

Taiwan handsets

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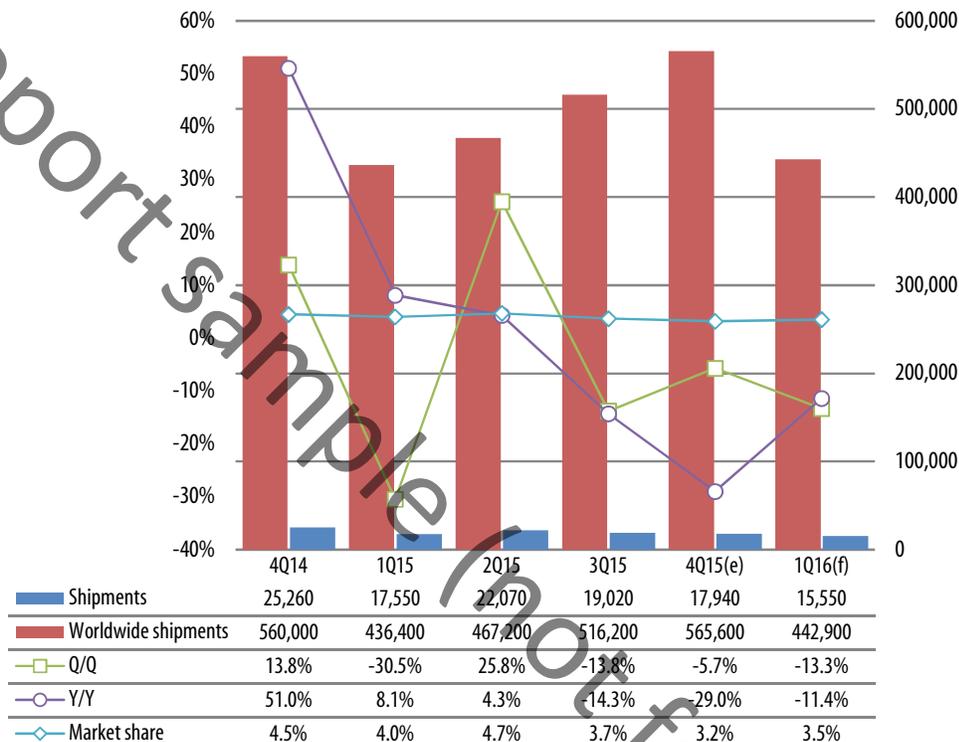
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Introduction

- ✓ Taiwan's handset shipments decreased 5.7% sequentially and 29% on year to reach 17.94 million units in the fourth quarter of 2015.
- ✓ Taiwan's handset shipments are expected to reach 15.55 million units in the first quarter of 2016, down 13.3% sequentially and 11.4% on year.

NOTE: Unless otherwise indicated, all figures and tables in this report refer to output from Taiwan makers.

Chart 1: Taiwan's handset shipments, 4Q14-1Q16 (k units)



