

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

Financial Results for the Second Quarter ended September 30, 2017

UMC Electronics Co., Ltd.
(Securities Code: 6615)



1 . FY2017 (Fiscal Year Ending March 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.



Summary of Consolidated Financial Results

(Millions of yen)	FY2016 1H	FY2017 1H	YoY	
			Change	Percentage change
Net Sales	52,248	62,341	+10,093	+19.3%
(Plant Output) ^{*1}	11,577 22.2%	13,184 21.1%	+1,607 (1.0pt)	+13.9% –
Gross Profit	3,413 6.5%	3,690 5.9%	+277 (0.6pt)	+8.1% –
Operating Income	1,470 2.8%	1,280 2.1%	(190) (0.7pt)	(2.9%) –
Ordinary income	1,002 1.9%	1,108 1.8%	+106 (0.1pt)	+10.6% –
Net Income	316 0.6%	748 1.2%	+432 +0.6pt	+136.3% –
USD Rate (JPY)	Average 105.35 End of period 101.12	Average 111.07 End of period 112.74	+5.72 +11.62	

*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.



Summary of Consolidated Financial Results (FY2017/Q1~Q2)

(Millions of yen)	FY2017 Q1	FY2017 Q2	QoQ	
			Change	Percentage change
Net Sales	30,016	32,325	+2,309	+7.7%
(Plant Output) ^{*1}	6,479 21.6%	6,704 20.7%	+225 (0.9pt)	+3.5% -
Gross Profit	1,749 5.8%	1,940 6.0%	+191 +0.2pt	+10.9% -
Operating Income	583 1.9%	696 2.2%	+113 +0.3pt	+19.3% -
Ordinary income	500 1.7%	607 1.9%	+107 +0.2pt	+21.4% -
Net Income	340 1.1%	408 1.3%	+68 +0.2pt	19.8 -
USD Rate (JPY)	Average 111.10 End of period 112.00	Average 111.07 End of period 112.74	(0.03) (0.74)	

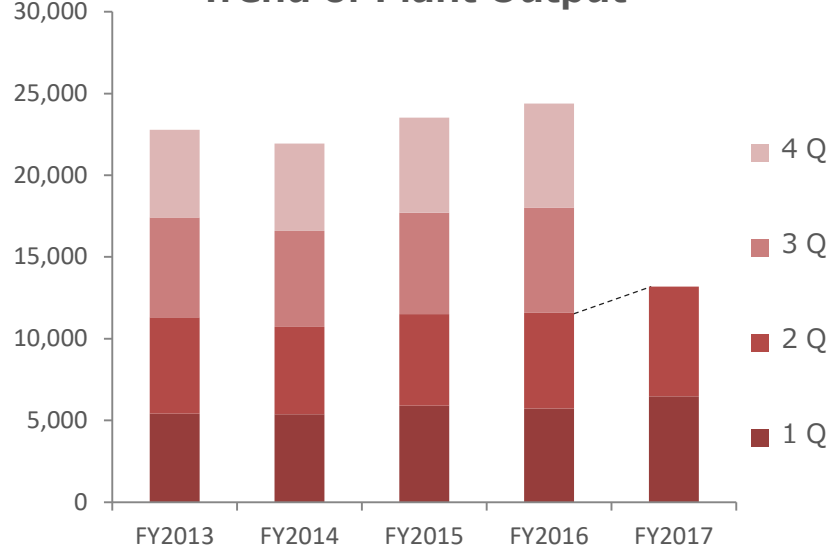
*1 Plant Output= Net sales - Parts cost



Performance Trends

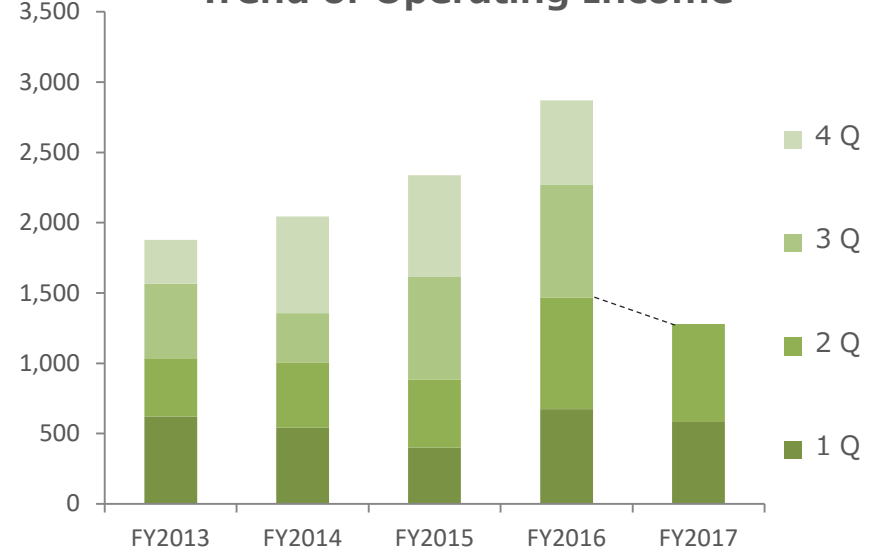
(Millions of yen)

Trend of Plant Output

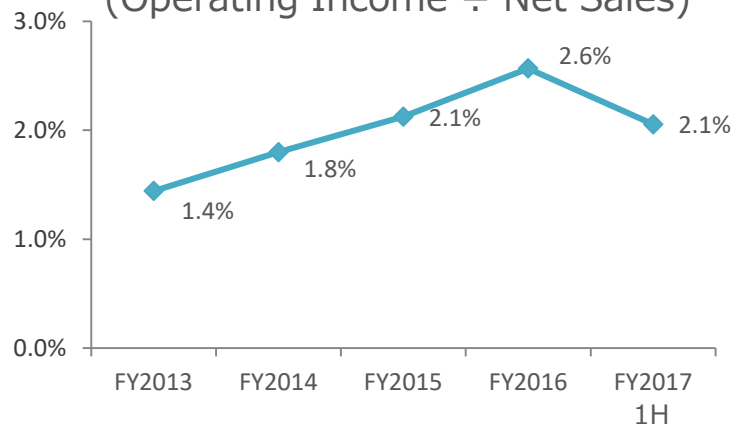


(Millions of yen)

