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Panel Segment / Kou-Han Tseng

TFT-LCD Panel Capacity Status

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◆Forthcoming Capacity Update

TV's end-market demand remained flat in first half of 2016. Its shipment quantity wasn't significant but, it did help consume inventories. For procurement strategies of TV sizes, earlier prediction was that mainstream size would shift toward 40"~43". Nonetheless, 40" products were casted a doubt of undersupply because of SDC's newly un-smooth BCS process migration and Innolux' southern Taiwan fab earthquake factor in Q1. Besides, SDC planned to shut down its Fab L7-1 in 2017 which may affect 40" panel supply, and some panel maker is suffering the poor yield in 43" new model fabrication, the 40"~43" panels were risking undersupply. Thus, in Q2, some procurement momentum returned to 32". On the whole, demand of 43"-and-below sizes turned strongly. This factor initialized a new opportunity to stabilize Q2 panel prices. After some TV panel prices rose, panel makers strove to turn loss into profit and earnestly attempted to fulfill their BP. They not only raised utilization rates, but they also proactively re-arranged IT capacity to supply TV panel demand. As for IT panels, because of profitability, Korean panel makers proclaimed that TN product supply will be slowly reduced beginning from Q2.

Q2's large size panel glass input by area was 51 Mn m², up 10% QoQ. Changes of glass input will be described via regional differences. AUO and Innolux fully boosted their panel supply for niche products such as 43" and 39.5". For the sake of raising profitable revenues, they also increased production proportion of higher unit price such as 65" large size products. Accordingly, their Gen. 6~8.5 utilization rates climbed toward higher levels. In light of Korean panel maker's TN production shrinkage, AUO & Innolux' Gen. 5 utilization rates switched from the past 70% to above 80%. Korean panel makers continuously devoted to ramping up large size TV panels' proportion. All of LGD's Gen.8.5 newly added capacity in Guangzhou will reach mass production phases in Q3 when large size TV (55" and 65") will be the major focus of production. As for LGD's IT panels, one of the Gen. 6 fab (Fab P6) was reduced input in Q2, and its a-si production will be fully stopped in Q3. This fab's IT products were forced to shift to larger size gen. fabs for production. That was why LGD Gen. 8.5 utilization rates nearly came to 100% beginning from Q2. Because of strong 40" demand, SDC planned to continue inputting in Fab L7-1 until Q4 while maintaining high utilization rate. Fab L7-1 will stop a-si production in 1Q17. SDC's large size input by area rose 1% from last year's. Because of shutting down Fab L7-1, 4% of glass input by area will be decreased in 2017. For mainland Chinese panel makers, BOE's and CSOT's newly added capacities will be ready in Q2 & Q3. These capacities in Gen.

8.5 fabs will be used on economic cutting of 55" production. Moreover, BOE planned to increase 49" production proportion, so that BOE can maintain the collaboration with Korean panel makers. CSOT strove to satisfy Chinese customers' 32" demand. Therefore, mainland Chinese panel makers' Gen. 8.5 utilization rate was kept at a certain high level. For Japanese panel makers, utilization rates of Sharp's large size gen. fabs (Gen. 8 & 10) were hovering over lower levels in 1H16. With new management team participating in, Gen. 10's new TV size (45") reached mass production and Gen. 8 32" re-started production in 2H16. These moves will escalate Sharp's utilization to a high level.

During second half of 2016, some sizes' panel procurement of customers weren't fulfilling their forecasts. Hence, panel prices in Q3 were still at an increasing momentum. With the long-awaited panel price hike, panel makers must give it all to boost production. The Q3 glass input by area is projected to keep on rising, up about 8.3% QoQ. Nonetheless, in Q4, the peak season stocking up will be over. The only demand will be from TV's January 1, 2017 holiday sales and Chinese New Year sales. As for IT panels, stocking up demand will be mostly weak. The shadow of reversed panel prices will be hovering over in Q4. Then Gen. 5~6's utilization rates are incrementally risking being adjusted downwards. Gen. 7~8 might put panel makers to a test in how to manage and market niche products.

◆ Regional Production Outlook

Based on 2Q16 glass input by area, Korean panel makers' market shares were 42%, Taiwanese' slightly rose to 29% due to recovery of capacity. Japanese panel makers' utilization were adjusted and returned to 5%. As for Chinese panel makers, 32" panel shipment stayed at a certain level, and large size panels (55") shipment mounted up. Thus, Chinese panel makers' market share grew to 24%. In Q3, Korean panel makers' market share slightly edged up to 43% after TV panel sizes continuously expanded. As for Taiwanese panel makers, their share dropped to 28%. Japanese panel makers, their share will continued to increase to 6%. Mainland Chinese panel makers slightly dropped to 23%.