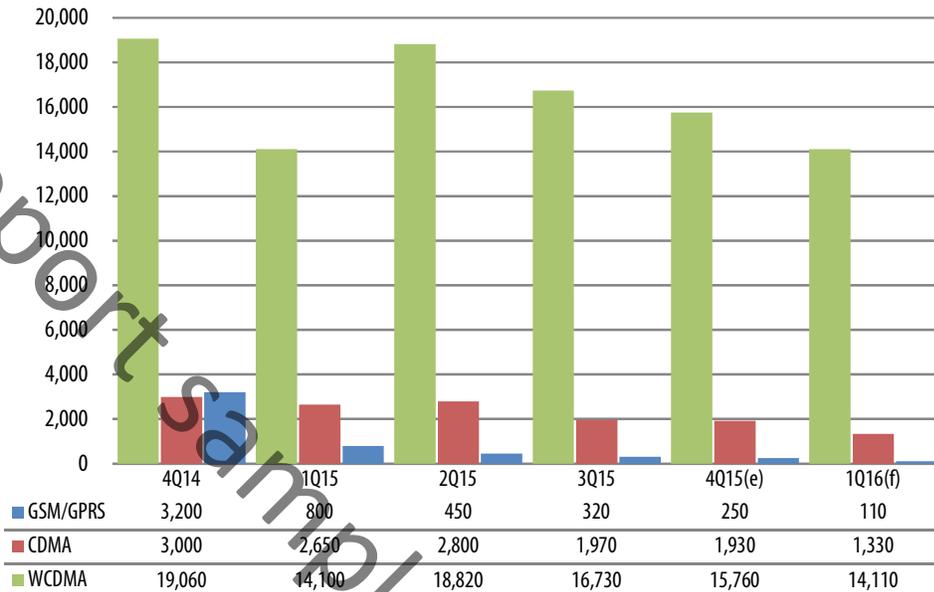
Source: Digitimes Research, March 2016

- ✓ Taiwan's handset shipments dropped 5.7% sequentially and 29% on year to reach 17.94 million units in the fourth quarter of 2015 mainly because Compal Electronics, Foxconn Electronics (Hon Hai Precision Industry), Arima Communication and Wistron all saw sequential shipment drops. But High Tech Computer (HTC), Asustek and Acer achieved growths in the quarter.
- ✓ Taiwan's shipment figures include OBM, ODM and JDM orders, but not EMS ones. Double counting resulting from Taiwan handset vendors' outsourcing to Taiwan makers is excluded from the figures.
- ✓ Taiwan's handset shipments will drop further to only 15.55 million units in the first quarter of 2016.

Shipments breakdown

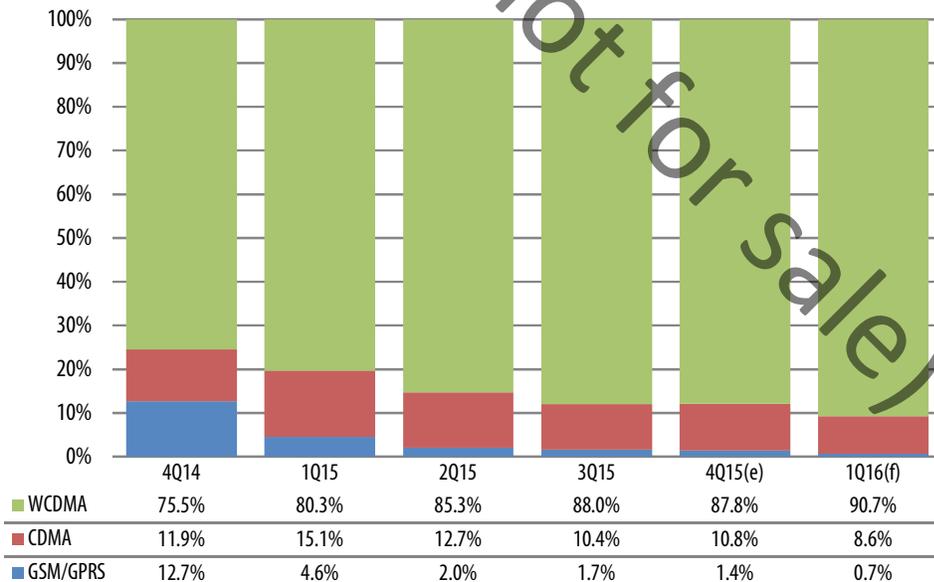
Transmission technology: GSM, CDMA, and WCDMA

Chart 2: Shipments by transmission technology, 4Q14-1Q16 (k units)



