

*UMC ELECTRONICS, an EMS Specialist,  
Supports Manufacturing in Japan!*

# **Fiscal 2017 Financial Results Fiscal 2018 Financial Forecast**

**UMC ELECTRONICS CO., LTD.**  
**(Securities Code: 6615)**

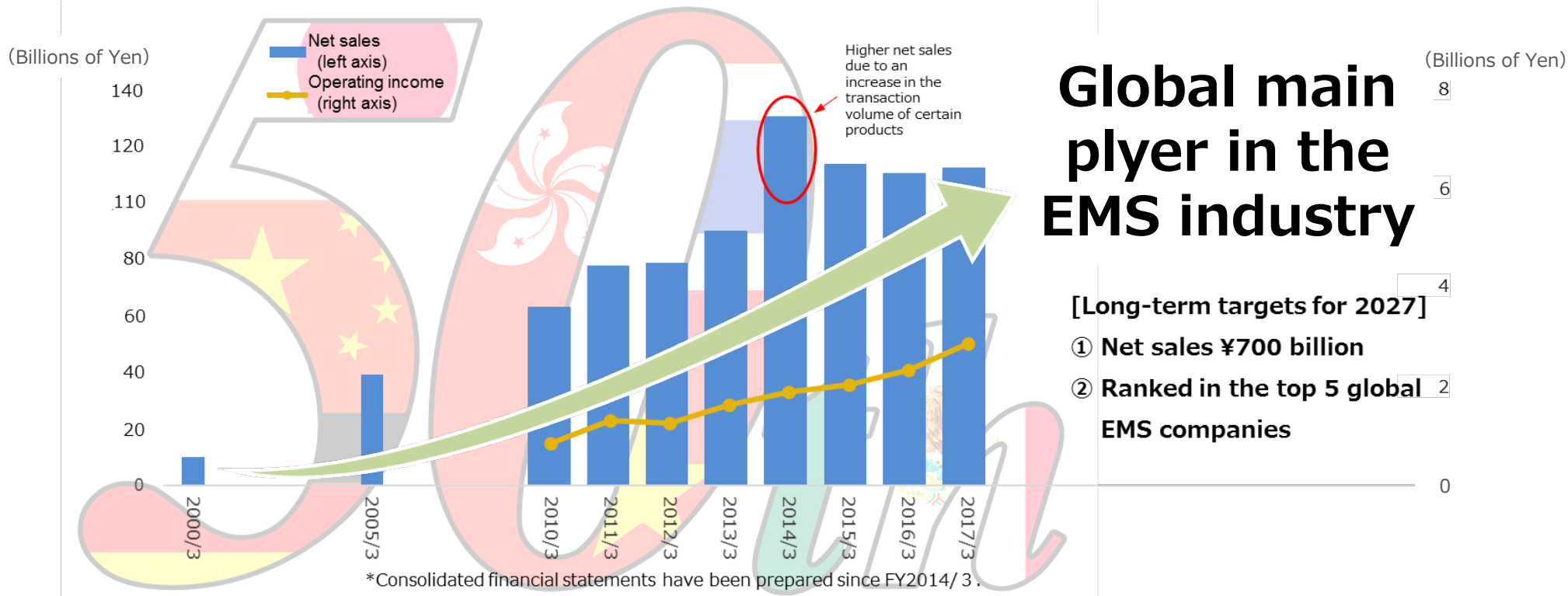


- 1. **FY2017 (Fiscal Year Ended March 31, 2017)**
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(Note) Monetary figures are rounded down to the nearest whole unit and ratios are rounded off to the first decimal place.



# This Year, the Company Celebrates the Milestone of the 50th Anniversary of its Founding



- 2000 Established a production base for processing trade in Shenzhen, China.
- 2005 Established the Miyazaki Plant.
- 2006 Established the Dongguan Plant in China.
- 2006 Established the Vietnam Plant.
- 2012 Commenced LCA at bases in China.
- 2013 Established the Thai Plant.
- 2013 Capital and business alliances with Toyota Industries Corporation.
- 2013 Received investment from Tokyo Century Corporation (former Tokyo Century Leasing).

- 2013 Established a sales subsidiary in Germany.
- 2015 Capital and business alliances with the NOK Group.
- 2016 Listed on the First Section of the Tokyo Stock Exchange.
- 2016 Commenced the construction of the Mexico Plant.
- 2016 Consolidated the production bases in China into two locations: the Dongguan area and the Qiaotou area.
- 2017 Opened the Wuhan Sales Office in China.
- 2017 Established a sales subsidiary in Chicago, U.S.A.

# Summary of Consolidated Financial Results

## Operating income reached its highest-ever level

| (Millions of yen)            | FY2015                                 | FY2016                                 | YoY               |                   | Consolidated foreign currency translation effect<br>Change (vs. FY2015) | excl. forex impacts |                         |
|------------------------------|--|--|-------------------|-------------------|---|---------------------|-------------------------|
|                              |  |  | Change            | Percentage change |   | FY2016              | (YoY) Percentage change |
| Net Sales                    | 110,051                                | 111,915                                | +1,863            | +1.7%             | (9,964)   | 121,879             | +10.7%                  |
| (Plant Output)* <sup>1</sup> | 23,534<br>21.4%                        | 24,382<br>21.8%                        | +847<br>+0.4pt    | +3.6%<br>–        | (2,675)   | 27,057              | +15.0%                  |
| Gross Profit                 | 6,057<br>5.5%                          | 7,077<br>6.3%                          | +1,019<br>+0.8pt  | +16.8%<br>–       | (442)   | 7,519               | +24.1%                  |
| Operating Income             | 2,338<br>2.1%                          | 2,873<br>2.6%                          | +534<br>+0.4pt    | +22.9%<br>–       | (187)   | 3,060               | +30.9%                  |
| Ordinary income              | 2,105<br>1.9%                          | 2,160<br>1.9%                          | +54<br>+0.0pt     | +2.6%<br>–        | (124)   | 2,284               | +8.5%                   |
| Net Income                   | 1,814<br>1.6%                          | 1,306*<br>1.2%                         | (508)<br>(0.5pt)  | (28.0%)<br>–      | (58)  | 1,364               | △24.8%                  |
| USD Rate (JPY)               | Average 120.14<br>End of period 112.69 | Average 108.42<br>End of period 112.20 | (11.72)<br>(0.49) |                   |   |                     |                         |

\* Chinese business restructuring expenses of 331 million yen were recorded in 1Q. \* USD Rate : JPY 120.14

