.76 million, increasing by NT\$129.69 million compared to Q1 2014.

Cash flow

Cash generated from operating activities in Q1 2015 increasing by NT\$12.93 million from Q1 2014 to NT\$120.66 million.

Net cash used in investing activities in Q1 2015 was NT\$11.25 million, decreasing by NT\$24.21 million compared to Q1 2014.

At the end of Q1 2015, eMemory's cash balance was NT\$1,431.43 million, an increase of NT\$150.61 million compared to Q1 2014.

Licensing

In Q1 2015, 5 technology licenses were signed with 5 customers. Currently there are 74 process platforms under development spanning from 0.25um to 16nm, reflecting the ongoing demand for eMemory's technology. These technology licenses are summarized as follows:

- Progress in advance nodes:
 - 22 process platforms were qualified and ready for production.
 - 33 process platforms were under development.
- Progress in legacy nodes:
 - 41 process platforms were under development.

For design licensing, we have supported 103 customer product tape-outs in Q1 2015. These tape-outs are summarized as follows:

- 2 tape-outs in 28nm
- 8 tape-outs in 55nm
- 2 tape-outs in 65nm
- 2 tape-outs in 80nm
- 15 tape-outs in 0.11/0.13um
- 74 tape-outs in 0.152/0.16//0.18um

Royalty

Generated from more than 2,858 design licenses and over 862 verified NVM IP, we believe the royalty revenue will keep growing. Following are the main contributors to royalty revenue growth:

- Applications used by major smart phone customers maintain their momentum.
- PMIC customers' expansion to new markets continues to drive growth in the second half and beyond.
- LCD Drivers utilizing 55nm continue to ramp up. Royalty revenue is expected to increase significantly in the second half of 2015 due to mass production of 55nm drivers.
- 2 tape-outs in 28nm were delivered in Q1 2015 for STB applications. We look forward to



their contribution in the near future.

- The rising adoption of fingerprint recognition ICs and CIS is expected to drive the growth of royalty revenue in the second half of 2015 and beyond.

Employees

At 31 March 2015, eMemory had 213 full-time employees; among them 144 are R&D engineers.

Cautionary Statement

This report contains forward-looking statements, which are subject to risk factors associated with semiconductor and intellectual property business. It is believed that the expectations reflected in these statements are reasonable. But they may be affected by a variety of variables, many of which are beyond our control. These variables could cause actual results or trends to differ materially which include, but are not limited to: wafer price fluctuation, actual demand, rapid technology change, delays or failures of customers' tape-outs into wafer production, our ability to negotiate, monitor and enforce agreements for the determination and payment of royalties, any bug or fault in our technology which leads to significant damage to our technology and reputation, actual or potential litigation, semiconductor industry cycle and general economic conditions. Except as required by law, eMemory undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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-Financial Tables To Follow-

