

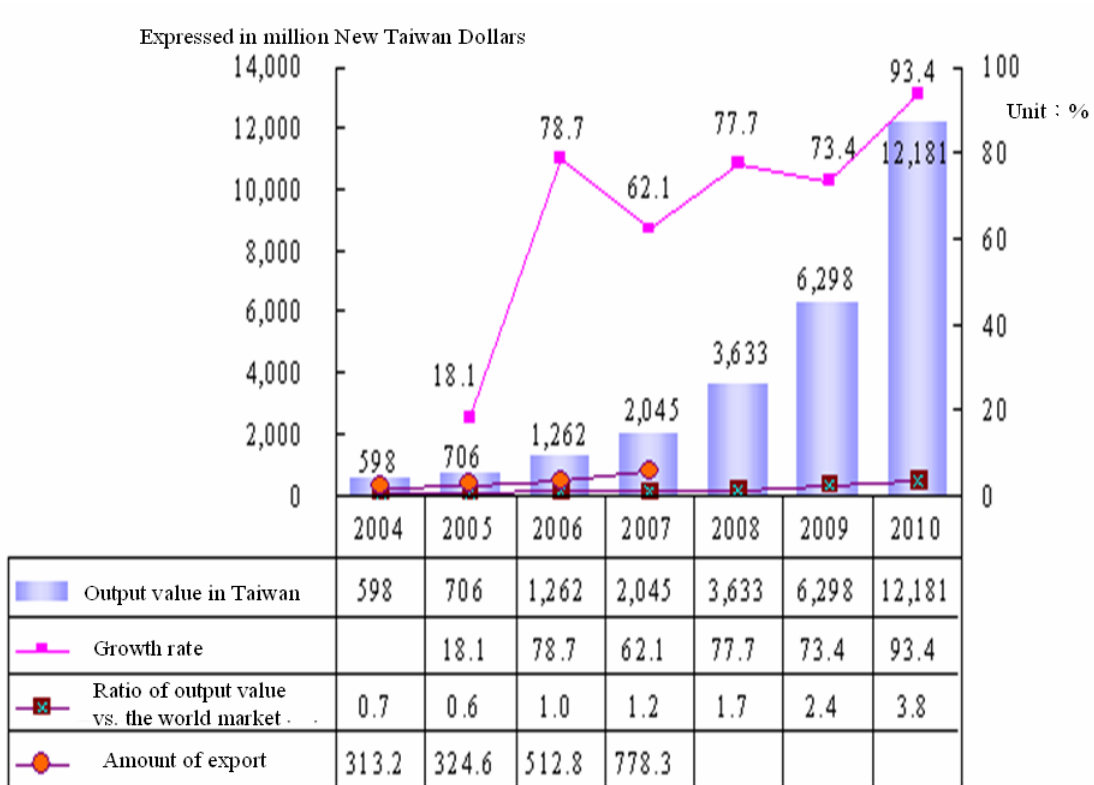
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MOEA

The Status of the RFID Industry in Taiwan

(I) Supply & Demand

As Institute for Information Industry (III) states, in 2007, the overall RFID output value in Taiwan hits NT\$2.045 billion, taking up 1.2% share of the entire world, and 2.9% share of Asia-Pacific Region; it grew by 62% over NT\$1.262 billion in 2006, far higher than the global growth rate of overall RFID output value. These facts demonstrate the remarkable performance of the government efforts toward the industry. But the market is still small in size in the current initial stage. By 2010, the share of the global market is anticipated to be up to 3.8% and the share of the Asia-Pacific Region market expects to be up to 10%.