Source: Digitimes Research, March 2016

Chart 3: Shipment share by transmission technology, 4Q14-1Q16

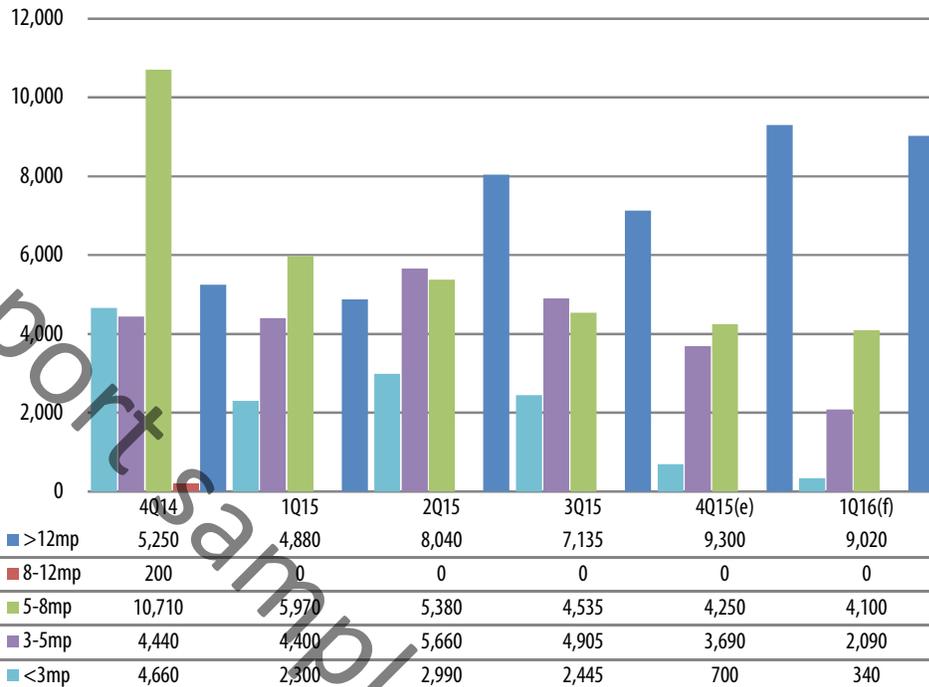


Source: Digitimes Research, March 2016

- ✓ Microsoft Mobile is the only vendor still outsourcing orders for 2G feature phones to Taiwan makers. However, related orders have been dropping every quarter and Microsoft Mobile has no intention to outsource new feature phones to its Taiwan partner, Foxconn.

Built-in cameras

Chart 4: Shipments by camera pixels, 4Q14-1Q16 (k units)



Source: Digitimes Research, March 2016

Chart 5: Shipment share by camera pixels, 4Q14-1Q16



Source: Digitimes Research, March 2016

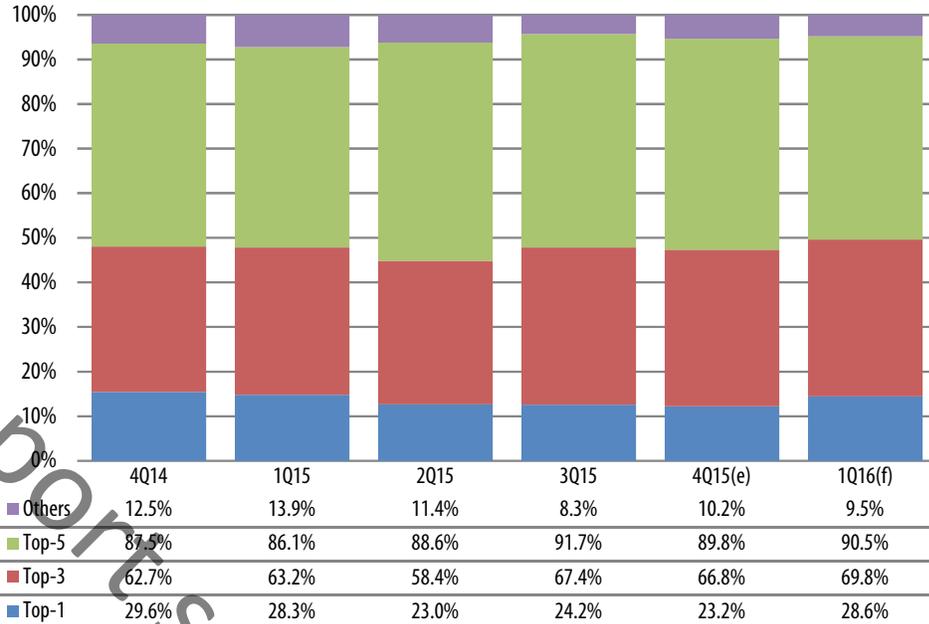
- ✓ As brand vendors including HTC and Asustek continue raising orders for smartphones with 13-megapixel cameras, Taiwan’s shipments in the above 12-megapixel segment rose to 9.3 million units in the fourth quarter of 2015 and will stay above the nine million mark in the first quarter of 2016.
- ✓ Sony Mobile’s cutting orders for a smartphone with a 5-megapixel camera was the major factor causing a 24.8% shipment drop in the 3- to 5-megapixel segment in the fourth quarter of 2015. Since Sony Mobile’s orders are expected to continue dropping, the segment’s shipments will drop further by 43.4% sequentially in the first quarter of 2016.
- ✓ The sub-3-megapixel segment also suffered a sharp sequential shipment drop in the fourth quarter of 2015 mainly because of a reduction in orders by Microsoft Mobile for its feature phones with 2-megapixel cameras.