\*1 Plant Output= Net sales - Parts cost

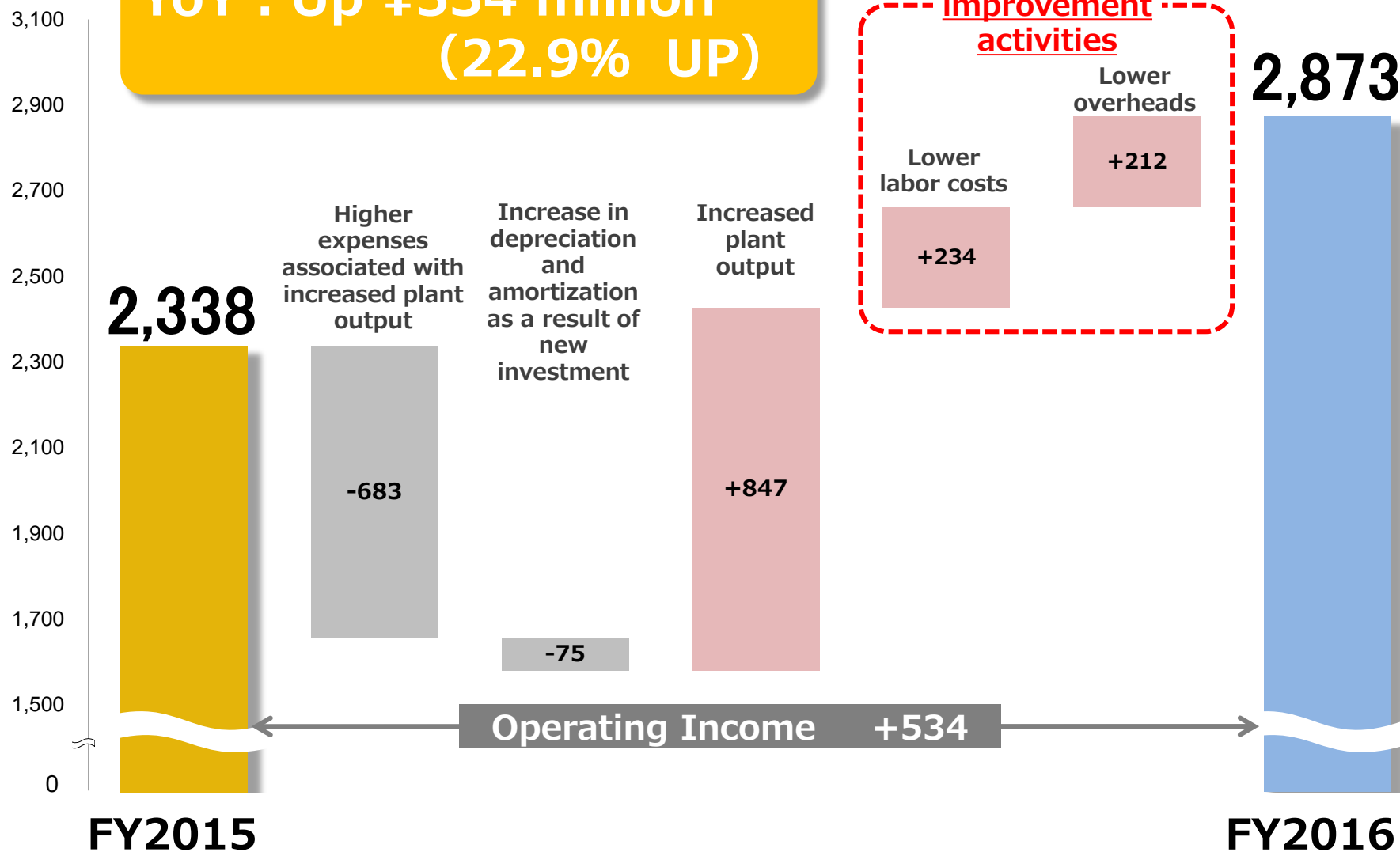
The net sales of an EMS company depends heavily on the product unit price and thus the Company discloses it as an indicator of "plant output," which shows the added value.



# Factors for Change in Consolidated Operating Income (FY2015 vs.FY2016)

(Millions of yen)

**YoY : Up ¥534 million  
(22.9% UP)**

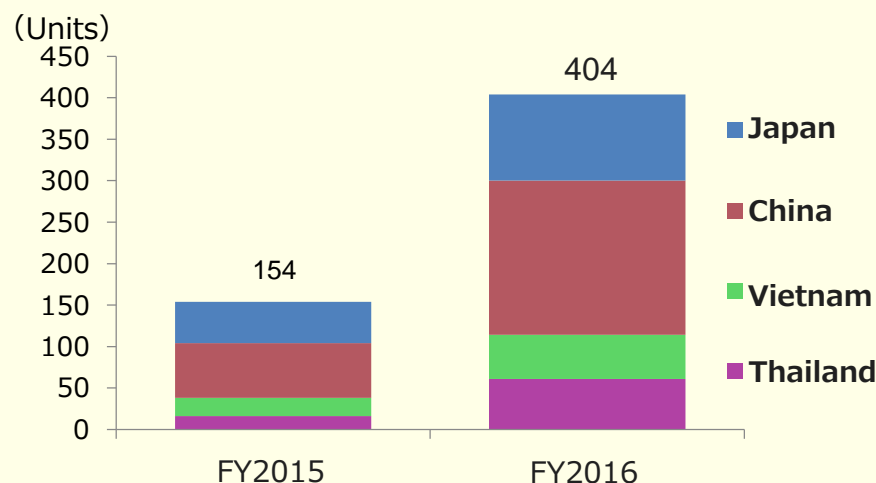


# Initiatives to Improve Profitability

## Improvement activities through the introduction of LCA\*

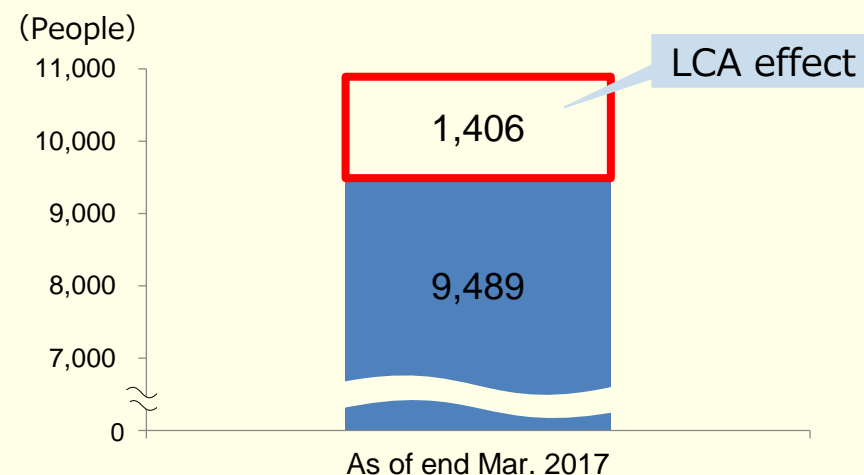
**Commenced LCA manufacturing at the base in Vietnam.**

### • Units of LCA introduced



| (Units)      | FY2015     | FY2016     | (Change)   |
|--------------|------------|------------|------------|
| Japan        | 50         | 104        | 54         |
| China        | 66         | 186        | 120        |
| Vietnam      | 22         | 53         | 31         |
| Thailand     | 16         | 61         | 45         |
| <b>Total</b> | <b>154</b> | <b>404</b> | <b>250</b> |