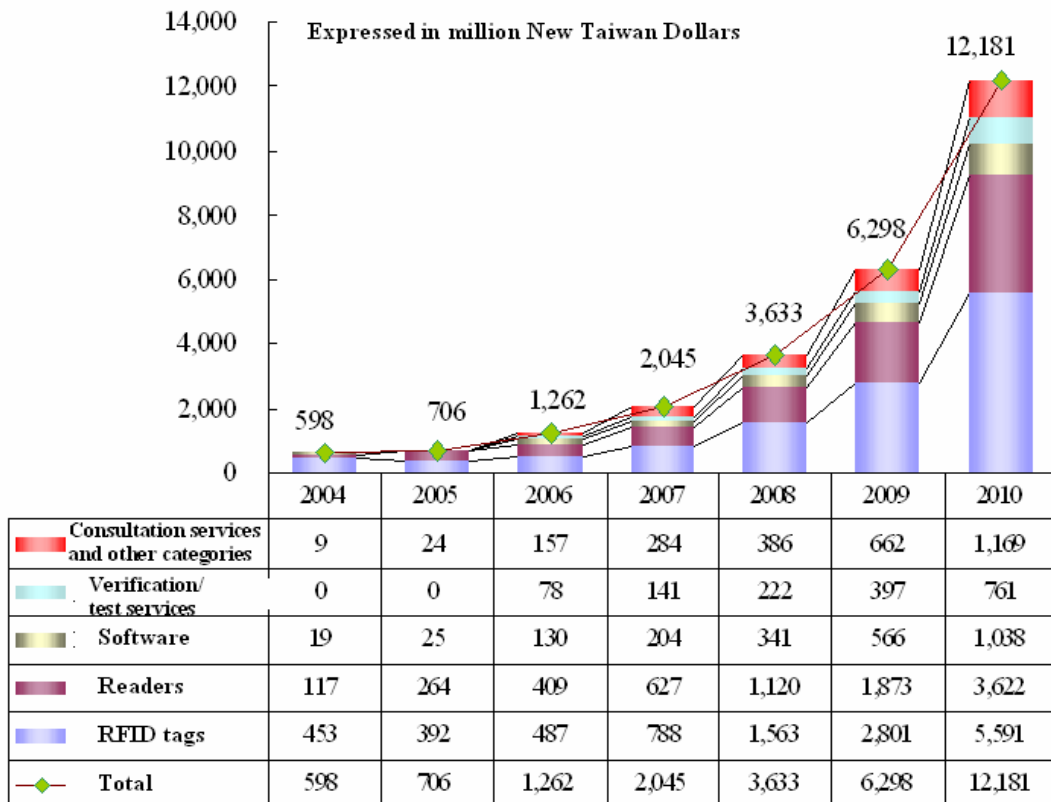
Growth rate of RFID output value in Taiwan during 2004-2010



Source: Institute for Information Industry (III) , 2008/Q2

In the aspect of structure of the output value, the RFID market in Taiwan is still hardware-manufacturing-based. In 2007, tags, readers, services and software accounted for 40%, 30%, 20% and 10% respectively. In view of this, hardware manufacturing stands as the main stream of RFID industry in Taiwan. By 2010, the ratio taken by tags will be up to 46%.

Output value structure of RFID in Taiwan during 2004-2010



Source: Institute for Information Industry (III) , 2008/Q1

(II) Analysis of a Gap in the Industry Supply Chain, Investment Niche, and Prospective Foreign Investor