Makers and vendors

Chart 6: Shipments by vendor/maker tier, 4Q14-1Q16 (k units)

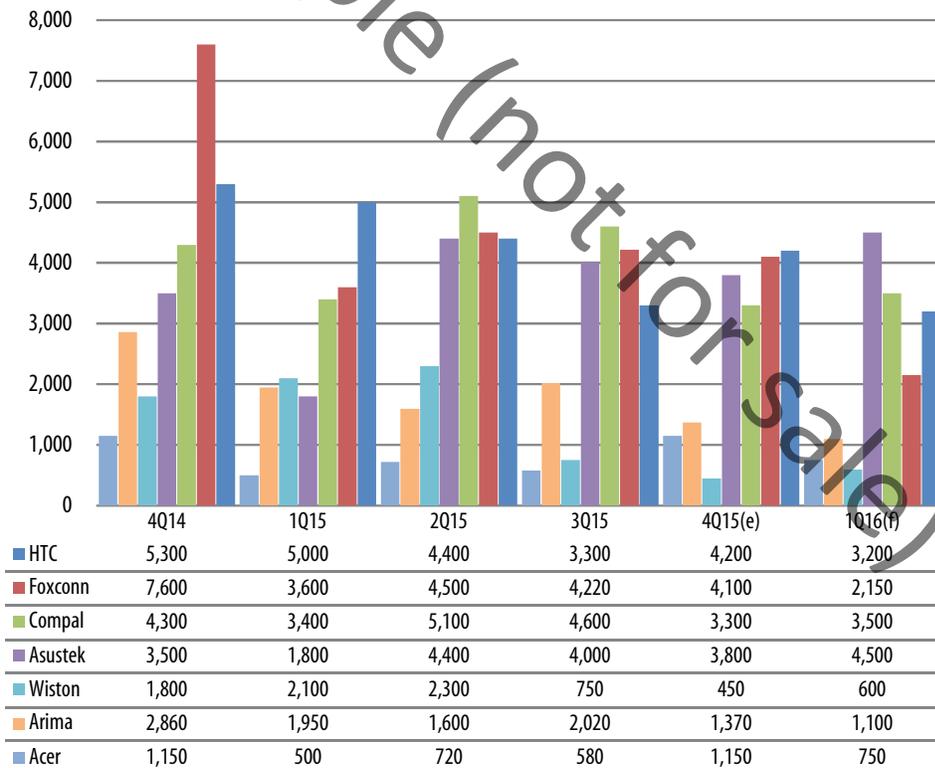


Source: Digitimes Research, March 2016

Chart 7: Shipment share by vendor-maker tier, 4Q14-1Q16

Note: Double counting is excluded from the figures.