eMemory Technology Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2015 (Reviewed)		December 31, 2014 (Restatement and Audited)		March 31, 2014 (Restatement and Reviewed)		LIABILITIES AND SHAREHOLDERS' EQUITY	March 31, 2015 (Reviewed)		December 31, 2014 (Restatement and Audited)		March 31, 2014 (Restatement and Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash	\$1,431,434	67	\$1,323,163	67	\$1,280,822	65	Other payables	\$ 62,845	3	\$ 82,006	4	\$ 57,534	3
Accounts receivable - net	62,464	3	49,019	3	67,394	3	Bonuses payable to employees, directors and supervisors	81,714	4	64,207	3	61,671	3
Accounts receivable - related parties	329	-	1,325	-	-	-	Payables on equipment	2,641	-	8,021	-	2,219	-
Other receivables	507	-	508	-	503	-	Current tax liabilities	35,691	2	19,792	1	44,323	2
Other receivables - related parties	46	-	105	-	60	-	Other current liabilities	11,816	-	8,147	1	10,014	1
Prepayments	15,514	1	7,363	-	12,858	1	Total current liabilities	194,707	9	182,173	9	175,761	9
Other current assets	3,172	-	748	-	3,196	-	NON-CURRENT LIABILITIES						
Total current assets	1,513,466	71	1,382,231	70	1,364,833	69	Accrued pension liabilities	14,669	1	14,669	1	15,721	1
NON-CURRENT ASSETS							Guarantee deposits received	415	-	415	-	423	-
Financial assets measured at cost - noncurrent	16,675	1	16,675	1	17,755	1	Total non-current liabilities	15,084	1	15,084	1	16,144	1
Debt investment with no active market - noncurrent	33,608	2	33,608	2	35,043	2	Total liabilities	209,791	10	197,257	10	191,905	10
Investment accounted for using equity method	12,079	-	3,981	-	13,223	1	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY						
Property, plant and equipment	499,654	24	503,671	25	504,630	25	Ordinary shares	768,323	36	768,323	39	768,323	39
Intangible assets	38,340	2	37,763	2	31,881	2	Capital surplus	531,151	25	521,569	26	563,100	29
Deferred tax assets	3,781	-	3,135	-	2,733	-	Retained earnings						
Refundable deposits	1,857	-	1,857	-	1,830	-	Legal reserve	142,194	7	142,194	7	113,130	6
Total non-current assets	605,994	29	600,690	30	607,095	31	Special reserve	926	-	926	-	926	-
							Unappropriated earnings	535,824	25	421,401	21	403,293	20
							Total retained earnings	678,944	32	564,521	28	517,349	26
							Treasury shares	(68,749)	(3)	(68,749)	(3)	(68,749)	(4)
							Total equity	1,909,669	90	1,785,664	90	1,780,023	90
TOTAL	\$2,119,460	100	\$1,982,921	100	\$1,971,928	100	TOTAL	\$2,119,460	100	\$1,982,921	100	\$1,971,928	100

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 258,602	100	\$ 246,060	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	<u>258,602</u>	<u>100</u>	<u>246,060</u>	<u>100</u>
OPERATING EXPENSES				
Selling and marketing expenses	17,374	7	19,455	8
General and administrative expenses	30,679	12	28,736	12
Research and development expenses	<u>80,923</u>	<u>31</u>	<u>78,528</u>	<u>32</u>
Total operating expenses	<u>128,976</u>	<u>50</u>	<u>126,719</u>	<u>52</u>
OPERATING INCOME	<u>129,626</u>	<u>50</u>	<u>119,341</u>	<u>48</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	3,931	2	9,390	4
Other gains and losses	(2,397)	(1)	(5)	-
Share of loss of associates	<u>(1,484)</u>	<u>(1)</u>	<u>(3,216)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>50</u>	<u>-</u>	<u>6,169</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	129,676	50	125,510	51
INCOME TAX EXPENSE	<u>15,253</u>	<u>6</u>	<u>14,574</u>	<u>6</u>
NET PROFIT	<u>114,423</u>	<u>44</u>	<u>110,936</u>	<u>45</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 114,423</u>	<u>44</u>	<u>\$ 110,936</u>	<u>45</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 114,423	44	\$ 110,936	45
Non-controlling interests	-	-	-	-
	<u>\$ 114,423</u>	<u>44</u>	<u>\$ 110,936</u>	<u>45</u>

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eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2015		2014	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 114,423	44	\$ 110,936	45
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 114,423</u>	<u>44</u>	<u>\$ 110,936</u>	<u>45</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.51</u>		<u>\$ 1.46</u>	
Diluted	<u>\$ 1.51</u>		<u>\$ 1.46</u>	

