



UMC Electronics Co., Ltd.

Fiscal 2016 Performance in Focus (April 1, 2016 – March 31, 2017)

1. Overview of Operating Results, Etc.

(1) Overview of Operating Results for the Fiscal Year under Review

In the fiscal year under review, the global economy remained strong on the whole.

In the United States, consumer spending continued to recover against the background of solid employment and income conditions and expectations for tax cuts and other financial policies instituted by the new administration. The trend toward recovery grew stronger among manufacturers, and their capacity utilization ratio climbed. The pace of economic growth is predicted to keep rising. The FRB is expected to keep raising interest rates steadily in line with the recovery of business conditions in the United States.

In China, pickup moves observed in the second half of the fiscal year under review are anticipated to continue in the next and subsequent fiscal years, backed by the effects of various policies. Exports to the United States are recovering. Exports in general are showing signs of bottoming out with the recovery of demand in Asian countries.

In the EU, consumer spending is gradually improving, despite a deep-rooted sense of uncertainty about the future of politics and the economy attributable to Brexit. Business conditions in the EU are on a recovery path.

In Japan, consumer spending failed to increase, but exports continued to pick up and corporate earnings kept improving. The Japanese economy remained on track for moderate recovery on the whole.

The electronics industry, in which UMC Electronics Co., Ltd. and its consolidated subsidiaries (hereinafter the “UMC Electronics Group”) operate, showed a steady tone overall, thanks to developments such as an increase in automotive electronic equipment sales and expanded smart factory demand.

In this business environment, the UMC Electronics Group’s automotive precision metal mold and molding operations, which UMC Electronics Co., Ltd. (hereinafter the “Company”) made into a subsidiary in the previous fiscal year, performed favorably. Transaction volumes in automotive equipment and industrial equipment also continued to show stable growth. Meanwhile, the UMC Electronics Group continued to advance preparations for realizing smart factories, including the introduction of low cost automation (LCA) facilities, or facilities for automating internal development and manufacturing and reducing the labor necessary for such operations, and a common production management system to all its manufacturing sites. In the fiscal year under review, the UMC Electronics Group established a manufacturing plant in Mexico and a sales company in the United States to boost its capacity to meet demand for automotive electronic equipment. In addition, the Group made preparations to expand production with orders received for hybrid cars as the start of dealing in new energy vehicles, such as electric vehicles (EVs) and plug-in hybrid electric vehicles (PHEVs), for which demand is projected to grow strongly in China ahead of all other parts of the world under the effects of tightened exhaust gas controls. The Group also expanded its operating bases in Japan. The Group also launched numerous new projects at its bases, including those for producing industrial equipment to meet expanding demand in emerging countries.

In addition to the activities stated above, the UMC Electronics Group established the Management Quality Improvement Committee with the participation of its employees to strengthen its management base for expanding operations.

The Group posted workers’ retirement allowances and other expenses related to the consolidation of operations at its Qiaotou Plant in China as business structure improvement expenses under extraordinary losses. In the fiscal year under review, the yen rose about 10% against the U.S. dollar year on year. The average exchange rate for the year was 108.42 yen per dollar (compared with 120.14 yen per dollar for the previous fiscal year).



As a result, consolidated net sales for the fiscal year under review amounted to 111,915 million yen, up 1.7% from the previous fiscal year. Consolidated operating income came to 2,873 million yen, up 22.9% year on year. Consolidated ordinary income reached 2,160 million yen, up 2.6% year on year. Consolidated profit attributable to owners of parent was 1,306 million yen, down 28.0% year on year.

The UMC Electronics Group operates across two segments: the EMS business and the Other business. Segment information is not provided in this document because the EMS business accounts for an overwhelming majority of the Group's operations.

Consolidated net sales for the EMS business by product category and consolidated net sales for the Other business are as follows. Consolidated net sales shown below are figures after the elimination of inter-company transactions.

(i) EMS business

Consolidated net sales for the EMS business, which is the UMC Electronics Group's core business, came to 111,415 million yen, up 1.6% from the previous fiscal year. Results by product category are outlined below.

(Automotive equipment)

Consolidated net sales of automotive equipment increased 21.3% from the previous fiscal year, to 43,946 million yen, attributable to growth in the products handled caused by progress in vehicle electrification and a succession of new projects such as power system boards for environmentally-friendly vehicles.

(Industrial equipment)

Consolidated net sales of industrial equipment rose 11.6% year on year, to 26,922 million yen, reflecting sustained brisk demand for capital investment associated with smartphones and other communications infrastructure in markets centered on China.

(Consumer equipment)

Consolidated net sales of consumer equipment decreased 33.4% year on year, to 8,364 million yen, under the adverse effects of the poor performance of major Japanese customers posted in their respective markets.

(Office automation equipment)

Consolidated net sales of office automation equipment fell 11.3% year on year, to 21,490 million yen, as a result of business slowdowns in emerging markets.

(Information equipment)

Consolidated net sales of Information equipment dropped 25.0% year on year, to 6,894 million yen, reflecting the contraction of the market for products for recording and reproducing drives.

(Other EMS)

Consolidated net sales of other EMS operations grew 14.9% year on year, to 3,797 million yen, reflecting a stable transaction volume for amusement equipment.

(ii) Other business

Consolidated net sales of the Other business came to 4,909 million yen, up 18.7% year on year, due to favorable results in temporary staffing operations.