Source: Digitimes Research, March 2016

Chart 8: Shipments by vendor/maker, 4Q14-1Q16 (k units)

Note: Double counting is not excluded.

Source: Digitimes Research, March 2016

Table 1: ODM-client relationship, 4Q15

ODM	International brands	Taiwan brands	China brands	India brand
Foxconn	Microsoft Mobile, Sony Mobile	InFocus		
Compal	Microsoft Mobile, Sony Mobile	HTC, Acer	LeTV	Micromax
Arima	Sony Mobile, LG			
Wistron	BlackBerry			

Source: Digitimes Research, October 2015

Table 2: ODM-client relationship, 1Q16

ODM	International brands	Taiwan brands	China brands	India brand
Foxconn	Microsoft Mobile, Sony Mobile	InFocus		
Compal	Microsoft Mobile	HTC, Acer	LeTV	Micromax
Arima	Sony Mobile, LG			
Wistron	BlackBerry			

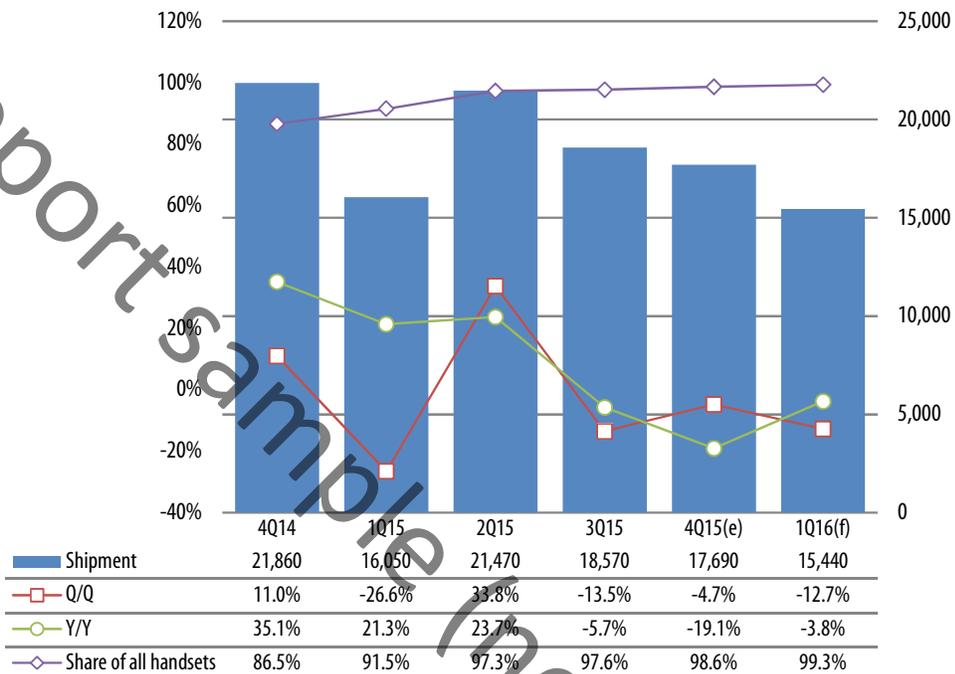
Source: Digitimes Research, October 2015