### • Number of personnel reduced through the introduction of LCA



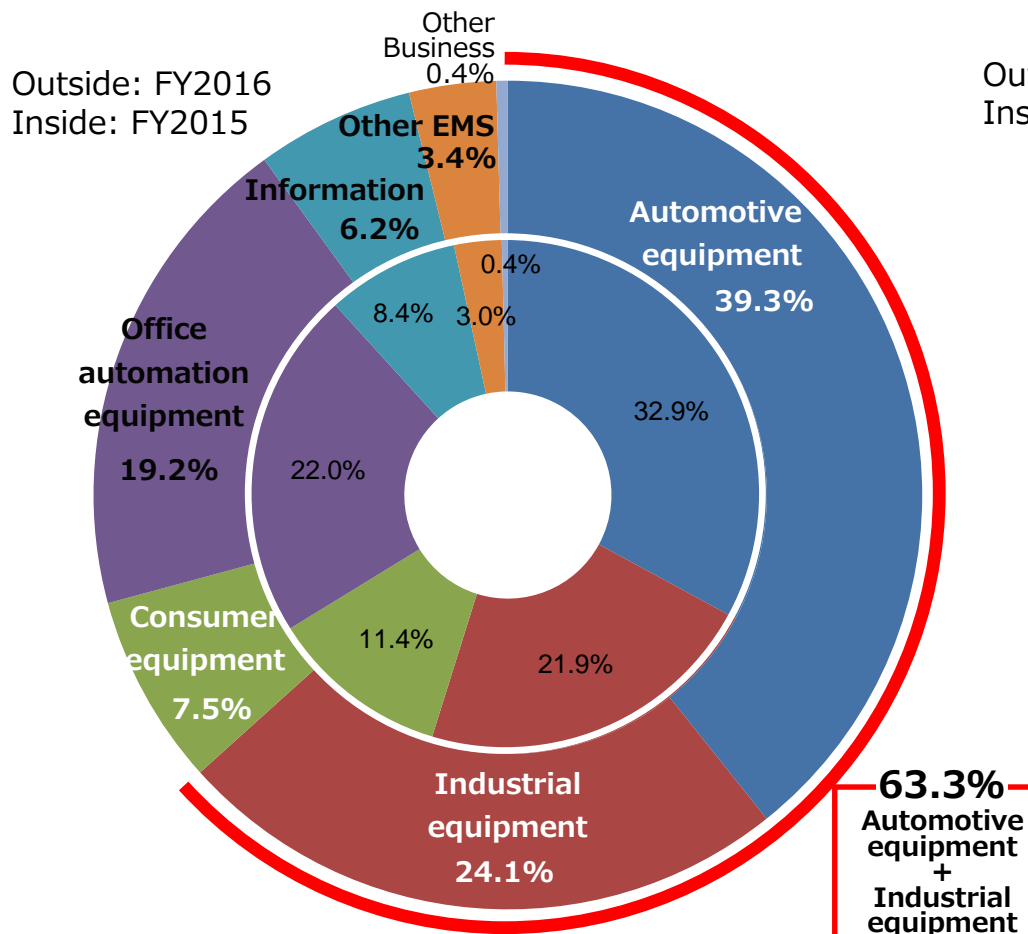
| (People)     | Number of direct personnel (end of Mar 2016) | Number of personnel reduced through LCA |
|--------------|--|---|
| Japan        | 390  | 106                                     |
| China        | 5,472  | 640                                     |
| Vietnam      | 3,229  | 530                                     |
| Thailand     | 398  | 130                                     |
| <b>Total</b> | <b>9,489</b>                                 | <b>1,406</b>                            |