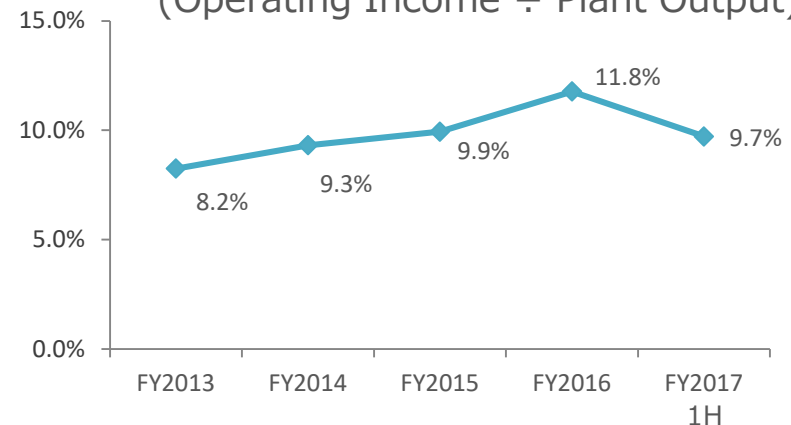
Trend of Operating Income



Trend of Operating Margin (Operating Income ÷ Net Sales)



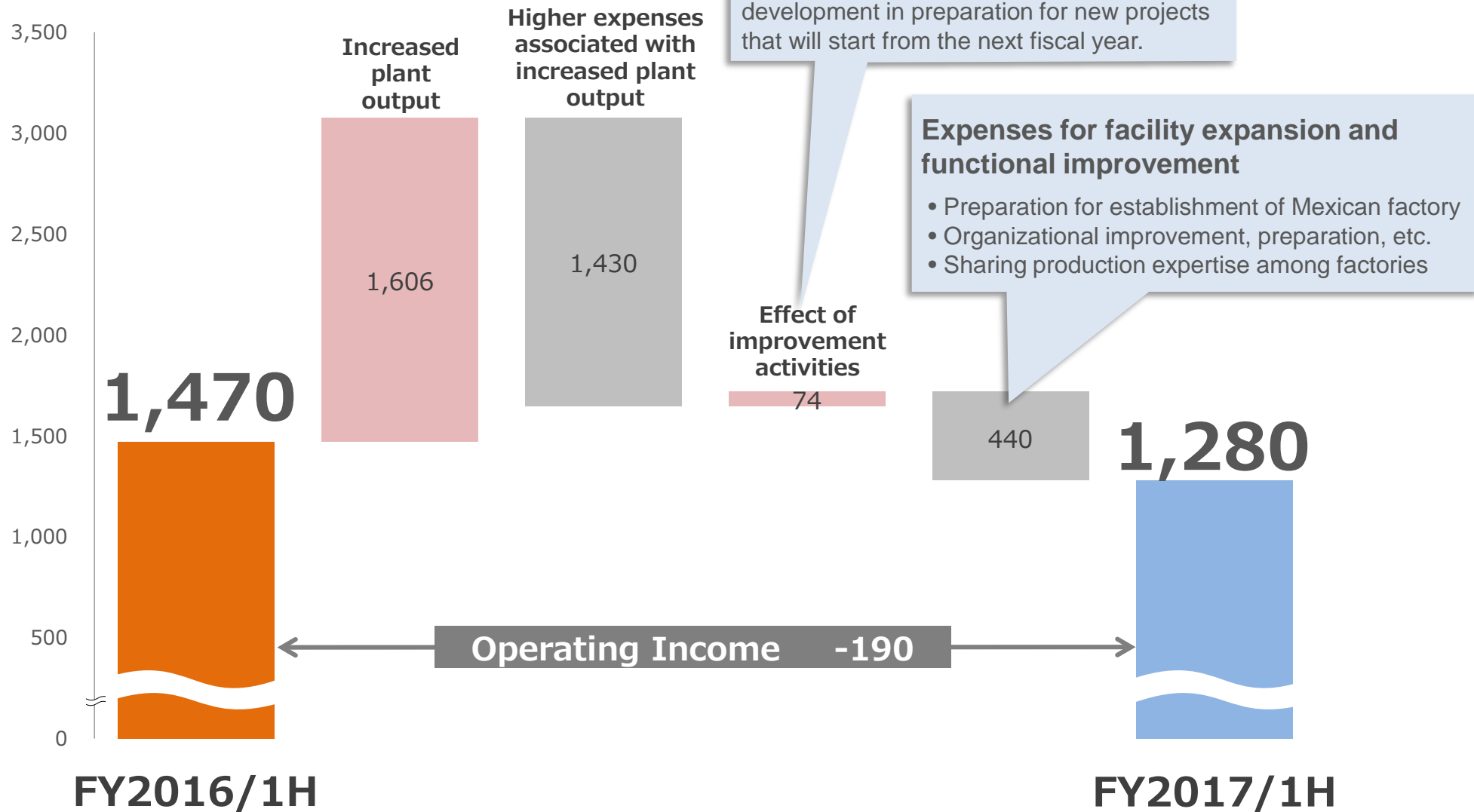
Trend of Operating Margin (Operating Income ÷ Plant Output)





Factors for Change in Consolidated Operating Income (FY2016/1H vs.FY2017/1H)