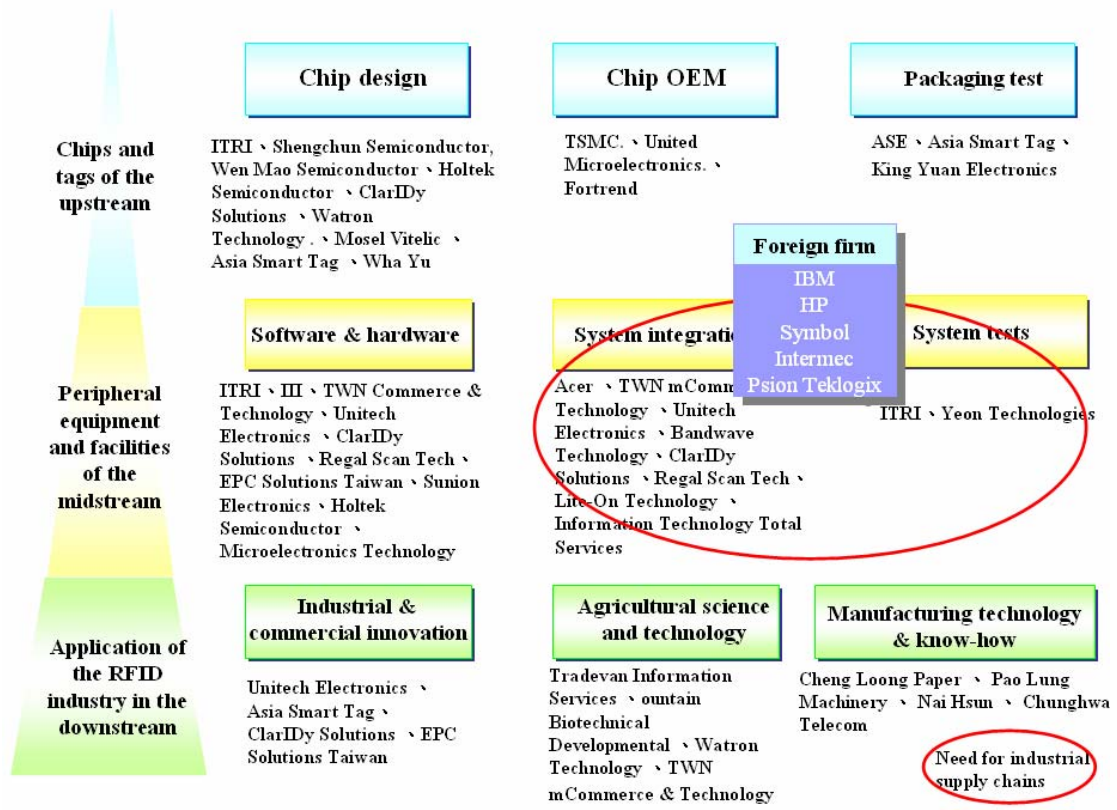
Taiwan has long been praised as the IT empire and is of course not supposed to be absent from the tremendous RFID market incentives. So far, there is quite a sound deployment in the upstream, mid-stream and downstream enterprises. Lots of investors have engaged in RFID industry, from chips, tags in the upstream, to tests, packaging, RF and readers in the midstream and system integration and consultation services in the downstream.

In the aspect of test and verification, the Industrial Technology Research Institute (ITRI) has set up the “Pacific RFID Performance Center” supported

by the Ministry of Economic Affairs. On the grounds of the strict quality system in the aeronautic level, the hands-on experiences accumulated test and verification standard procedures and accreditation & audit accumulated, the “Pacific RFID Performance Solutions” was selected in 2005 as one of the world’s four major RFID Performance Solutions Centers, standing as the only test and verification center in Asia. In Asia’s RFID product test & verification markets, “Pacific RFID Performance Solution Center” has taken the lead to grip the advantages. In the future, by participating in the enactment of International Criteria of RFID Application, the “Pacific RFID Performance Solutions” will accerlerate the RFID product test and verification services.

Taking RFID the technology & know-how, equipment and facilities as well as demand for application, one will notice that Taiwan industrial chains are quite integrated and comprehensive, from RFID element design/manufacture in the upstream, to system integration in the midstream and innovative application services in the downstream. Within the entire process of software & hardware test, verification and accreditation services that pass through up- mid- and down-stream industries, there have been investors’ undertakings getting involved. Today, RFID industry becomes a newly emerged industry in Taiwan that dominates global competitive edge.