※LCA : Low Cost Automation

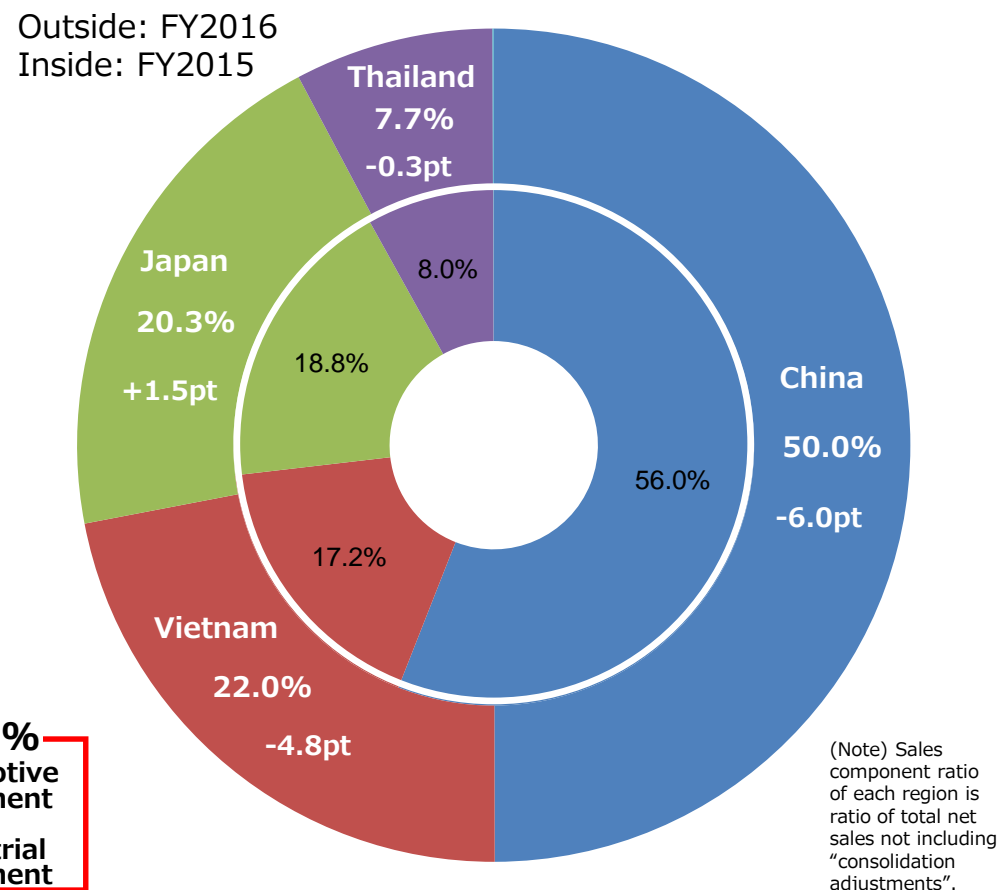


# Sales Breakdowns by Product Category and by Region

## Net sales by product category



## Net sales by region



**Ratio of automotive and industrial equipment sales rose 8.5% YoY**

**Base in Vietnam was growth**

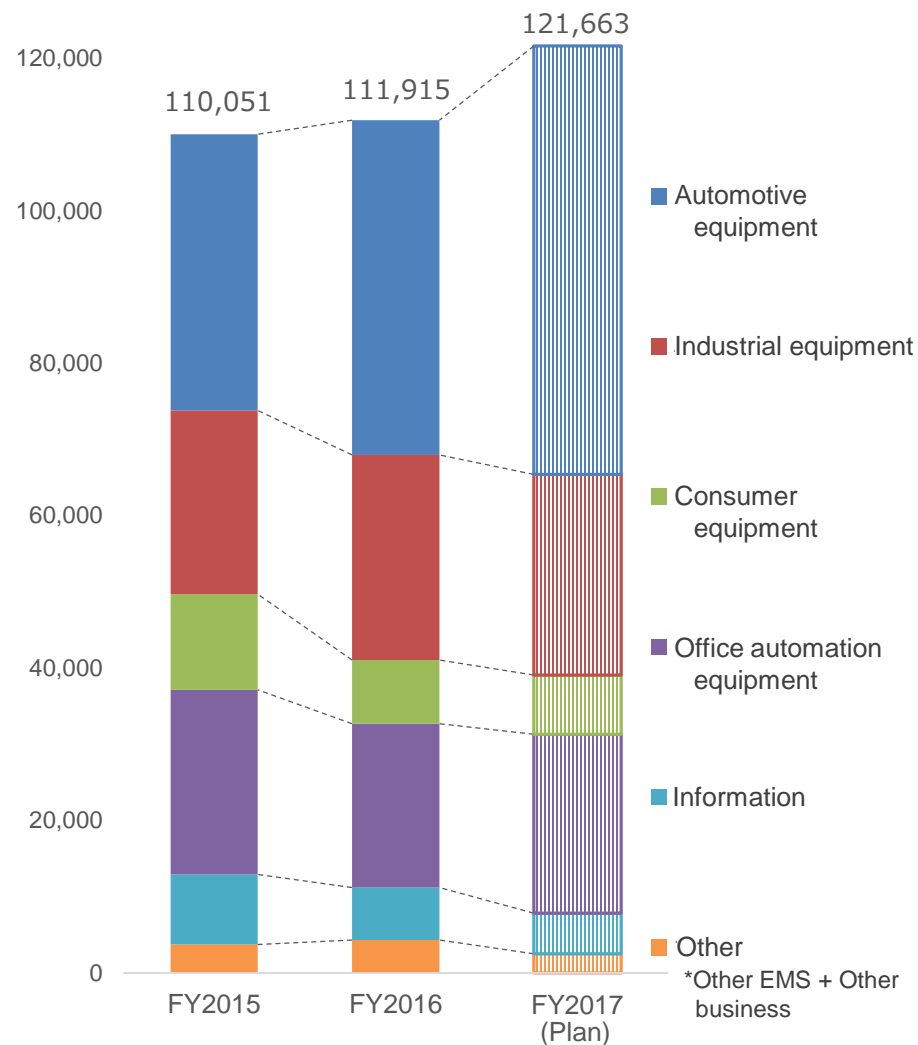
(Note) Items in "precision metal mold and molding" that belonged to "other EMS" in the past are allocated to each segment, and "medical" that belonged to "other EMS" in the past has been reclassified into "industrial equipment." For FY2015, these items are also reclassified into categories after the change.



# Net sales by product category

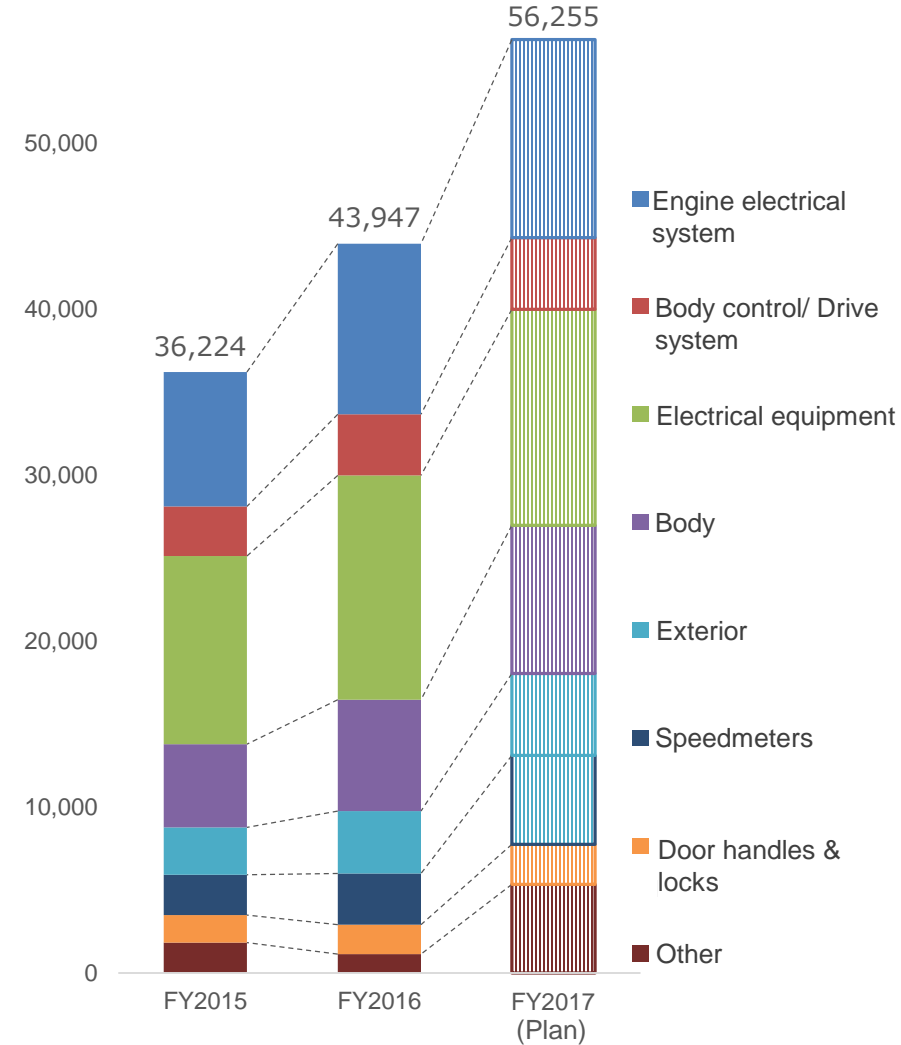
(Millions of Yen)

## Net sales by product category



(Millions of Yen)