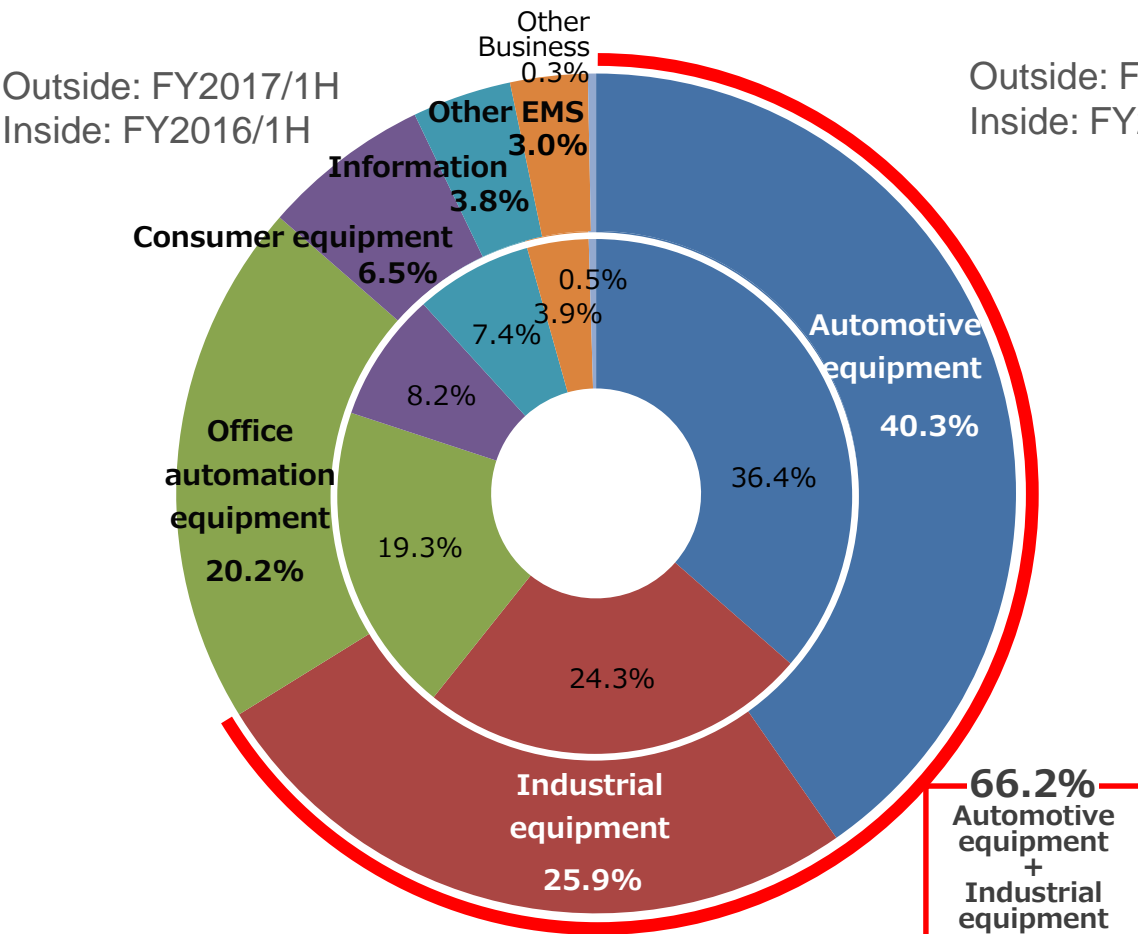
(Millions of yen)





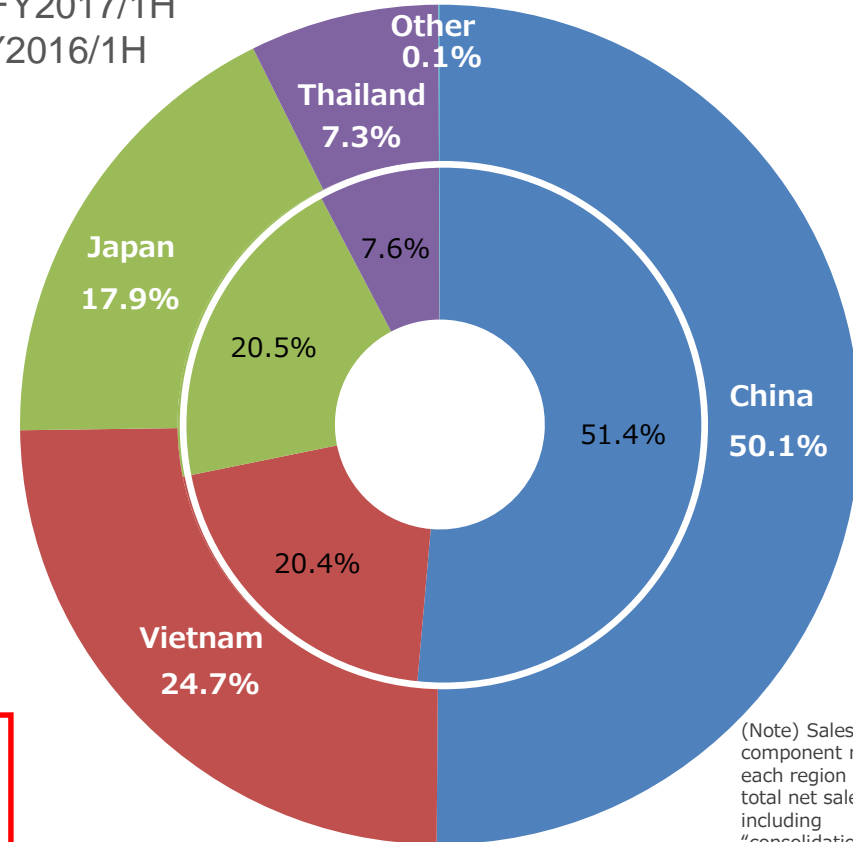
Sales Breakdowns by Product Category and by Region

Net sales by product category



Net sales by region

Outside: FY2017/1H
Inside: FY2016/1H



(Note) Sales component ratio of each region is ratio of total net sales not including "consolidation adjustments".