(2) Overview of Financial Position in the Fiscal Year under Review

Status of assets, liabilities and net assets

Total assets at the end of the fiscal year under review amounted to 60,627 million yen, up 6.9% from the end of the previous fiscal year. This increase is mainly attributable to growth in construction in progress due to the construction of a plant in Mexico and a rise in investment securities resulting from their acquisition.



Liabilities at the end of the fiscal year under review totaled 43,990 million yen, up 7.9% from the end of the previous fiscal year. The growth is mainly attributable to a rise in debts associated with capital investment.

Net assets at the end of the fiscal year under review came to 16,636 million yen, up 4.2% from the end of the previous fiscal year. The rise is mainly attributable to an increase in retained earnings and growth in the valuation difference on available-for-sale securities.

(3) Overview of Cash Flows in the Fiscal Year under Review

Consolidated cash and cash equivalents amounted to 9,680 million yen at the end of the fiscal year under review, down 24.8% from the end of the previous fiscal year.

[Cash flows from operating activities]

Net cash provided by operating activities came to 2,057 million yen in the fiscal year under review (compared with net cash provided by such activities of 3,128 million yen posted in the previous fiscal year). The cash inflow resulted mainly from the posting of profit before income taxes, and depreciation and amortization.

[Cash flows from investing activities]

Net cash used in investing activities amounted to 4,236 million yen in the fiscal year under review (compared with net cash used in such activities of 1,739 million yen posted in the previous fiscal year). The cash outflow resulted mainly from investment in machines and equipment made by respective Group companies and the construction of a manufacturing plant by UMC Electronics Mexico, S. A. de C. V.

[Cash flows from financing activities]

Net cash used in financing activities totaled 764 million yen in in the fiscal year under review (compared with net cash provided by such activities of 3,931 million yen posted in the previous fiscal year). The cash outflow resulted mainly from a decrease in long-term loans payable.

Reference data: changes in indexes related to cash flows

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Capital adequacy ratio (%)	21.0	28.1	27.4
Capital adequacy ratio based on market value (%)	-	28.6	41.7
Ratio of interest-bearing liabilities to cash flows (years)	6.8	6.9	10.3
Interest coverage ratio (times)	11.5	8.1	5.6

Note: Calculation methods for respective indexes

- Capital adequacy ratio: shareholders' equity / total assets
- Capital adequacy ratio based on market value: total market capitalization / total assets
- Ratio of interest-bearing liabilities to cash flows: interest-bearing liabilities / cash flows from operating activities
- Interest coverage ratio: cash flows from operating activities / interest payment

1. Consolidated financial figures are used for calculating the respective indexes.
2. Total market capitalization is calculated by multiplying the closing share price at the end of the fiscal year (in the first section of the Tokyo Stock Exchange) by the number of outstanding shares at the end of the fiscal year (after the subtraction of treasury stock).
3. Interest-bearing liabilities include all liabilities stated in the consolidated balance sheets on which interest is paid.



Cash flows from operating activities stated in the consolidated statements of cash flows are used as cash flows from operating activities.

4. Interest paid stated in the consolidated statements of cash flows is used as interest payment.

(4) Forecasts

The global economy is predicted to keep recovering at a moderate pace from now on. In the United States, future policy trends and their effects will require attention, but business expansion is forecasted to continue. In China, pickup moves are anticipated to persist for some time to come, supported in part by the impact of various policies. In the EU, aggressive monetary relaxation policies are expected to sustain a moderate pace of growth. In Japan, the economy is predicted to recover gradually in the environment of sustained improvement in employment and income conditions.

Under these conditions, the UMC Electronics Group will build a production structure and establish manufacturing bases according to customer demand, while making strong proposals to its customers.

In the fiscal year ending March 31, 2018, the UMC Electronics Group forecasts that it will achieve consolidated net sales of 121,663 million yen (up 8.7% from the fiscal year ended March 31, 2017), consolidated operating income of 2,969 million yen (up 3.3% year on year), consolidated ordinary income of 2,668 million yen (up 23.5% year on year) and consolidated profit attributable to owners of parent of 2,060 million yen (up 57.7% year on year), based on the assumed exchange rate of 108 yen per U.S. dollar.

(5) Material Events Relating to Going Concern Assumptions, Etc.

No corresponding item exists.

2. Basic Idea on the Selection of Accounting Standards

The UMC Electronics Group plans to use Japanese standards for the preparation of its consolidated financial statements for the time being, considering the possibility of the inter-period and inter-company comparison of the statements.

Net Sales by Product Category

(Millions of yen)

	FY2015	FY2016
EMS business		
Automotive equipment	36,224	43,947
Share	32.9%	39.3%
YoY	-	21.3%
Industrial equipment	24,121	26,923
Share	21.9%	24.1%
YoY	-	11.6%
Consumer equipment	12,565	8,364
Share	11.4%	7.5%
YoY	-	-33.4%
Office automation equipment	24,222	21,490
Share	22.0%	19.2%
YoY	-	-11.3%
Information equipment	9,194	6,894
Share	8.4%	6.2%
YoY	-	-25.0%
Other EMS	3,305	3,797
Share	3.0%	3.4%
YoY	-	14.9%
Other business	421	500
Share	0.4%	0.4%
YoY	-	18.7%
Total	110,051	111,915
YoY	-	1.7%