



UMC Electronics Co., Ltd.

Fiscal 2018 3Q Performance in Focus (April 1, 2018 – December 31, 2018)

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 saw firm consumer spending and corporate capital expenditure in the U.S. However, uncertainty increased, including concern about the impact of trade issues between the U.S. and China. In China, the economic slowdown became more marked, as uncertainty about the future spread among companies and capital expenditure decreased. In Europe, uncertainty about the direction of policy increased, and in Japan, the economy continued to recover on the strength of increased corporate capital expenditure and consumption, although intensified concern over the prolonged trade issues between the U.S. and China caused a more cautious attitude toward capital expenditure in the manufacturing industry.

The electronics industry, in which UMC Electronics Co., Ltd. and its consolidated subsidiaries (hereinafter the “UMC Electronics Group”) operate, saw progress in the electrification of automotive products with growth in the electrification of automobiles as environmental initiatives, along with a continued shortage of electronic parts. Meanwhile, in the market related to industrial equipment, demand related to factory automation equipment slowed, most notably in China.

In this environment, the UMC Electronics Group has been working on important measures of (1) collaboration with Hitachi, Ltd., (2) immediate response to customer needs, (3) response to the two major consumption areas: local production for local consumption, and (4) improvement of manufacturing capability, as it announced in May last year in its medium-term management plan. UMC H Electronics Co., Ltd. (former Hitachi Information & Telecommunication Manufacturing, Ltd.), which joined the UMC Electronics Group in July of the previous year, worked on a number of projects to improve production and took action to secure new business, including automotive products.

In addition, the launch of the Mexican factory 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. UMC Electronics Group positions these as the foundation of the rapid growth since FY2019. 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).

As a result, consolidated net sales for the first three quarters of the fiscal year under review came to 105,335 million yen, an increase of 10.9% from the same period of the previous year. With respect to profit, mainly due 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, operating income was 1,658 million yen, a decrease of 17.6% year on year. Ordinary income amounted to 856 million yen, falling 49.4% year on year, mainly due to an increase in interest expenses and exchange



losses upon the valuation of loans to overseas subsidiaries denominated in foreign currencies, based on foreign exchange rates which showed a sharp appreciation of the yen. Profit attributable to owners of parent was 688 million yen, a decrease of 40.2% from 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 10,488 million yen, up 10.8% from the same period in the previous year.

(Automotive equipment)

Consolidated net sales of automotive equipment increased 18.7% year on year, to 46,342 million yen, which was attributable to strong sales of critical safety parts such as power control products, in addition to the expansion of exterior products that resulted from the shift to LED lights.

(Industrial equipment)

The business related to factory automation equipment slowed, particularly in the Chinese market. However, in addition to the contribution of sales of servers, storage and network equipment from UMC H Electronics Co., Ltd. which became a consolidated subsidiary from the second quarter, thanks to orders received for semiconductor inspection equipment as finished products, consolidated net sales of industrial equipment rose 15.3% year on year, to 27,496 million yen.

(Office automation equipment)

Consolidated net sales of office automation equipment rose to 22,675 million yen, up 14.1% year on year, as a result of the excellent state of the printer market.

(Consumer equipment)

Consolidated net sales of consumer equipment decreased 46.9% year on year, to 3,012 million yen, due to the end of some products of major customers.

(Information equipment)

Consolidated net sales of information equipment dropped 1.3% year on year, to 3,464 million yen, with optical pickup products, for which relatively stable production is expected, having become a major product for sales.

(Other EMS)

Consolidated net sales of other EMS operations declined 30.8% year on year, to 1,889 million yen, due to a decline in sales of amusement equipment.

(ii) Other business

Consolidated net sales of the Other business came to 454 million yen, up 53.2% year on year, due to strong sales in temporary staffing operations.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year under review amounted to 85,462 million yen, up 29.7% from the end of the previous fiscal year. This increase is mainly attributable to an increase in property, plant and equipment attributable to an increase in finished goods/raw materials and land acquisition.

Liabilities at the end of the third quarter of the fiscal year under review totaled 59,277 million yen, up 24.3% from the end of the previous fiscal year. This increase is mainly attributable to increases in accounts payable and short-term loans payable.

Net assets at the end of the third quarter of the fiscal year under review came to 26,185 million yen, up 43.8% 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

We revised the forecast for consolidated results for the fiscal year ending March 31, 2019 which was announced on May 11, 2018. Please see the “Notice Regarding Revision of Financial Forecast” announced February 8, 2019.

	(Millions of yen)	
	FY2017/Q3	FY2018/Q3
EMS business		
Automotive equipment	39,057	46,342
Share	41.1%	44.0%
YoY	26.8%	18.7%
Industrial equipment	23,840	27,496
Share	25.1%	26.1%
YoY	21.9%	15.3%
Office automation equipment	19,864	22,675
Share	20.9%	21.5%
YoY	25.8%	14.1%
Consumer equipment	5,676	3,012
Share	6.0%	2.9%
YoY	-14.9%	-46.9%
Information equipment	3,510	3,464
Share	3.7%	3.3%
YoY	-37.0%	-1.3%
Other EMS	2,731	1,889
Share	2.9%	1.8%
YoY	-19.6%	-30.8%
Other business	296	454
Share	0.3%	0.4%
YoY	-28.3%	53.2%
Total	94,978	105,335
YoY	15.5%	10.9%