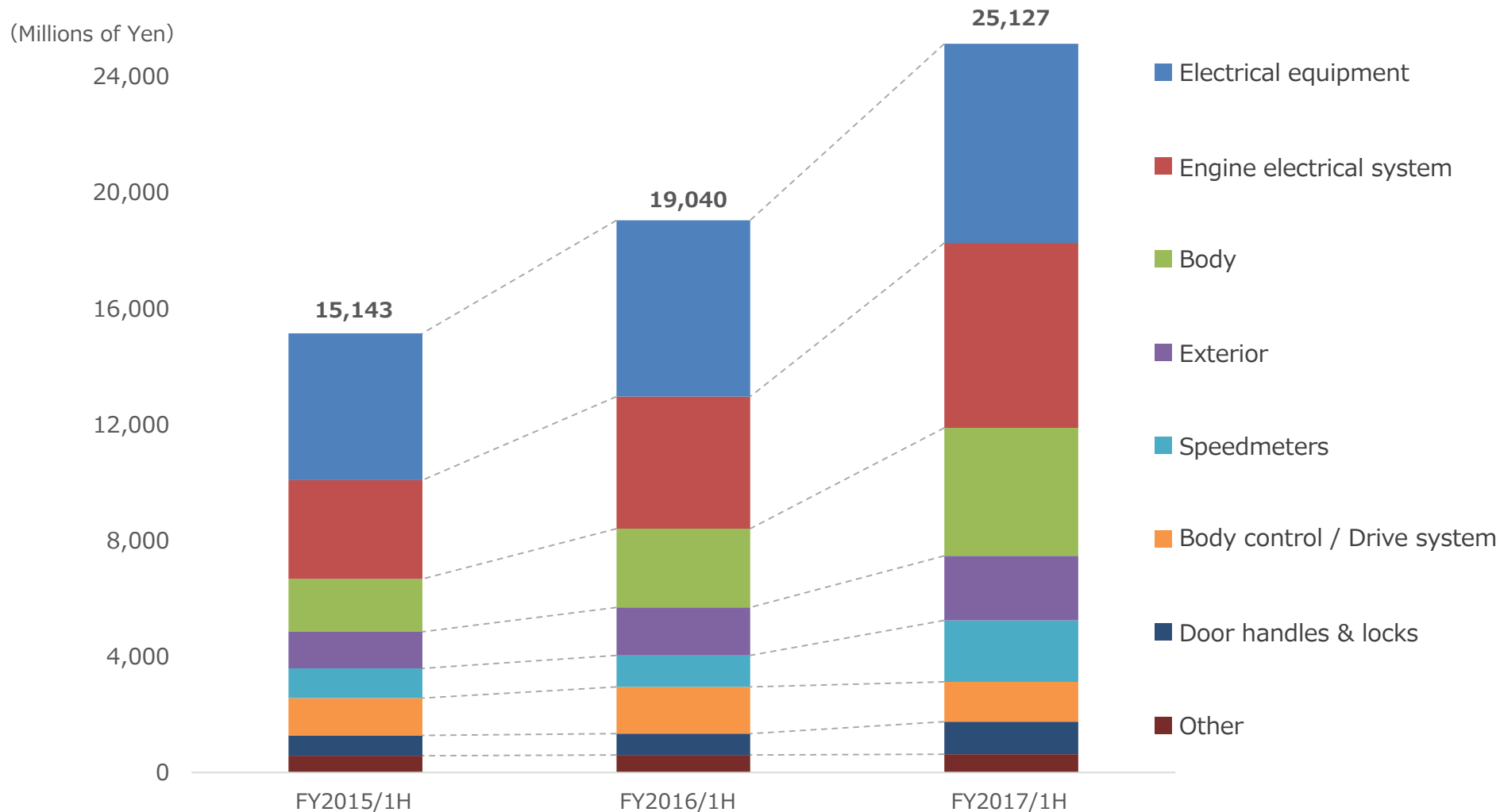
Ratio of automotive and industrial equipment sales rose 5.5% YoY

Base in Vietnam was growth



Sales Breakdowns by Product Category

Sales of electrical and body products around engines related to **“running, turning, and stopping”** increased.





Balance sheet and Cash flow

Balance Sheet

FY2016

(Millions of yen)

60,627

Current Assets	Liabilities
43,139	22,835
	Interest bearing Debt
	21,157
Noncurrent Assets	Net Assets
17,489	16,636

FY2017/1H

67,418

Current Assets	Liabilities
47,742	27,140
	Interest bearing Debt
	22,604
Noncurrent Assets	Net Assets
19,675	17,673

Cash Conversion Cycle

Notes and accounts receivable -trade	Notes and accounts payable-trade
18,765	19,322
Inventories	12,243
12,800	

CCC
+0.09 months

Notes and accounts receivable -trade	Notes and accounts payable-trade
21,302	22,936
Inventories※	14,502
16,136	

- Safety stock continues to accumulate as a measure against the current tightness of the electronic component market.
- CCC at the end of the period is at the 1.39-month level.