## Break down of Automotive equipment

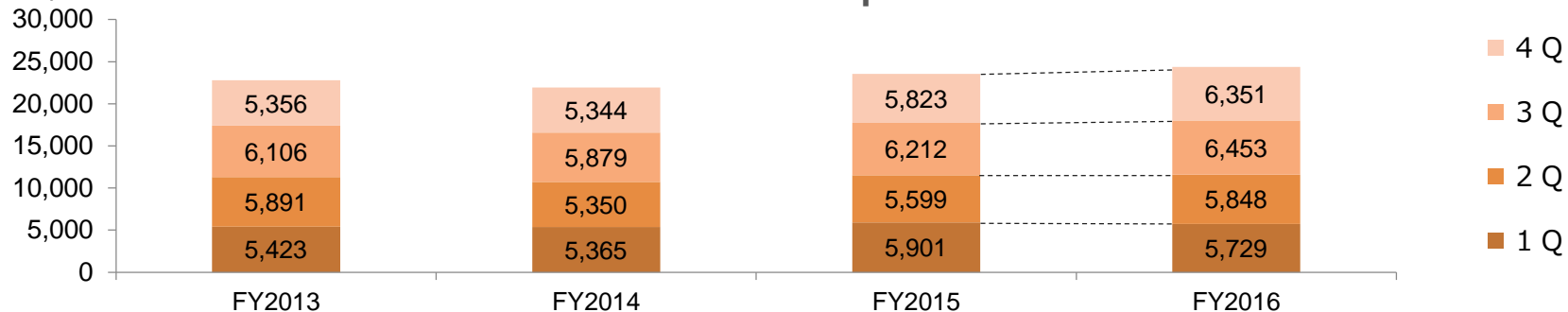




# Performance Trends

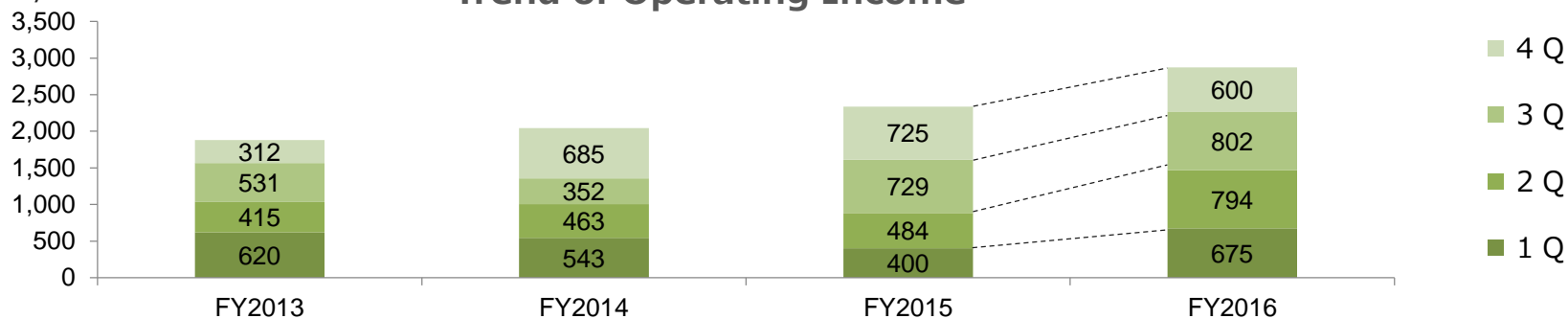
(Millions of yen)

## Trend of Plant Output

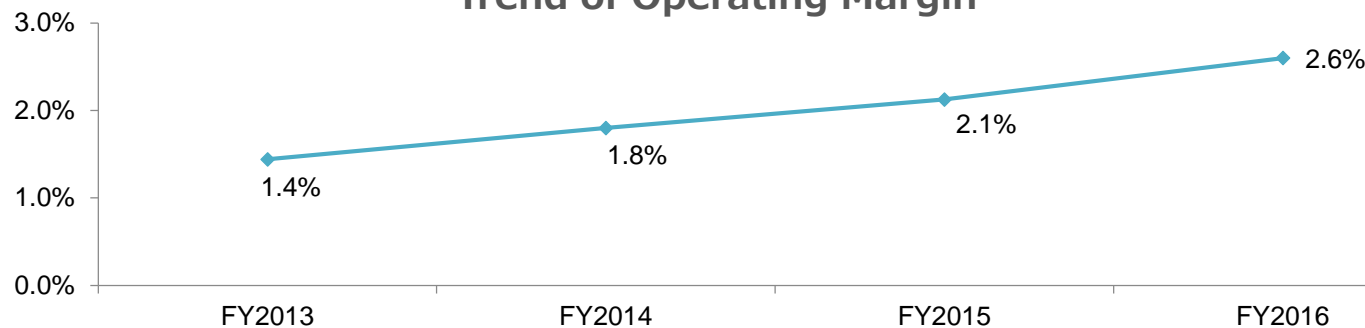


(Millions of yen)

## Trend of Operating Income



## Trend of Operating Margin



# Balance sheet and Cash flow

## Balance Sheet

FY2015

(Millions of yen)

56,723

|                             |                                 |
|-----------------------------|---------------------------------|
| Current Assets<br>41,927    | Liabilities<br>19,229           |
|                             | Interest bearing Debt<br>21,530 |
| Noncurrent Assets<br>14,795 | Net Asset<br>15,963             |

FY2016

60,627

|                             |                                 |
|-----------------------------|---------------------------------|
| Current Assets<br>43,139    | Liabilities<br>22,835           |
|                             | Interest bearing Debt<br>21,157 |
| Noncurrent Assets<br>17,489 | Net Asset<br>16,636             |

### Cash Conversion Cycle

|  |  |                                      |  |  |
|--|--|--------------------------------------|--|--|
| Notes and accounts receivable -trade<br>17,274 | Notes and accounts payable-trade<br>16,547 | <b>0.02 months<br/>CCC reduction</b> | Notes and accounts receivable -trade<br>18,765 | Notes and accounts payable-trade<br>19,322 |
| Inventories<br>10,363                          | <b>11,090</b>                              |                                      | Inventories *<br>12,800                        | <b>12,243</b>                              |

\* Built up safe inventories in response to the market environment for electronic parts.

**Total Assets ¥56,723million**  
**Equity Ratio 28.1%**

**Total Assets ¥60,627million**  
**Equity Ratio 27.4%**

(Note) Interest-bearing debt is all liabilities recorded on the balance sheet on which the Company pays interest

## Cash Flow

FY2015

(Millions of yen)