(Concluded)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Ordinary Shares			Retained Earnings				Treasury Shares	Total Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings		
BALANCE, JANUARY 1, 2014	76,833	\$ 768,323	\$ 556,787	\$ 113,130	\$ 926	\$ 292,536	\$ 406,592	(\$ 68,749)	\$ 1,662,953
Effects of retrospective application and retrospective restatement	-	-	-	-	-	(179)	(179)	-	(179)
Equity at beginning of period after adjustments	76,833	768,323	556,787	113,130	926	292,357	406,413	(68,749)	1,662,774
Change in capital surplus from investments in associates accounted for by using equity method	-	-	6,313	-	-	-	-	-	6,313
Net profit for the three months ended March 31, 2014	-	-	-	-	-	110,936	110,936	-	110,936
Other comprehensive income for the three months ended March 31, 2014	-	-	-	-	-	-	-	-	-
Total comprehensive income for the three months ended March 31, 2014	-	-	-	-	-	110,936	110,936	-	110,936
BALANCE, MARCH 31, 2014	<u>76,833</u>	<u>\$ 768,323</u>	<u>\$ 563,100</u>	<u>\$ 113,130</u>	<u>\$ 926</u>	<u>\$ 403,293</u>	<u>\$ 517,349</u>	<u>(\$ 68,749)</u>	<u>\$ 1,780,023</u>
BALANCE, JANUARY 1, 2015	76,833	\$ 768,323	\$ 521,569	\$ 142,194	\$ 926	\$ 421,545	\$ 564,665	(\$ 68,749)	\$ 1,785,808
Effects of retrospective application and retrospective restatement	-	-	-	-	-	(144)	(144)	-	(144)
Equity at beginning of period after adjustments	76,833	768,323	521,569	142,194	926	421,401	564,521	(68,749)	1,785,664
Change in capital surplus from investments in associates accounted for by using equity method	-	-	9,582	-	-	-	-	-	9,582
Net profit for the three months ended March 31, 2015	-	-	-	-	-	114,423	114,423	-	114,423
Other comprehensive income for the three months ended March 31, 2015	-	-	-	-	-	-	-	-	-
Total comprehensive income for the three months ended March 31, 2015	-	-	-	-	-	114,423	114,423	-	114,423
BALANCE, MARCH 31, 2015	<u>76,833</u>	<u>\$ 768,323</u>	<u>\$ 531,151</u>	<u>\$ 142,194</u>	<u>\$ 926</u>	<u>\$ 535,824</u>	<u>\$ 678,944</u>	<u>(\$ 68,749)</u>	<u>\$1,909,669</u>

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 129,676	\$ 125,510
Adjustments for:		
Depreciation expenses	7,002	7,158
Amortization expenses	2,243	2,540
Reversal of bad debt expense on accounts receivable	(2,849)	(409)
Interest income	(3,498)	(3,197)
Dividend income	-	(5,753)
Share of loss of associates	1,484	3,216
Loss on disposal of property, plan and equipment	95	-
Gain on disposal of investments	(33)	-
Impairment losses on financial assets	-	1,325
Net loss(gain) on foreign currency exchange	1,822	(1,053)
Changes in operating assets and liabilities		
Increase in accounts receivable	(11,254)	(29,801)
Decrease in accounts receivable - related parties	996	313
Decrease in other receivables - related parties	59	47
Increase in prepayments	(4,253)	(5,323)
Increase in other current assets	(2,424)	(2,407)
Decrease in other payables	(19,186)	(3,285)
Increase (Decrease) in other current liabilities	3,669	(1,281)
Increase in bonuses payable to employees, directors and supervisors	<u>17,507</u>	<u>17,206</u>
Cash generated from operations	121,056	104,806
Interest received	3,469	3,142
Income tax paid	(<u>3,868</u>)	(<u>225</u>)
Net cash generated from operating activities	<u>120,657</u>	<u>107,723</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(80,000)	-
Proceeds from disposal of available-for-sale financial assets	80,033	-
Increase in debt investments with no active market	-	(33,503)
Acquisition of property, plant and equipment	(8,460)	(5,784)
Acquisition of intangible assets	(2,820)	(1,920)
Dividend received	-	<u>5,753</u>
Net cash used in investing activities	(<u>11,247</u>)	(<u>35,454</u>)

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eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Three Months Ended March 31	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	\$ _____ -	\$ _____ 18
Net cash generated in financing activities	_____ -	_____ 18
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(_____ 1,139)	_____ 148
NET INCREASE IN CASH	108,271	72,435
CASH AT THE BEGINNING OF THE PERIOD	_____ 1,323,163	_____ 1,208,387
CASH AT THE END OF THE PERIOD	<u>\$ 1,431,434</u>	<u>\$ 1,280,822</u>

(Concluded)

Notice to Readers

The above consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the previously mentioned consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail. For the complete consolidated financial statements in Chinese version, please refer to MOPS: <http://mops.twse.com.tw/mops/web/index>