UMC Electronics Co., Ltd.

# Fiscal 2018 1Q Performance in Focus
# (April 1, 2018 – June 30, 2018)

## 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 had cause to be concerned regarding trade friction due to the protectionism policy. In the U.S., however, the economic recovery continued mainly due to increases in consumer spending and capital expenditure. Moderate recoveries were also seen in Europe and Asia. In Japan, the moderate recovery continued, mainly against the background of the improvement of corporate earnings and the employment environment.

The electronics industry, in which UMC Electronics Co., Ltd. (hereinafter the "Company") 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 the growth of the electrification of automobiles, rising demand for factory automation and the globally expanding semiconductor market. At the same time, a sense of constraint has appeared with respect to the supply and demand of electronic parts.

Under these circumstances, the UMC Electronics Group concluded the basic agreement for collaboration to strengthen manufacturing with Hitachi, Ltd., formulated the new medium-term management plan "Change UMC, beyond EMS," conducted the first capital increase by public offering after the listing, and laid other new foundations.

In addition, the launch of the Mexican factory on which emphasis has been placed by positioning it as the foundation for rapid growth in and after FY2019, and business negotiations for critical safety parts for various vehicles and preparations for the mass production that are associated with the shift to electric vehicles in the automotive area worldwide progressed steadily in parallel. 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 progressively 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).

With respect to the average foreign exchange rate for the first quarter under review, 1 US dollar equals 109.07 yen (110.86 yen in the same period of the previous year). The yen was about 1.6% stronger than in the same period of the previous year.

As a result, consolidated net sales for the first quarter of the fiscal year under review came to 31,162 million yen, an increase of 3.8% from the same period of the previous year. With respect to profit and loss, in addition to the input of costs for advance preparations for multiple automobile projects planned to be launched one by one in the future and for the launch of the Mexican Factory, mainly due to the impact of the production adjustment of some customers of amusement equipment, operating income was 292 million yen, a decrease of 49.9% year on year. With respect to ordinary income, mainly due to the posting of an exchange valuation loss for accounts payable of the company denominated in dollars in China, which was caused by the impact of the weaker yuan, a loss of 106 million yen was recorded in this quarter, while profit of 500 million yen was recorded in the same period of the previous year. In future, by reducing the accounts payable of the company denominated in dollars in China, the possibility that the risk of foreign exchange will become a reality will be minimized. With respect to profit attributable to owners of parent, a loss of 50 million yen was recorded, while profit of 340 million yen was recorded 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.

(i) EMS business

Consolidated net sales for the EMS business, which is the UMC Electronics Group's core business, climbed to 31,023 million yen, up 3.7% from the same period in the previous year. The results by product category are outlined below.

(Automotive equipment)

Consolidated net sales of automotive equipment increased 16.4% year on year, to 14,002 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 fell 3.5% year on year, to 7,358 million yen, reflecting the impact of temporary inventory adjustments for some products of major customers.

(Office automation equipment)

Consolidated net sales of office automation equipment rose to 7,009 million yen, up 15.0% year on year, as a result of the excellent state of the printer market.

(Consumer equipment)

Consolidated net sales of consumer equipment decreased 55.6% year on year, to 826 million yen, due to the end of some products of major customers.

(Information equipment)

Consolidated net sales of information equipment dropped 7.6% year on year, to 1,116 million yen, due to the end of smartphone projects and the optical pickup products which became a major product for sales.

(Other EMS)

Consolidated net sales of other EMS operations, which consist largely of sales of amusement equipment, declined 34.9% year on year, to 711 million yen, due to the impact of production adjustments made by customers.

(ii) Other business

Consolidated net sales of the Other business came to 139 million yen, increased 29.7% year on year, due to strong 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 77,049 million yen, up 17.0% from the end of the previous fiscal year. This increase is mainly attributable to an increase in cash and deposits due to a capital increase by public offering and the disposal of treasury shares and an increase in raw materials.

Liabilities at the end of the first quarter of the fiscal year under review totaled 51,302 million yen, up 7.6% from the end of the previous fiscal year. This increase is mainly attributable to an increase in accounts payable and short-term loans payable.

Net assets at the end of the first quarter of the fiscal year under review came to 25,746 million yen, up 41.4% from the end of the previous fiscal year. This increase is mainly attributable to an increase in capital and capital surplus due to a capital increase by public offering and the disposal of treasury shares.

**(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, 2018 on May 11, 2018. With respect to the foreign exchange rate that forms the basis of the forecast of results, it is assumed that 1 US dollar equals 105 yen.

(Millions of yen)

| | | FY2017/1Q | FY2018/1Q |
|---|---|---|---|
| **EMS business** | | | |
| Automotive equipment | | 12,025 | 14,002 |
| | Share | 40.1% | 44.9% |
| | YoY | 33.3% | 16.4% |
| Industrial equipment | | 7,626 | 7,358 |
| | Share | 25.4% | 23.6% |
| | YoY | 28.1% | -3.5% |
| Office automation equipment | | 6,095 | 7,010 |
| | Share | 20.3% | 22.5% |
| | YoY | 29.6% | 15.0% |
| Consumer equipment | | 1,859 | 825 |
| | Share | 6.2% | 2.6% |
| | YoY | -13.4% | -55.6% |
| Information equipment | | 1,208 | 1,116 |
| | Share | 4.0% | 3.6% |
| | YoY | -44.2% | -7.6% |
| Other EMS | | 1,092 | 711 |
| | Share | 3.6% | 2.3% |
| | YoY | 5.9% | -34.9% |
| **Other business** | | 107 | 139 |
| | Share | 0.4% | 0.4% |
| | YoY | -4.8% | 29.7% |
| **Total** | | 30,016 | 31,162 |
| | YoY | 19.4% | 3.8% |