- ✓ HTC launched a new mid-range smartphone, the One A9 for the fourth quarter of 2015, and with an aggressive promotion on its mid-range and entry-level Desire series products, the vendor's shipments in the quarter rose 27.3% sequentially and returned as the largest handset player in Taiwan.
- ✓ Foxconn's shipments in the fourth quarter of 2015 were mainly for Sony Mobile's Xperia M4 Aqua and M5, with the total volume for the two models reaching over two million units. With many of its other smartphone orders entering the EOL stage, the maker's shipments dropped to around 4.1 million units in the fourth quarter of 2015.
- ✓ Asustek had weaker-than-expected sales in several emerging markets and to avoid an inventory pileup, the vendor's handset shipments were only 3.8 million units in the fourth quarter of 2015.
- ✓ Compal saw sharp drops in orders from Sony Mobile, Microsoft Mobile and HTC and despite LeTV's orders for a new smartphone, the maker's orders dropped 28.3% sequentially to only 3.3 million units.
- ✓ With Asustek deferring orders to 2016 and Sony Mobile reducing orders, Arima saw its shipments reach only 1.37 million units in the fourth quarter of 2015.
- ✓ With several of Asustek's market channels aggressively refilling their inventory, Asustek's handset shipments will rise 18.4% sequentially to 4.5 million units and become the largest vendor in Taiwan in the first quarter of 2016
- ✓ Thanks to LeTV's strong orders for its Le 1s smartphone, Compal's shipments will rise to 3.5 million units in the first quarter of 2016.
- ✓ Without a new flagship smartphone to help bump up sales and with existing products all seeing weakening demand, HTC's shipments will drop to 3.2 million units in the first quarter of 2016.
- ✓ Foxconn will continue to see its orders from Sony Mobile decrease in the first quarter of 2016. Foxconn's shipments in the first quarter of 2016 will drop to 2.15 million units.
- ✓ Arima will start delivery for Asustek's orders at the end of the first quarter or in early second-quarter 2016 and therefore the orders will give little momentum to the maker's performance in the first quarter. As its orders from Sony Mobile will continue to drop, Arima's shipments will reach only 1.1 million units in the first quarter.
- ✓ HTC outsourced about 500,000 smartphones to Compal, while Acer outsourced about 180,000 units to Compal in the fourth quarter of 2015. In the first quarter of 2016, HTC and Acer will each outsource 200,000 units to Compal.

- ✓ India-based brand vendor Micromax's outsourcing to Compal in the first quarter of 2016 will be slightly less than a quarter ago.
- ✓ Sony Mobile's contribution to Taiwan's shipments will drop dramatically in the first quarter of 2016 as many of its smartphones have entered the EOL stage. The company's new smartphones will start shipping in the second quarter.

Smartphone

Chart 9: Smartphone shipments, 4Q14-1Q16 (k units)

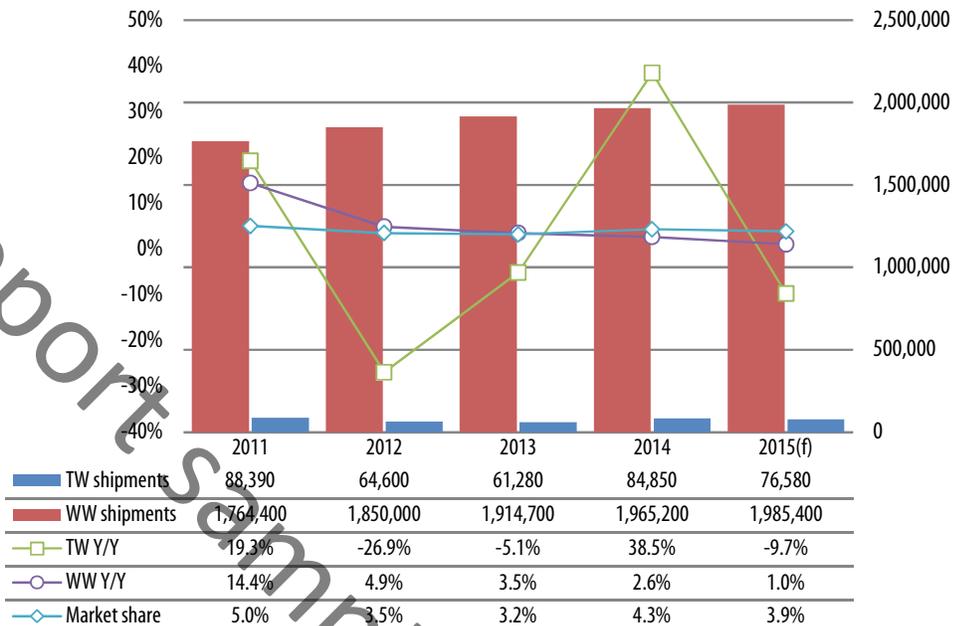


Source: Digitimes Research, March 2016

- ✓ Foxconn is the only Taiwan-based maker still manufacturing feature phones for Microsoft. However, the volume is growing less quarter by quarter.
- ✓ Smartphones account for around 99% of Taiwan's handset shipments.