Total Assets ¥60,627million
Equity Ratio 27.4%

Total Assets ¥67,418million
Equity Ratio 26.2%

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

Cash Flow

FY2016

1H

(Millions of yen)

3,000

2,174

2,000

1,000

0

-1,000

-2,000

-3,000

FY2017

1H

699

• Impact of accumulated safety stock of electronic components

• Investment in Mexico

-2,467

-2,655

-1,956

Operating CF

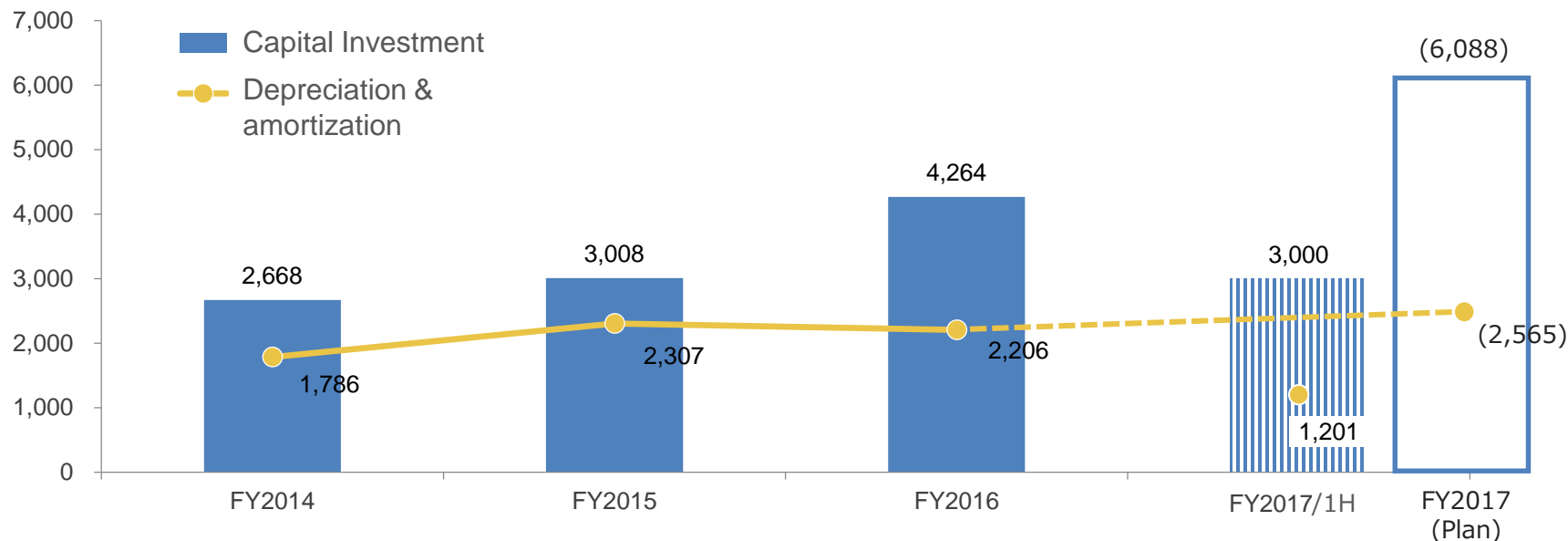
Investment CF

FCF



Capital Investment and Depreciation & Amortization

(Millions of yen)



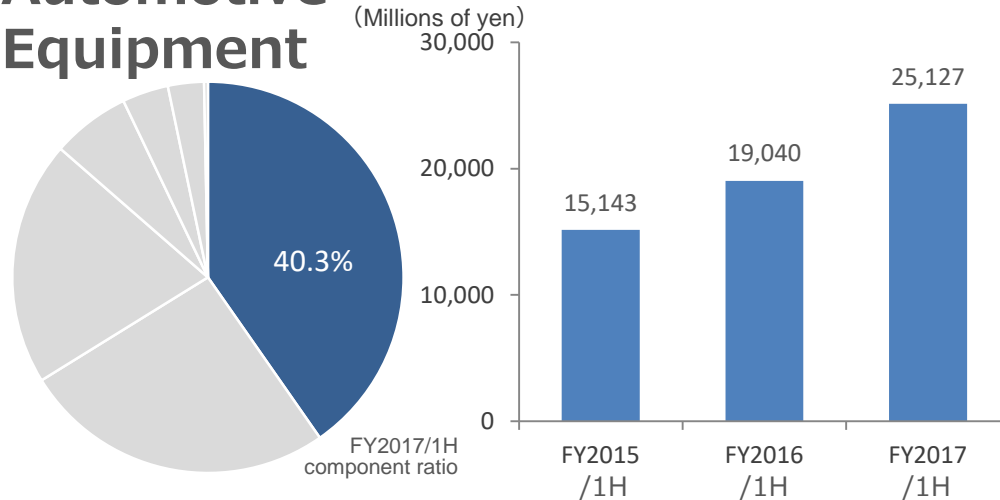
Breakdown of Capital Investment

(Millions of yen)	FY2014	FY2015	FY2016	FY2017/1H Actual
Japan	567	318	860	357
China	1,533	1,157	1,233	905
Vietnam	496	959	664	588
Thailand	72	574	423	199
Mexico	0	0	1,081	951
Total	2,668	3,008	4,264	3,000



Net Sales by Product Category

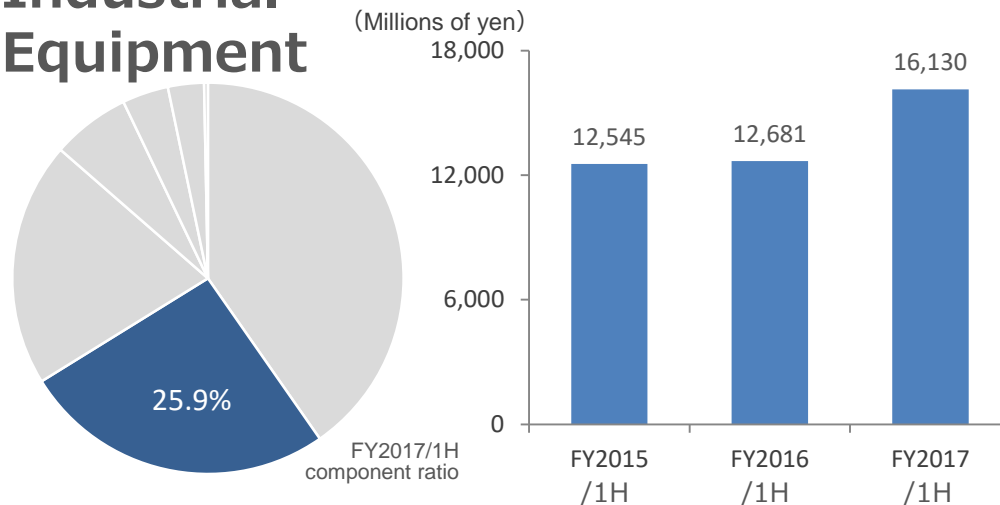
Automotive Equipment



- ◆ 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.
- ◆ Expansion of various electrical equipment for environmentally-friendly vehicles.
- ◆ Expansion of transactions with customers with competitiveness in the market.



