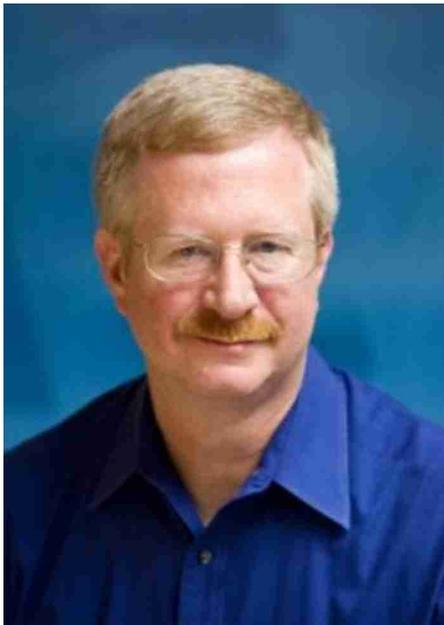


Supplying to Consumer Electronic Companies, Kionix, Inc. is a Global Leader in the Design and Fabrication of High-Performance, Silicon Devices in the MicroElectroMechanical Systems (MEMS) Category

**Technology
MEMS**

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**Gregory J. Galvin
CEO**

BIO: Dr. Galvin is President and CEO of Kionix, a wholly owned subsidiary of ROHM Co., Ltd. and one of the world's top three suppliers of micro-electromechanical (MEMS) inertial sensors. He is also Chairman and CEO of Rheonix, Inc., a company developing microfluidic-based molecular diagnostic systems. Dr. Galvin was elected to the Cornell University Board of Trustees in 2011; he also serves on the Advisory Council of Cornell's College of Engineering. He has a B.S. in Electrical Engineering

from the California Institute of Technology, a Ph.D. in Materials Science and an M.B.A. from Cornell University.

About Kionix, Inc.

Kionix, Inc. is a global leader in the design and fabrication of high-performance, silicon-micromachined MEMS inertial sensors.

With its acquisition by ROHM Co., Ltd. of Japan on November 16, 2009, Kionix is positioned well to carry on its corporate mission to bring the best in MicroElectroMechanical Systems (MEMS) inertial sensor technology to the global marketplace.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: Mr. Galvin, would you tell us the concept at Kionix?

Mr. Galvin: We manufacture a silicon device that goes in the general category of MEMS, Micro Electro Mechanical Systems. Specifically, what we make are very, very small motion sensors out of silicon that are widely used in the consumer electronics industry as well as automotive for sensing all different forms of motion. These devices are made using standard integrated circuit type manufacturing processes and tools. However, we are actually sculpting out of the silicon a microscopic moving structure.

CEOCFO: What is special about your sensors? Are they different, better, cheaper, faster or easier? What is the edge?

Mr. Galvin: All of those things. As is so often the case we are in a very competitive environment with several

credible suppliers. At any given point in time we differentiate ourselves either on a performance attribute or a feature set that the other person does not have. Increasingly, we are actually adding more software content to our offerings, which is becoming more of a differentiating factor than in the past. Most differentiations are fairly transient and everyone catches up with each other pretty quickly.

CEOCFO: To whom are you selling your products?

Mr. Galvin: The end customers for our products are pretty much all the brand name consumer electronic companies with a heavy preponderance in the handset industry. The way the supply chain for these customers work is that they have someone like a Foxconn in China assembling their boards. Our commercial transaction would actually be with their assembly house in most cases, but the big design decisions; the selection of our parts is done by the end customer; the brand name company.

CEOCFO: How do people know that you are doing what you are and that you are doing it better, cheaper, faster and all those good things?

Mr. Galvin: We have a direct sales force scattered about the world, heavily focused in Asia since that is where most of our customers are. They are calling on these customers daily. The universe of large customers is pretty small. There are a dozen handset manufacturers in the world. There are three major computer game manufacturers in the world. There are a dozen tablet manufacturers. It is not like we have hundreds of customers. It is a very manageable number of custom-

ers. There are a relatively small number of suppliers of our kind of products. Therefore, the customers pretty much know who we all are, too.

CEO CFO: In the beginning of the year you came out with some newer items. Could you tell me a little bit about what they do? What is the improvement? How often do you update what you are offering?