Taiwan RFID Industry Chains & Major Companies

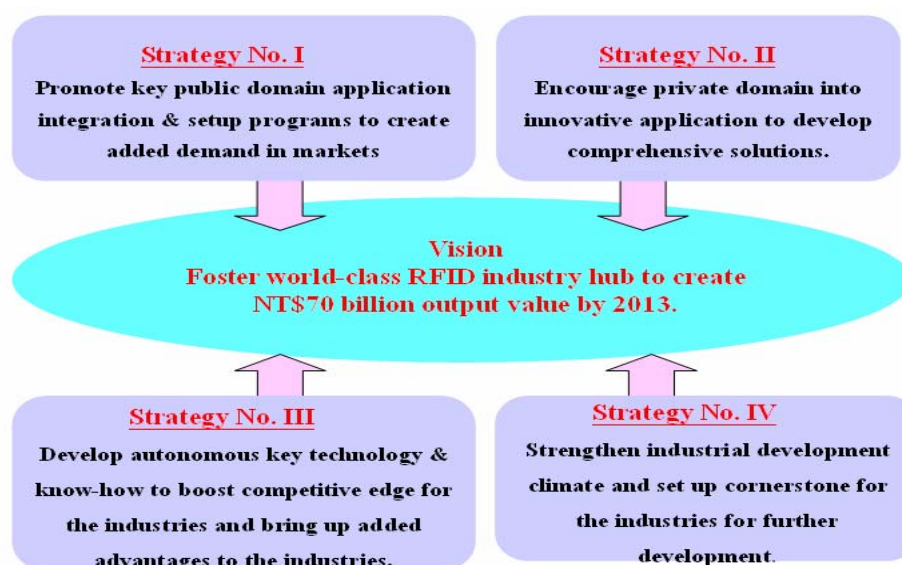


Source: Organized for the present study, 2008/02

(III) Major Suppliers in Taiwan

To help Taiwan upgrade the RFID technology & know-how and the experiences accumulated for RFID application, the Ministry of Economic Affairs set up in February 2006 “RFID Public Domain Promotion Office” to help government entities in Taiwan, and launched five RFID lead programs in “home and public safety and security”, “trading channel safety and security”, “aeronautic travel application”, “food distribution safety and security” and “health & medical care application”. To encourage local industries to engage in RFID innovative application further, the Ministry of Economic Affairs urges the local firms to launch consultation services in development information integratoin and introduction to application. For foreign investors, the Ministry of Economic Affairs encourages them to come to Taiwan to set up their R&D centers and to take an important role in the accreditation and verification, using Taiwan as the trial spot before they enter Asian markets. In the promotion of RFID, Taiwan government plays a very enthusiastic role.

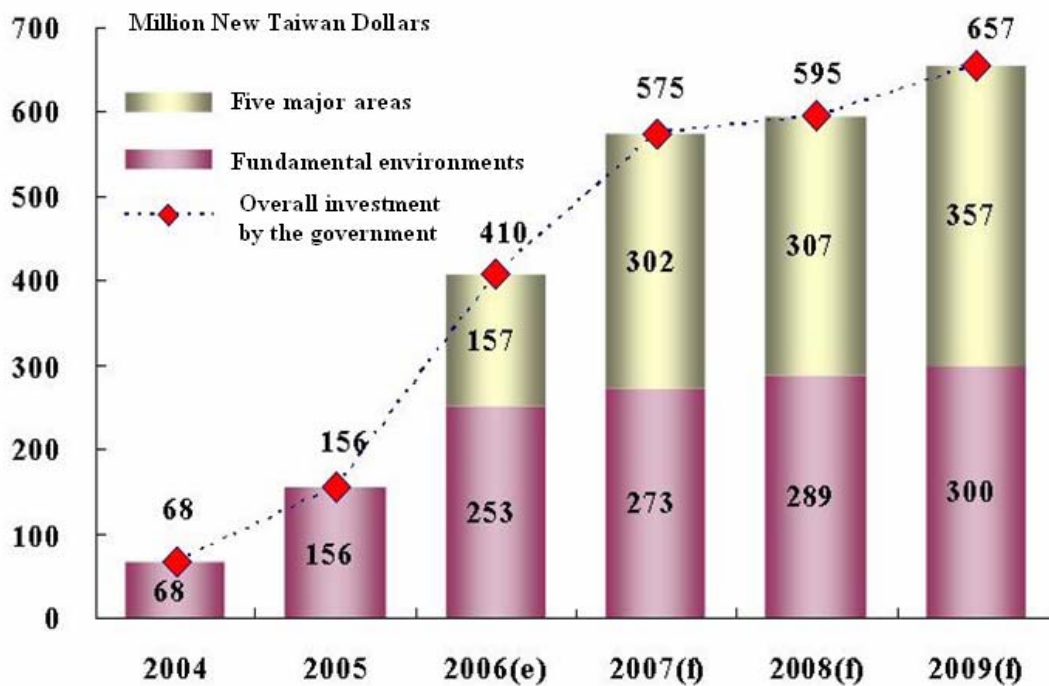
The strategies launched in Taiwan in RFID industry promotion



Source: RFID Public Domain Promotion Office

During 2007 ~ 2009, Taiwan government is anticipated to invest approximately NT\$500~700 million into RFID industry annually for fundamental environment setup and application, each of which will share approximately a half. The efforts for fundamental environment setup include nourishment of high-caliber professionals and experts, development of verification and test centers and fostering of core competence. The application will cover the five aforementioned areas, with more than fifteen lead application programs. By 2013, Taiwan will foster world-class RFID industry hub to create NT\$70 billion output value.

The RFID industry scale to be invested by Taiwan government during 2004 ~2009



Source: RFID Public Domain Promotion Office