Industrial Equipment



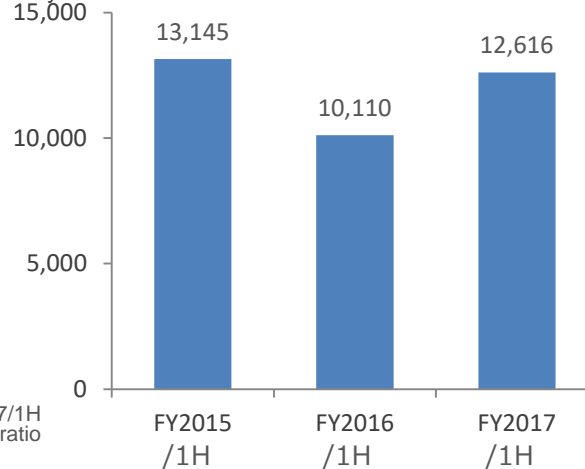
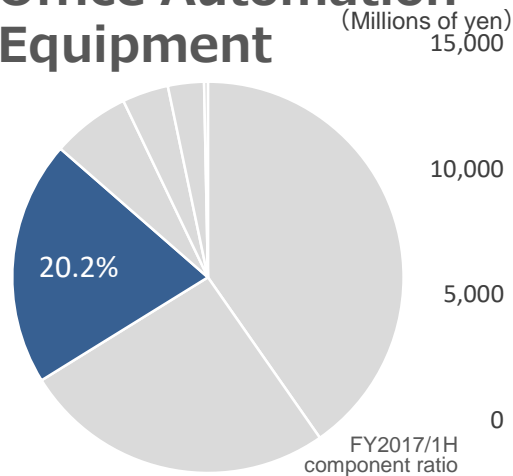
- ◆ Sales of power supply systems, inverters and motor drivers of leading Japanese manufacturers were strong.
- ◆ Sales of power supply-related products and products for semiconductor testers were strong.
- ◆ Proposed business development in Vietnam, which is an export base with price competitiveness, to customers.
- ◆ In FY2017, the portfolio will be changed due to a shift to higher value-added products.
- ◆ Conceptualize LCA for power supply systems





Net Sales by Product Category

Office Automation Equipment

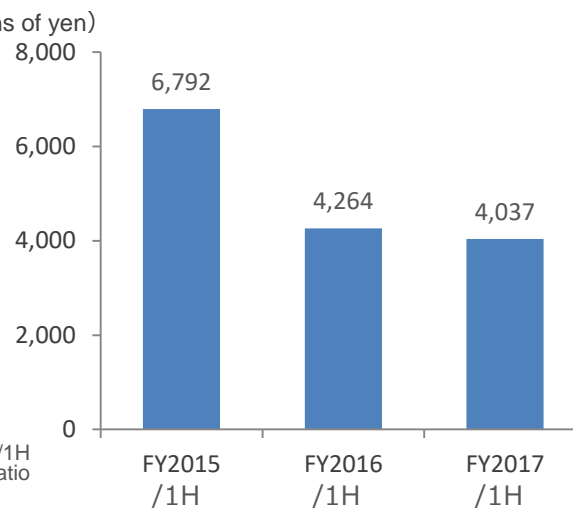
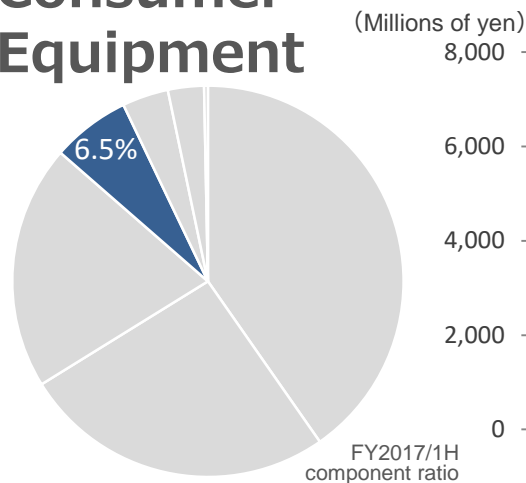


- ◆ The in-house share expanded due to the consolidation of vendors on the customers' side.
- ◆ The market is on track for recovery.
- ◆ Approach from the design stage, taking advantage of enhanced value chains.



Various circuit boards for leading printer manufacturers

Consumer Equipment



- ◆ Price competition among brand manufacturers was fierce.
- ◆ Products are narrowed down to value-added products.