3,128

4,000

3,000

2,000

1,000

0

-1,000

-2,000

-3,000

-4,000

-5,000

Operating CF

Investment CF

FCF

1,739

1,389

2,057

2,179

4,236

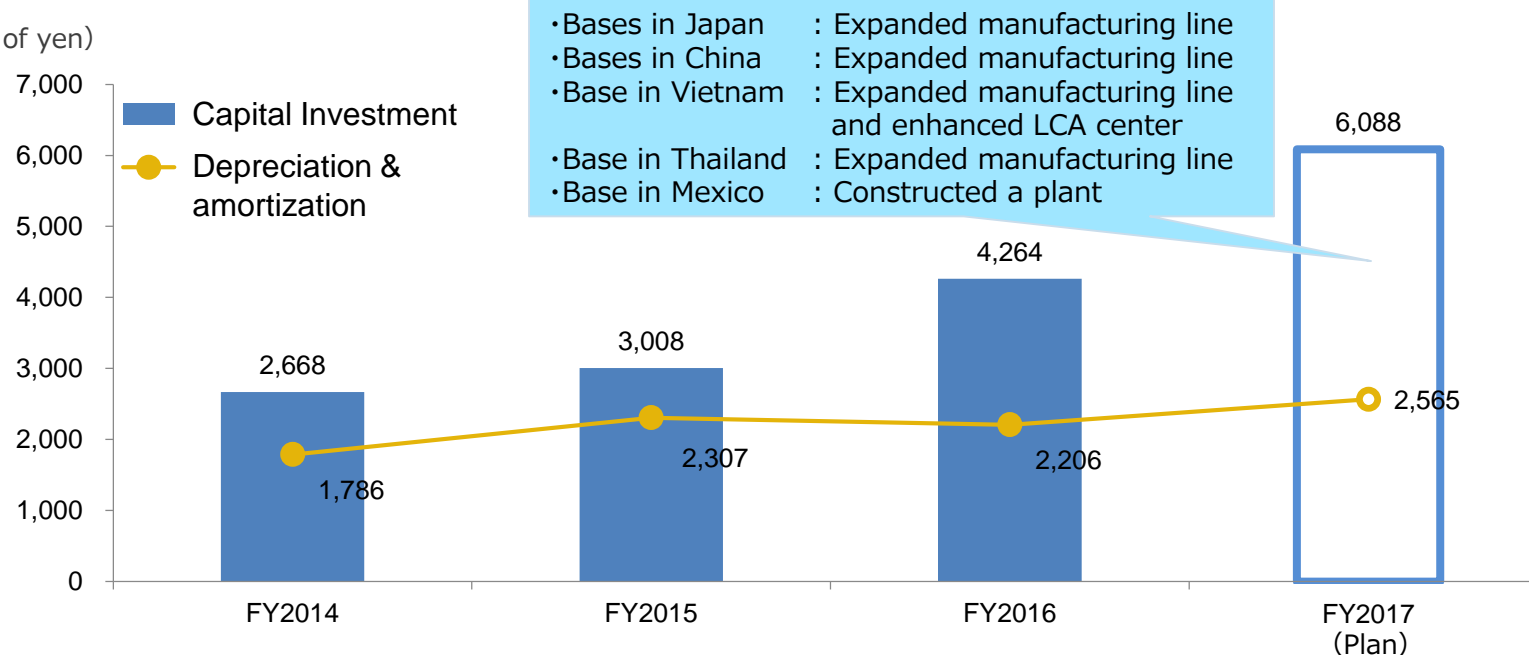
Investment in Mexico

Posting of extraordinary losses associated with the transfer and consolidation of three bases in China.

Building-up of safe inventories

# Capital Investment and Depreciation & Amortization

(Millions of yen)



## Breakdown of Capital Investment

(Millions of yen)

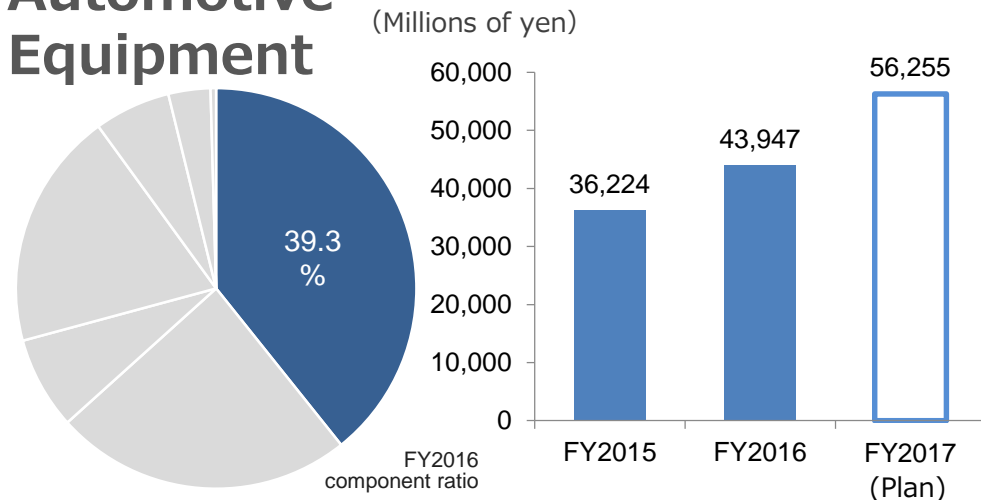
|                 | FY2014 | FY2015 | FY2016 |
|-----------------|--------|--------|--------|
| <b>Japan</b>    | 567    | 318    | 860    |
| <b>China</b>    | 1,533  | 1,157  | 1,233  |
| <b>Vietnam</b>  | 496    | 959    | 664    |
| <b>Thailand</b> | 72     | 574    | 423    |
| <b>Mexco</b>    | 0      | 0      | 1,081  |
| <b>Total</b>    | 2,668  | 3,008  | 4,264  |



# Net Sales by Product Category

(Note) Items in "precision metal mold and molding (other EMB)" are allocated to each segment since FY2016, and graphs for prior years are also reclassified retroactively.

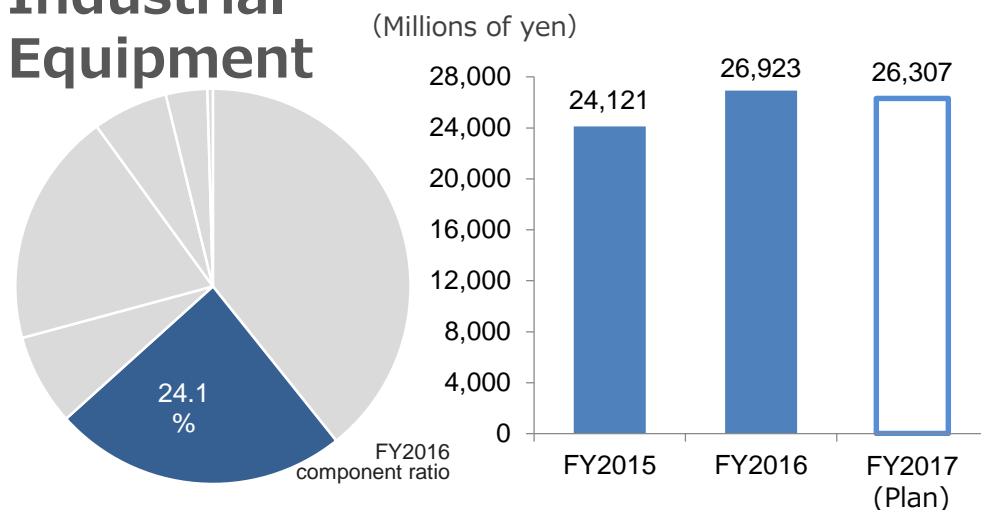
## Automotive Equipment



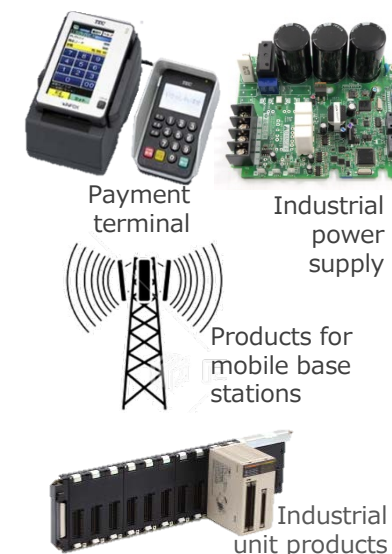
- ◆ Sales of critical safety parts such as power trains, control and drive systems were strong because our track record in domestically produced power control products continued to be recognized in China.
- ◆ New development of various electrical equipment for environmentally-friendly vehicles
- ◆ Expansion of transactions with customers with competitiveness in the market.



