



UMC Electronics Co., Ltd.

Fiscal 2017 1Q Performance in Focus (April 1, 2017 – June 30, 2017)

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the first quarter of the fiscal year under review, the global economy continued to perform strongly overall.

In the United States, the FRB raised interest rates in June 2017, with several raises per year expected to occur in the years to come, and the self-sustained economic recovery, including capital expenditure and employment, is expected to continue.

In China, private-sector investment, employment, and income have been improving thanks to the effects of various policies, and the recovery trend is expected to continue for some time.

The European economy has maintained a general recovery trend based on increased consumer spending, capital expenditure, and production.

In Japan, the effective ratio of job offers to applicants in May was the highest since February 1974, corporate activities continued to pick up, and the economy maintained a moderate recovery trend.

The electronics industry, in which UMC Electronics Co., Ltd. and its consolidated subsidiaries (hereinafter the “UMC Electronics Group”) operate, maintained a generally high level of orders received thanks to developments such as an increase in the number of vehicle-mounted boards due to the continuous growth of the electrification of automobiles of all models and the increased replacement of smartphone generations, whose functions and capacity continue to improve.

In this business environment, the UMC Electronics Group’s transaction volumes for automotive equipment and industrial equipment products have been drastically increasing, and the Group has been preparing for the operation of the Mexican factory and the establishment of a factory in Saga prefecture, in addition to the Wuhan office established in Hubei Province, China in 2017 and the Chicago office in North America, to achieve further business expansion. The Chinese government is focusing on the growth of the market for new-energy vehicles such as EVs and PHEVs as a national policy. The policy of prohibiting the sale of gasoline-powered vehicles will be implemented by India by 2030 and by European governments by 2040. UMC Electronics has been further advancing the production technologies it has established in the development of hybrid vehicle parts and carrying out negotiations to prepare for the growth in demand for new-energy vehicles. Meanwhile, the UMC Electronics Group continued to build the foundation for smart factories while increasing the number of development personnel in the low-cost automation (LCA) facilities, i.e. facilities for automating internal development and reducing labor, to prepare for a number of new projects scheduled in and after the next fiscal year. This coincides with the establishment of the Mexican factory, and the Group is also developing human resources and strengthening its organizational structure. For this reason, operating income was reduced despite a year-on-year increase in net sales and gross profit.

As a result, consolidated net sales for the first quarter of the fiscal year under review came to 30,016 million yen, an increase of 4,877 million yen (or 19.4%) from the same period of the previous year. Operating income was 583 million yen, a decrease of 91 million yen (or 13.6%) year on year. Ordinary income amounted to 500 million yen, rising 151 million yen (or 43.5%) year on year. Profit attributable to owners of parent stood at 340 million yen after growing 451 million yen year on year (which was a loss in the same period of the previous year).

The UMC Electronics Group operates 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 the figures after the elimination of inter-company transactions.



As part of the changes made to the internal management categories in the previous fiscal year, sales from precision metal mold and molding operations, which had been included in net sales in the “Other” segment, have been shifted to classification by product category, and net sales from medical products have been shifted to the industrial equipment category.

(i) EMS business

Consolidated net sales for the EMS business, which is the UMC Electronics Group’s core business, climbed 4,883 million yen from the same period in the previous year to 29,908 million yen (up 19.4%). The results by product category are outlined below.

(Automotive equipment)

Consolidated net sales of automotive equipment increased 3,003 million yen or 33.3% year on year, to 12,025 million yen, which was attributable to growth in the products handled caused by progress in vehicle electrification and a steady increase in the volume of new projects since the second half of the previous fiscal year.

(Industrial equipment)

Consolidated net sales of industrial equipment rose 1,672 million yen or 28.1% year on year, to 7,626 million yen, reflecting growing demand for labor conservation and capital expenditure for semiconductors, electric vehicles, and smartphones in the Chinese market and a steady increase in transactions with local Chinese manufacturers.

(Office automation equipment)

The UMC Electronics Group has been continuously receiving orders for increased production in every quarter from major office automation equipment manufacturers and the in-house share of the segment has been growing; as a result, consolidated net sales rose by 1,391 million yen, or 29.6%, year on year to 6,095 million yen.

(Consumer equipment)

Consolidated net sales of consumer equipment decreased 288 million yen or 13.4% year on year, to 1,859 million yen, under the adverse effects of the poor performance of major Japanese customers that were posted in their respective markets.

(Information equipment)

Consolidated net sales of information equipment dropped by 956 million yen or 44.2% year on year, to 1,208 million yen, reflecting the contraction of the market for products for recording and reproducing drives.

(Other EMS)

Consolidated net sales of other EMS operations, which consist largely of sales of amusement equipment, grew by 60 million yen or 5.9% year on year, to 1,092 million yen.

(ii) Other business

Consolidated net sales of the Other business came to 107 million yen, a decrease of 5 million yen or 4.8% year on year, despite stable sales in temporary staffing operations.

(2) Explanation of Financial Position

(i) Status of assets, liabilities, and net assets

Total assets at the end of the first quarter of the fiscal year under review amounted to 63,942 million yen, up 5.5% from the end of the previous fiscal year. This increase is mainly attributable to growth in accounts receivable-trade and raw materials due to the trend of production growth since July 2017.

Liabilities at the end of the first quarter of the fiscal year under review totaled 47,031 million yen, up 6.9% from the end of the previous fiscal year. This rise was caused primarily by an increase in notes and accounts payable-trade.

Net assets at the end of the first quarter of the fiscal year under review came to 16,910 million yen, up 1.6% from the end of the previous fiscal year. This was as a result of an increase in



foreign currency translation adjustment caused by the growing appreciation of the Chinese yuan against the US dollar, in particular.

(3) Explanation of Forward-looking Information including Forecast of Consolidated Results

No revisions have been made to the forecast of consolidated results announced in the Summary of Financial Results for the Fiscal Year Ended March 31, 2017 on May 12, 2017.

		(Millions of yen)	
		FY2016/1Q	FY2017/1Q
EMS business			
Automotive equipment		9,023	12,026
	Share	35.9%	40.1%
	YoY	26.5%	33.3%
Industrial equipment		5,954	7,627
	Share	23.7%	25.4%
	YoY	-10.6%	28.1%
Office automation equipment		4,704	6,095
	Share	18.7%	20.3%
	YoY	-26.7%	29.6%
Consumer equipment		2,149	1,860
	Share	8.5%	6.2%
	YoY	-41.0%	-13.4%
Information equipment		2,165	1,208
	Share	8.6%	4.0%
	YoY	-29.6%	-44.2%
Other EMS		1,032	1,093
	Share	4.1%	3.6%
	YoY	102.2%	5.9%
Other business			
		113	107
	Share	0.4%	0.4%
	YoY	16.4%	-4.8%
Total			
		25,138	30,016
	YoY	-8.7%	19.4%