



UMC Electronics Co., Ltd.

Fiscal 2017 First Half Performance in Focus (April 1, 2017 – September 30, 2017)

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the first half of the fiscal year under review, the global economy generally continued a moderate recovery trend despite ongoing geopolitical uncertainties, in which the U.S. economy remained strong, Europe maintained a recovery trend, and government policies in China helped to stimulate some areas of the country's economy. In Japan, consumer spending and capital expenditure partly increased and the economy continued a modest revival.

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 primarily thanks to an increase in automotive electrification-related products due to growth of the electrification of automobiles and rising demand for factory automation.

In this business environment, the UMC Electronics Group's transaction volumes for automotive equipment and industrial equipment products have been increasing, and the Group has been preparing for the operation of the Mexican factory and the establishment of a factory in Saga Prefecture to achieve further business expansion. Negotiations and preparation for new automotive critical safety parts initiated by the Group in response to the global shift to electric vehicles in the automotive equipment industry are progressing as planned.

Additionally, the UMC Electronics Group is aiming to establish smart factories by combining low-cost automation (LCA), otherwise known as facilities for automating internal development and reducing labor, which have been installed gradually in all factories, and a production ERP system. The Group plans to provide its customers with products of a globally consistent quality and specifications by incorporating AI and IoT from the upstream stage of manufacturing, such as product design and development.

As a result, consolidated net sales for the first half of the fiscal year under review came to 62,341 million yen, an increase of 10,092 million yen (or 19.3%) from the same period of the previous year. Operating income was 1,280 million yen, a decrease of 189 million yen (or 12.9%) year on year. Ordinary income amounted to 1,108 million yen, rising 106 million yen (or 10.6%) year on year. Profit attributable to owners of parent stood at 748 million yen after growing 431 million yen year on year (or 136.3%).

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.



(i) EMS business

Consolidated net sales for the EMS business, which is the UMC Electronics Group's core business, climbed 10,138 million yen from the same period in the previous year to 62,145 million yen (up 19.5%). The results by product category are outlined below.

(Automotive equipment)

Consolidated net sales of automotive equipment increased 6,087 million yen, or 32.0% year on year, to 25,126 million yen, which was attributable to growth in the products handled as a result of progress in vehicle electrification.

(Industrial equipment)

Consolidated net sales of industrial equipment rose 3,449 million yen, or 27.2% year on year, to 16,130 million yen, reflecting growing demand for labor conservation in the Chinese market, resulting in strong performance of the Group's client manufacturers, and a steady increase in transactions with local Chinese manufacturers.

(Office automation equipment)

Consolidated net sales rose by 2,506 million yen, or 24.8% year on year, to 12,616 million yen as a result of growth in the Group's shares in major office automation equipment manufacturers.

(Consumer equipment)

Consolidated net sales of consumer equipment decreased 226 million yen, or 5.3% year on year, to 4,037 million yen, under the adverse effects of intensifying competition in the market of Japanese brand manufacturers, which are among the key customers of the Group.

(Information equipment)

Consolidated net sales of information equipment dropped by 1,495 million yen, or 38.6% year on year, to 2,379 million yen, reflecting the completion of smartphone projects.

(Other EMS)

Consolidated net sales of other EMS operations, which consist largely of sales of amusement equipment, fell by 182 million yen, or 9.0% year on year, to 1,854 million yen.

(ii) Other business

Consolidated net sales of the Other business came to 196 million yen, a decrease of 45 million yen, or 19.0% year on year, because of making Cybercore Co., Ltd. an equity method company, 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 half of the fiscal year under review amounted to 67,418 million yen, up 11.2% from the end of the previous fiscal year. This increase is mainly attributable to growth in inventories and notes and accounts receivable-trade.

Liabilities at the end of the first half of the fiscal year under review totaled 49,745 million yen, up 13.1% from the end of the previous fiscal year. This rise was caused primarily by an increase in notes and accounts payable-trade and long-term loans payable.

Net assets at the end of the first half of the fiscal year under review came to 17,673 million yen, up 6.2% from the end of the previous fiscal year. This was a result of an increase in retained earnings and foreign currency translation adjustment caused by the growing appreciation of the Chinese yuan against the U.S. dollar, in particular.

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

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

(Millions of yen)

	FY2016/2Q	FY2017/2Q
EMS business		
Automotive equipment	19,039	25,126
Share	36.4%	40.3%
YoY	25.7%	32.0%
Industrial equipment	12,681	16,130
Share	24.3%	25.9%
YoY	1.1%	27.2%
Office automation equipment	10,109	12,616
Share	19.3%	20.2%
YoY	-23.1%	24.8%
Consumer equipment	4,264	4,037
Share	8.2%	6.5%
YoY	-37.2%	-5.3%
Information equipment	3,874	2,379
Share	7.4%	3.8%
YoY	-22.9%	-38.6%
Other EMS	2,037	1,854
Share	3.9%	3.0%
YoY	63.7%	-9.0%
Other business		
	241	196
Share	0.5%	0.3%
YoY	7.1%	-19.0%
Total	52,248	62,341
	YoY	-3.5%
		19.3%