## Industrial Equipment



- ◆ Sales of power supply systems, inverters and motor drivers of leading Japanese manufacturers recovered.
- ◆ Proposed business development in Vietnam, which is an export base with price competitiveness, to customers.
- ◆ Products for mobile phone base stations were sold briskly.
- ◆ In FY2017, the portfolio will be changed due to a shift to higher value-added products.

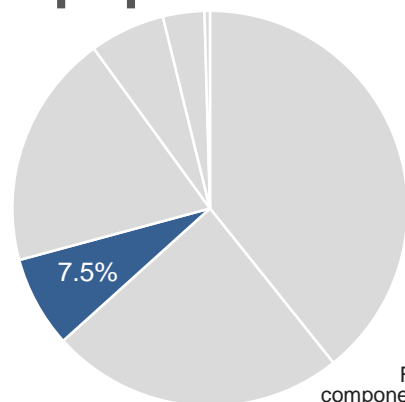


(Note) "Medical" that belonged to "other EMS" in the past has been reclassified into "industrial equipment" since FY2016.

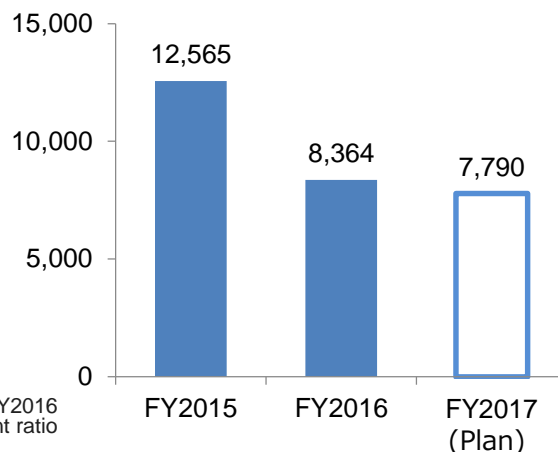


# Net Sales by Product Category

## Consumer Equipment



(Millions of yen)



◆ Price competition among brand manufacturers was fierce.

◆ Aiming at integrally manufactured products from the design stage through to finished products.

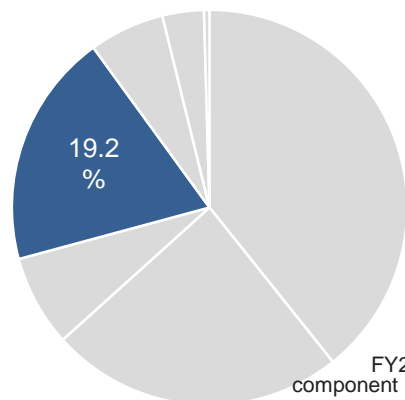


LED lighting

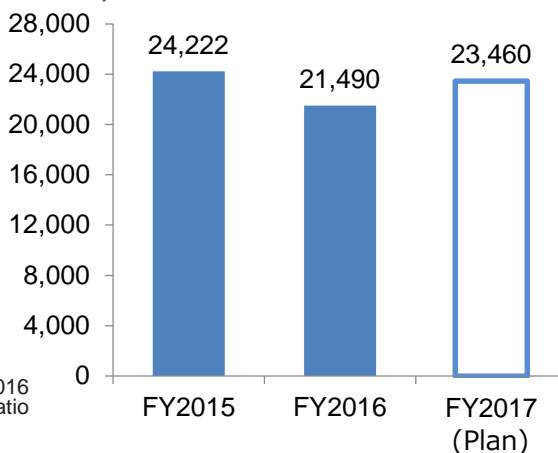


Circuit board for air purifier

## Office Automation Equipment



(Millions of yen)



◆ The in-house share expanded due to the consolidation of vendors on the customers' side.

◆ Approach from the design stage, taking advantage of enhanced value chains.

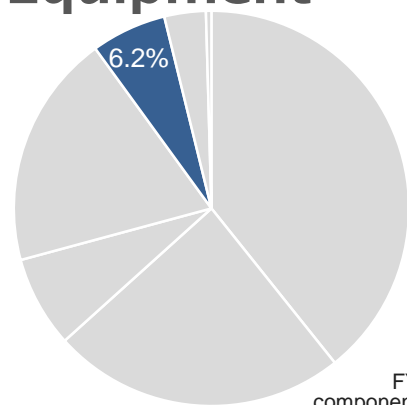


Various circuit boards for leading printer manufacturers

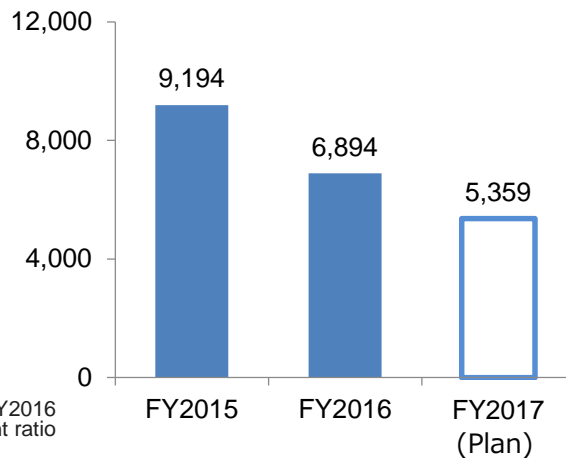


# Net Sales by Product Category

## Information Equipment



(Millions of yen)



◆ Transferred mature products with stable demand from China to Vietnam while maintaining cost competitiveness.



Optical pickup

# Outlook for FY2017

| (Millions of yen)            | FY2015<br>Result                       | FY2015<br>Result                       | FY2017<br>Forecast | Compared to previous<br>period<br>(FY2016 vs. FY2017) |                      |
|------------------------------|--|--|--------------------|---|----------------------|
|                              |  |  |                    | Change  | Percentage<br>change |
| Net Sales                    | 110,051                                | 111,915                                | 121,663            | +9,747  | +8.7%                |
| (Plant Output)* <sup>1</sup> | 23,534<br>21.4%                        | 24,382<br>21.8%                        | 26,360<br>21.7%    | +1,978  | +8.1%                |
| Gross Profit                 | 6,057<br>5.5%                          | 7,077<br>6.3%                          | 7,385<br>6.1%      | +308  | +4.4%                |
| Operating Income             | 2,338<br>2.1%                          | 2,873<br>2.6%                          | 2,969<br>2.4%      | +96   | +3.3%                |
| Ordinary income              | 2,105<br>1.9%                          | 2,160<br>1.9%                          | 2,668<br>2.2%      | +508  | +23.5%               |
| Net Income                   | 1,814<br>1.6%                          | 1,306<br>1.2%                          | 2,060<br>1.7%      | +754  | +57.7%               |
| USD Rate<br>(JPY)            | Average 120.14<br>End of period 112.69 | Average 108.42<br>End of period 112.20 | 108.00             | △ 0.42  |                      |

\*1 Plant Output= Net sales - Parts cost



# Concept of Results Forecasts

Investments and preparation in FY2017 in anticipation of developments in FY2018 and FY2019

Many automotive projects to be established in or after FY2018

Time to establish a new base in Mexico

Injection of energy into smart factories

Cultivation of human resources/  
strengthening of organizational structure

Capturing of big accounts

|                                 |   |
|---------------------------------|---|
| Assumed exchange rate           | \$1 = ¥108  |
| Product area portfolio          | The composition ratio of “automotive equipment” will continue to rise.  |
| Capital investment              | Actively make capital investments essential to meet demand (FY2016: ¥4.2 billion → FY2017: ¥6.0 billion).   |
| Extraordinary income and losses | Extraordinary losses associated with the consolidation of bases in China, which were recorded in the previous fiscal year (FY2016), will disappear. |
| Shareholder return              | Increase dividend per share from ¥44.60 to ¥50.00 (¥25.00 after the share split).   |



# Concept of Results Forecasts

## Business trends

EMSs are divided into EMSs selected by customers as strategic partners and suppliers with low added value.



