ELAN Monthly Sales Report –March 2020

ELAN Microelectronics Corp. (the Company), a leading touch controller solution provider in global NB market, announced its consolidated net sales of NT$972 million for March 2020, representing an increase of 59.32% yoy and 95.82% mom. 1Q20 sales exceeded expectation amid the outbreak of coronavirus and increased by 17.3% compared to the same period a year ago to NT$2,206 million.

March sales surged dramatically due to gradual recovery of capacity utilization and increasing demands arisen from work-from-home and study-from-home. Shelter in place for epidemic control has changed the market pattern and creates a new segment for NB market on top of the ordinary replacement demands.

Impact from the virus pandemic to the Company’s business was majorly in February as all of the touchpad modules were outsourced. ELAN swiftly responded to the negative circumstances by relocating partial production of its outsourced touchpad module to its in-house production line in Taiwan. Meanwhile, supply chain utilization in China sees substantial improvements. However, shortage of some components, such as PCBs, might cap the momentum in the short run. Despite such setbacks, ELAN strives to seek for alternative solutions to meet customer demand. Shipments of touchpad module products improved significantly in March.

<table>
<thead>
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<th>Year</th>
<th>2020</th>
<th>2019</th>
<th>YoY</th>
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<tbody>
<tr>
<td>Net Sales</td>
<td>971,536</td>
<td>609,800</td>
<td>+59.32%</td>
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<td>(Consolidated)</td>
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The sales breakdown in March 2020 was: Touchpad Module 50%, Touchscreen Controller 20%, Fingerprint Sensor 7%, Pointstick (PST) 8%, Microcontroller 8%, and 7% from the sales of affiliates. Touch applications, including biometric applications, accounted for 77%, and non-touch applications accounted for 23%.

In 2020, we insist on the development of new chips offering various high value-added
functions for multiple applications in order to expand our overseas customer base and markets. Meanwhile, we continue to strengthen our position in the global NB market which plays as a cash cow for our sales and profit. ELAN expects to see continuous growth in sales and profitability in 2020 by adding additional features to our NB products to raise our market share and ASPs.

We launch Lighting Pad & Haptic Pad featuring additional functions to Touchpad Modules to bring significantly higher ASPs than in 2019 and shipments for first-tier NB customers started to ramp up. In addition, Touchscreen Controllers are favored by the launch of dual-screen NB, which doubles the sales volume, higher penetration rate from 21% to 23~24% and new specifications of the touch with pen function from Microsoft, which will help raise ASPs of touchscreen products. Moreover, the Company is ahead of its competitors in its capabilities to support multi-protocols of active pen technology.

ELAN’s FP business will be benefited from higher adoption rate of Fingerprint Sensor products in NBs. Furthermore, FP sensor products incorporating encryption and payment functions will be priced at a higher range to potentially benefit ELAN’s financial performance. Initial contribution from FP business was shown by a 30% annual sales growth in 2019.

In addition to the NB market, ELAN devotes to promote AI based deep learning anti-spoofing fingerprint solutions for smartphone and credit card markets to create another huge market opportunity.

Contact Information:
- Spokesperson: Dennis Liu  E-mail: dennis_liu@emc.com.tw
- IR Contact: Emily Chiang  E-mail: emily@emc.com.tw