LED lighting

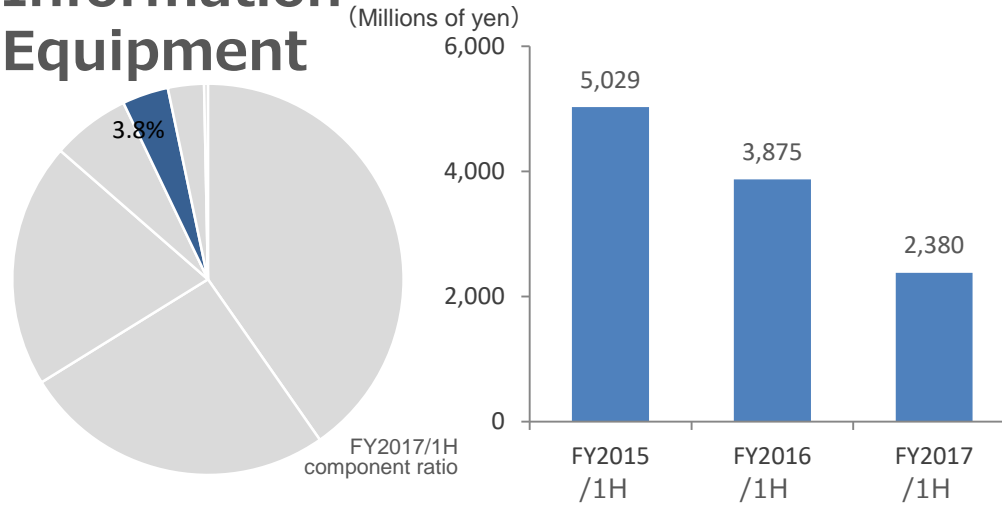


Circuit board for air purifier

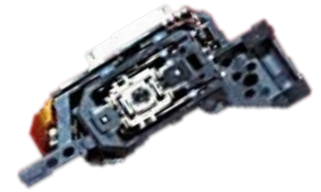


Net Sales by Product Category

Information Equipment



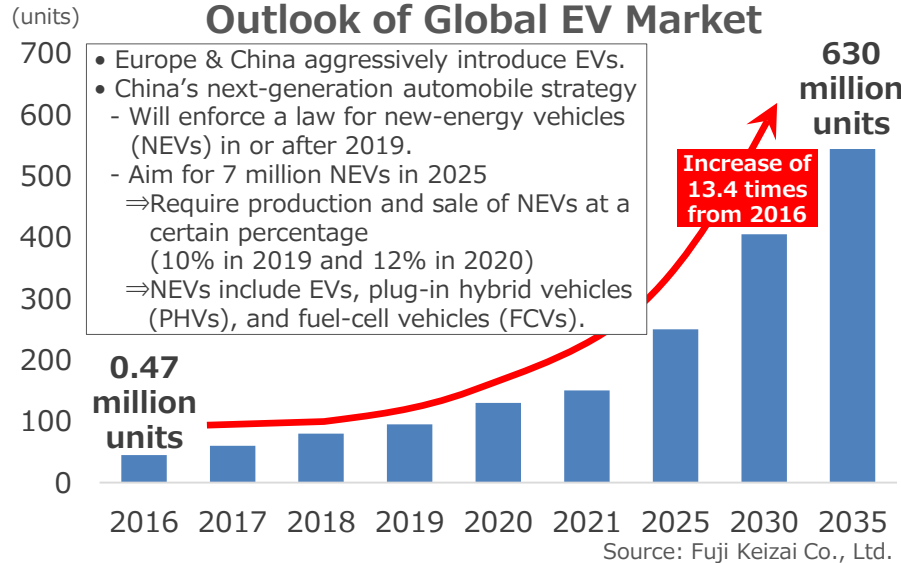
◆ Transferred mature products with stable demand from China to Vietnam while maintaining cost competitiveness.



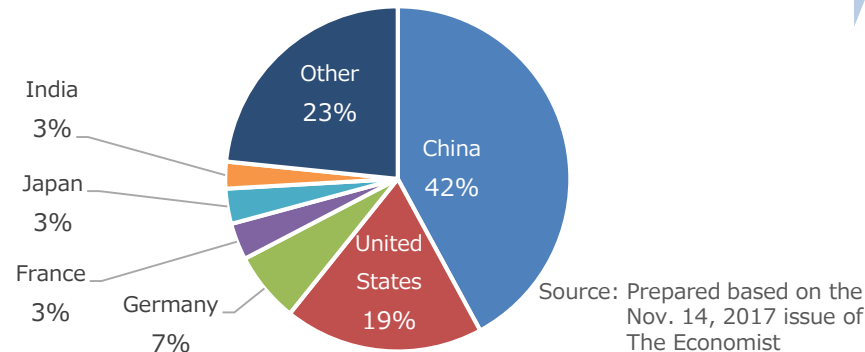
Optical pickup



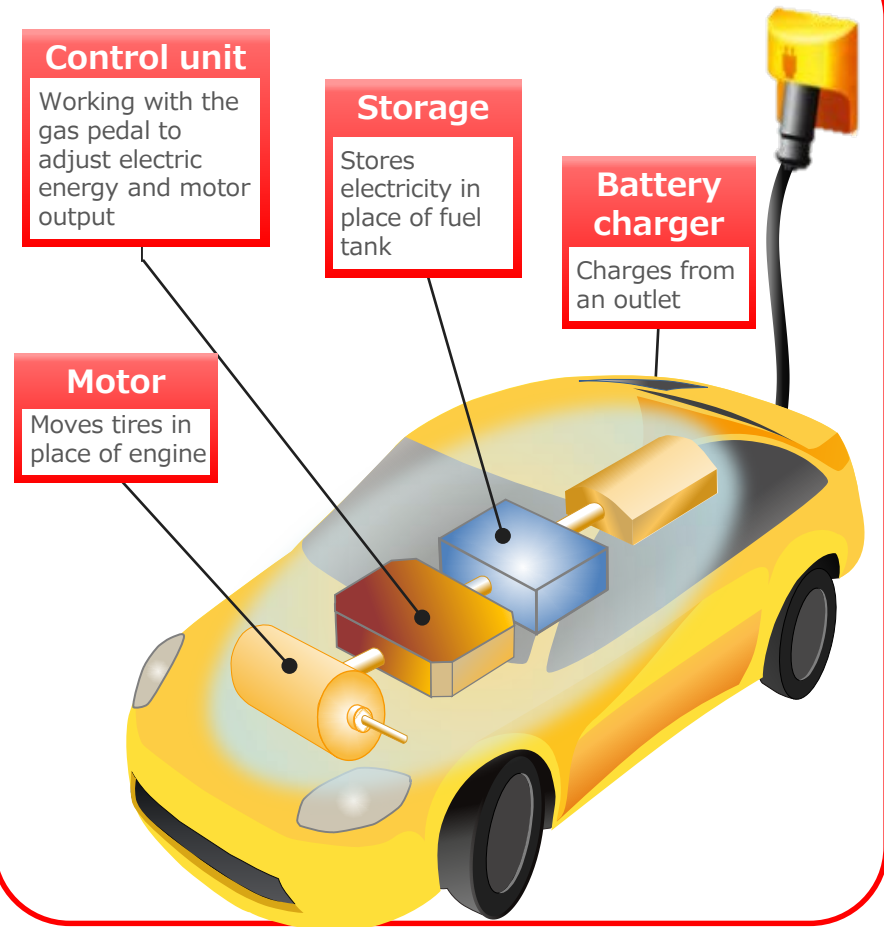
Changes in Market Environment: Trends Regarding EVs