The structure of UMC such as strong manufacturing capabilities and fine-tuned quality control are highly valued by customers.



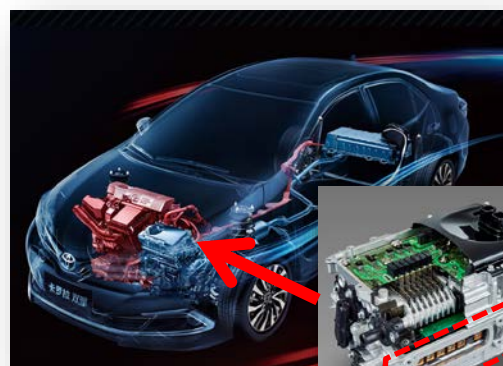
There are numerous projects that aim for the mass production of automotive equipment and others in 2 to 3 years.



# Concept of Results Forecasts

## Reality of the automotive business

-Project in which we keep in step with the customer from an early stage until mass production is achieved.



Power control products

Capital and business alliances with Toyota Industries Corporation

**Mar.  
2013**

Design  
Trial Production  
Evaluation

regular production design

Samples created in actual mass production line

Samples in mass production line

**Beginning of mass production**

**Dec.  
2015**

Consideration of facilities

Production of facilities

Improvement of process

← Simultaneous Engineering activities →

2017 ~ 2019

**We received orders for 10 projects expected to be mass-produced**

2020 ~ 2021

**Many negotiations are ongoing**



# Concept of Results Forecasts

## Capturing of big accounts

-Business environment and sales activities and system that will cause UMC's strengths to lead to orders

### Target category

Industry's leading manufacturers that take the lead in manufacturing

Manufacturers that focus on new technologies and leave the detailed parts of manufacturing entirely up to suppliers

Leading manufacturers specializing in existing product areas

### Region

Expand from Japan, China and Southeast Asia to North America, Mexico, Europe and India

### Approach/proposal

Discover new production methods and technologies with customers.

Fabless approach

Prepare a plan to resolve customers' issues in advance.

### System

## PM (Program Manager) system

- DFM (Design For Manufacturability) that
- builds a long-term partnership by
- proposing collaborative measures to
- satisfy customer needs 100%.



# A Year When we Worked to Enhance New Bases and Value Chains

**May 2016**

**Established a subsidiary in Mexico.**

Respond to integrated manufacturing from board mounting to molding and assembly at the new plant in Mexico to capture automotive needs.



Construction status

**June 2016**

**Established the Qiaotou Plant/consolidated production bases in China for offensive structural reforms.**

Consolidated three plants that engage in board mounting, as well as precision metal molding and molded items, into the new plant. Strengthened the ability to meet customer needs through the integrated operation of both businesses.



**...What will future development involve?**

→Considering measures to solve the capacity shortage in Japan, although this has not yet been decided.

(We will make reports in news releases as necessary.)

2016: Apr. May Jun. Jul. Aug. Sep. Oct. Nov. Dec. 2017: Jan. Feb. Mar.

**May 2016**

**Merged with Green System Corporation by absorption.**

Strengthened the contracted development system of the Group by incorporating the software development, planning and production capabilities of the company.

**Nov. 2016**

**Hired design and development teams from artwork companies.**

Increased added value and strengthened the ability to respond to customers by realizing high quality and high productivity manufacturing lines.

**Nov. 2016  
Opened Shizuoka Sales Office.**

Opened a CRM sales office in Shizuoka for the purpose of deepening relationships with important customers and new customers for automotive equipment and industrial equipment, etc. in the Tokai region.

**Feb. 2017  
Established Wuhan Sales Office.**

Opened a sales office in an automotive cluster in Hubei Province, China. It enables us to grasp customer needs and capture projects more quickly though immediate solutions, targeting Chinese auto manufacturers as well.

**Mar. 2017  
Established Chicago Sales Office.**

Built a system to rapidly capture the needs of automotive suppliers in North America.



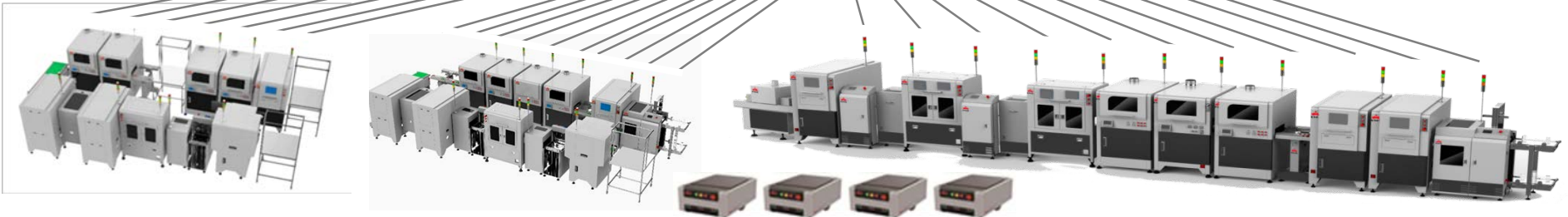
# Towards the Realization of Smart Factories

## UMC's Manufacturing Vision

Global expansion  
through combination  
of LCA and SAP

Establishment  
of global  
showrooms  
for the creation of  
smart factories

SAP



# Stock split to increase liquidity of the stock

The purpose of the stock split is to make our stock more liquid and accessible to investors and thereby broaden our shareholder base to a larger number of investors.

## 1. Method of Split

The company will split its common stock owned by the shareholders of record on the final Register of Shareholders as of the Record Date, March 31, 2018, two for one (2 for 1).

## 2. Increase in Number of Shares due to Split

|   |            |
|---|------------|
| Total number of issued shares before the stock split    | 8,356,140  |
| Number of increased shares due to the stock split       | 8,356,140  |
| Total number of issued shares after the stock split     | 16,712,280 |
| Total number of authorized shares after the stock split | 54,000,000 |

## 3. Schedule

|   |              |
|---|--------------|
| Public Notice of Record Date                | May 15, 2017 |
| Record Date                                 | May 31, 2017 |
| Date when the stock split becomes effective | June 1, 2017 |

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