Annual shipments

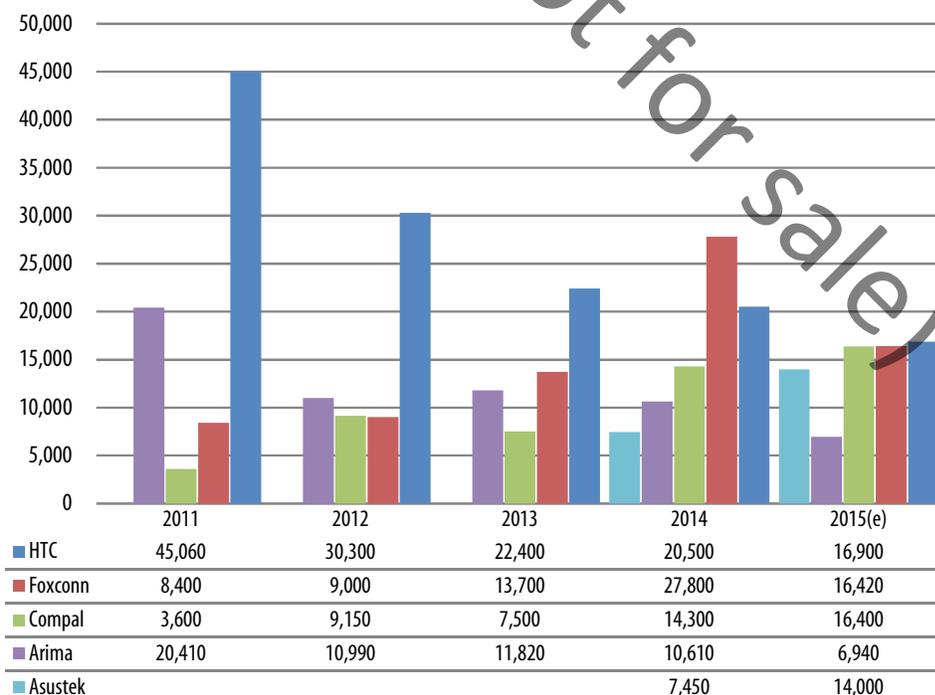
Chart 10: Taiwan's handset shipments and global market share, 2011-2015 (k units)



Source: Digitimes Research, March 2016

- ✓ Taiwan's handset shipments dropped 9.7% on year to reach 76.58 million units in 2015, accounting for 3.9% of the worldwide volume.

Chart 11: Taiwan's handset shipments by vendor/maker, 2011-2015 (k units)



Source: Digitimes Research, March 2016

- ✓ After peaking in 2011, HTC's shipments have been dropping, reaching only 16.9 million units in 2015 to stay only slightly above those for Foxconn and Compal.
- ✓ Foxconn saw a sharp drop in shipments in 2015 because its feature phone orders from Microsoft Mobile dropped significantly, while its orders from Sony Mobile only had limited growth.
- ✓ Compal's shipments were mainly contributed by Sony Mobile, Microsoft Mobile, LeTV and HTC and enjoyed a 14.7% on-year growth in 2015.
- ✓ Asustek's shipments in 2015 were mainly driven by strong demand for its ZenFone 2 series. The vendor has entered several emerging markets such as Southeast Asia, India and Brazil, and its shipment volume grew significantly to 14 million units in 2015.
- ✓ Arima, relying mainly on orders from Sony Mobile, saw its shipments drop 34.6% on year to reach less than seven million units in 2015.

Report sample (not for sale)