Mr. Galvin: We characterize the product updates as minor and major. Minor is a variant on an existing product to make the power consumption less than the previous version or put it in a smaller package than the previous version. Those occur pretty much on a quarterly basis. A completely new product; either a new type of sensor or a significantly reworked existing product is more on a one to two year kind of time frame. This year we announced several major new products. One is a magnetic sensor, so it senses absolute direction, absolute heading in combination with an accelerometer and also a gyro accelerometer combination product.

CEO CFO: How are you able to make changes and make major revisions? Is it that you figured something else out? Are there new products surrounding what you do that makes it possible?

Mr. Galvin: It is really just the efforts of our engineering organization. About a third of the company's headcount is engineering related. A significant percentage of the annual expenditures go to R and D, new product development. To remain competitive in this business requires a lot of engineering work and a lot of continuing innovation to keep making the next thing. That is what these people are tasked with. Occasionally, they get tasked with new developments that stretch beyond their comfort zone or we hire new talent that brings in new expertise to move us into a different category; a sensor that we have not been dealing with in the past or, as in the case with the magnetic sensor, an offering that is actually done in partnership with another company that supplies the magnetic material. We are packaging their sensor with our accelerometer and adding the software.

CEO CFO: Are partnerships like that typical for you?

Mr. Galvin: I would not call them typical. They are fraught with challenges. You can start losing control of your own destiny. However, as I said, we have to remain competitive and sometimes it is faster to buy from someone else than to try to develop it ourselves.

CEO CFO: How is business these days?

Mr. Galvin: Business is outstanding! We are in the enviable position of being at maximum capacity and needing to expand in all areas. That is a great problem to have!

CEO CFO: What about finding people that have the expertise and the drive to work for you? So many tech companies that I speak with have such a difficult time.

“Kionix is very much one of the top suppliers in the industry and will continue to stay at the forefront of these technologies in these markets.”

- Gregory J. Galvin

Mr. Galvin: It is certainly a challenge. I would not say that it has really limited anything we have tried to do. We are able to find the people and able to get the people. It can take six months to a year. I cannot go out and hire five of the right type of engineers in a week. One; the pool that is available is small, nationwide. Our location in centrally isolated upstate New York is not for everyone. That adds to the challenge of recruiting. However, we are always able to find the people. Part of what we are doing now, as we have grown larger, is a willingness to open satellite locations outside of our headquarters if that is where we need to, to find the talent. Therefore, we have done that. We have one in Mississippi and one in California, now. We had to go there to find the talent and they did not want to relocate so we opened offices there.

CEO CFO: You recently won a Best of Sensors Innovation Award. Would you tell us about that?

Mr. Galvin: That was for this magnetic sensor that I was describing earlier.

CEO CFO: Was there an industry demand for that magnetic sensor or did your people think “it would be nice if we could”? Where does that mix come in from demand and organic innovation?

Mr. Galvin: This was a nice combination of those things. The magnetic sensor already existed in the marketplace. We were not the first people to put that into the market and it was certainly something that our customer base is demanding of all their suppliers. Each supplier offers a spectrum of different sensor types. Our real innovation was the software that we wrapped around that sensor that enables it to function, not only well as a magnetic sensor, but also allows it to impersonate a gyroscope sensor without having to actually buy the gyroscope itself. The sensor and the concept of the sensor existed in the marketplace. The software that adds this new functionality to it was an innovation on the part of our engineering team.

CEO CFO: What is ahead? What will be different a year from now at Kionix?

Mr. Galvin: More of the same, really. The trends are lower pricing, smaller package sizes, greater feature sets and functionality and a broader array of sensor offerings. Pretty much all portable electronic devices are becoming very sensor heavy that allows them to be context aware; aware of the context in which they are being used. It allows the portable device to automatically do all sorts of things that you would otherwise have to tell it to do. The most basic that everyone can relate to is on their Smartphone; the screen rotates between portrait and landscape. That is a function of this accelerometer device that is in there. That is kind of the tip of the iceberg.

CEO CFO: What surprised you most as Kionix and maybe the industry has grown and evolved?

Mr. Galvin: I would say the very slow pace of growth of the company in its

first decade and the incredibly rapid pace of growth in the second decade.

CEOCFO: Why should investors and people in the business community pay attention to Kionix? Why is Kionix an exceptional company?

Mr. Galvin: The major reason to pay attention is really the marketplace that we are in. It is growing at a tremendous rate driven by the ubiquitous application of this sensing technology in multiple industries across multiple markets. That does not show any sign

of abating in the next decade ahead. Within that marketplace Kionix is very much one of the top suppliers in the industry and will continue to stay at the forefront of these technologies in these markets.



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