UMC Electronics Co., Ltd.

Fiscal 2017 3Q Performance in Focus
(April 1, 2017 – December 31, 2017)

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the first three quarters of the fiscal year under review, the global economy continued its steady recovery backed by an increase in employment, consumer spending, and capital expenditure in the U.S. The European economy recovered moderately, and China also maintained a trend of economic improvement. In Japan, the economy continued its modest revival thanks to improved employment and income.

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, industrial equipment, and office automation equipment have been increasing, and the Group is the process of establishing its Mexican factory and its 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 backbone system. The Group plans to improve its data analysis capabilities using AI and big data and the quality of design and manufacturing in initiatives such as design for manufacturability (DFM).

As a result, consolidated net sales for the first three quarters of the fiscal year under review came to 94,978 million yen, an increase of 12,773 million yen (or 15.5%) from the same period of the previous year. In terms of profit, operating income was 2,013 million yen, a decrease of 259 million yen (or 11.4%) year on year, due partly due to expenses incurred for the preparation ahead of multiple automotive equipment projects that are scheduled to start in and after the next fiscal year, the establishment of the Mexican factory, and other investments. Ordinary income amounted to 1,692 million yen, rising 64 million yen (or 3.9%) year on year. Profit attributable to owners of parent stood at 1,152 million yen after growing 315 million yen year on year (or 37.7%).
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 12,890 million yen from the same period in the previous year to 94,682 million yen (up 15.8%). The results by product category are outlined below.

(Automotive equipment)

Consolidated net sales of automotive equipment increased 8,254 million yen, or 26.8% year on year, to 39,057 million yen, which was attributable to growth in the products handled as a result of progress in vehicle electrification and strong sales of critical safety parts such as power control products.

(Industrial equipment)

Consolidated net sales of industrial equipment rose 4,287 million yen, or 21.9% year on year, to 23,840 million yen, reflecting growing demand for labor saving in the Chinese market, facilitating the 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 4,069 million yen, or 25.8% year on year, to 19,864 million yen, as a result of growth in the Group's shares in major office automation equipment manufacturers in addition to the recovery of the printer market.

(Consumer equipment)

Consolidated net sales of consumer equipment decreased 991 million yen, or 14.9% year on year, to 5,676 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 2,062 million yen, or 37.0% year on year, to 3,510 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 667 million yen, or 19.6% year on year, to 2,731 million yen.

(ii) Other business

Consolidated net sales of the Other business came to 296 million yen, a decrease of 117 million yen, or 28.3% year on year, as a result 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 third quarter of the fiscal year under review amounted to 70,705 million yen, up 16.6% from the end of the previous fiscal year. This increase is mainly attributable to growth in inventories, accounts receivable-trade, and construction in progress due to the construction of the Mexican factory.

Liabilities at the end of the third quarter under review totaled 52,507 million yen, up 19.4% from the end of the previous fiscal year. This rise was caused primarily by an increase in accounts payable-trade.

Net assets at the end of the third quarter under review came to 18,197 million yen, up 9.4% from the end of the previous fiscal year. This was a result of an increase in foreign currency translation adjustment caused by the growing appreciation of the Chinese yuan.

(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)

		FY2016/3Q	FY2017/3Q
EMS business			
Automotive equipment		30,803	39,057
	Share	37.5%	41.1%
	YoY	21.9%	26.8%
Industrial equipment		19,552	23,840
	Share	23.8%	25.1%
	YoY	3.5%	21.9%
Office automation equipment		15,795	19,864
	Share	19.2%	20.9%
	YoY	-19.7%	25.8%
Consumer equipment		6,668	5,676
	Share	8.1%	6.0%
	YoY	-33.6%	-14.9%
Information equipment		5,572	3,510
	Share	6.8%	3.7%
	YoY	-20.5%	-37.0%
Other EMS		3,398	2,731
	Share	4.1%	2.9%
	YoY	58.7%	-19.6%
Other business		413	296
	Share	0.5%	0.3%
	YoY	35.8%	-28.3%
Total		82,205	94,978
	YoY	-1.3%	15.5%