Forecast for the Number of EVs Sold in 2030 by Country



Components for Which New Demand Will be Created by EVs



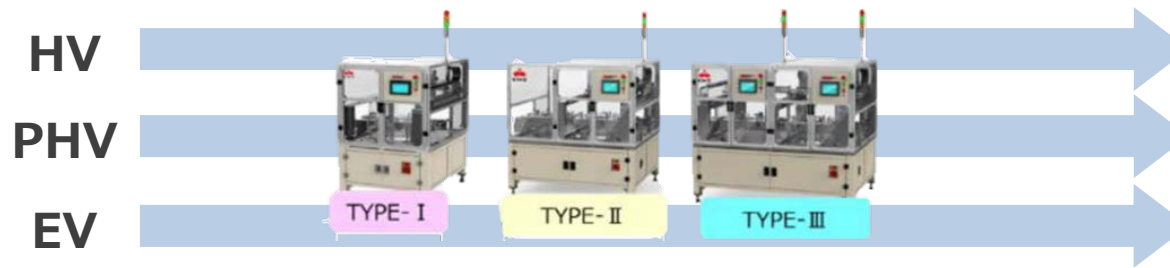
→ Increase the presence of UMC Electronics that has experience in the overseas production of critical safety parts such as power control products.



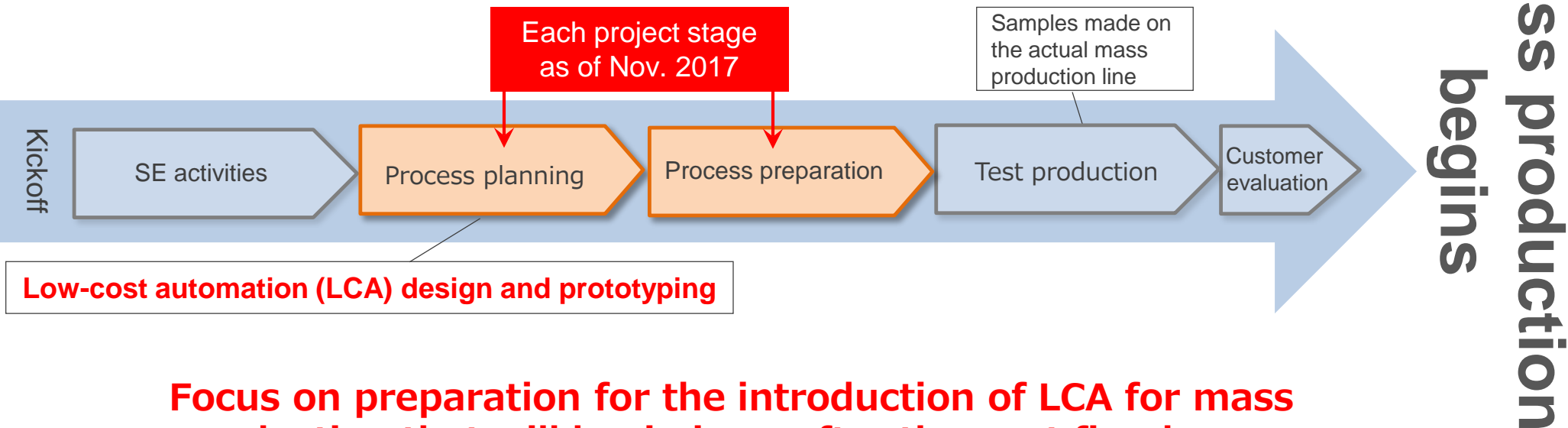
Progress of New Automotive Equipment Project

Project roadmap for mass production from 2018 to 2020

More than 10 projects ahead of mass production are ongoing



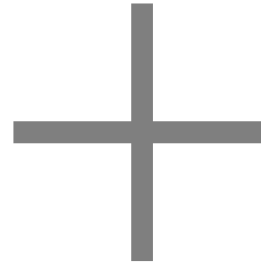
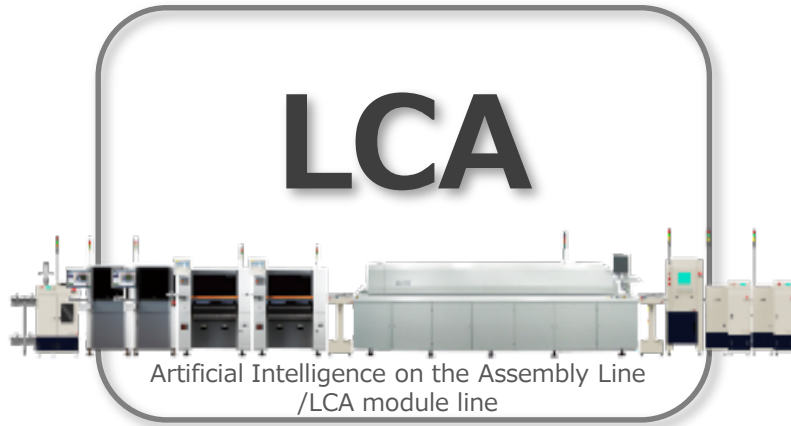
2018 - 2020



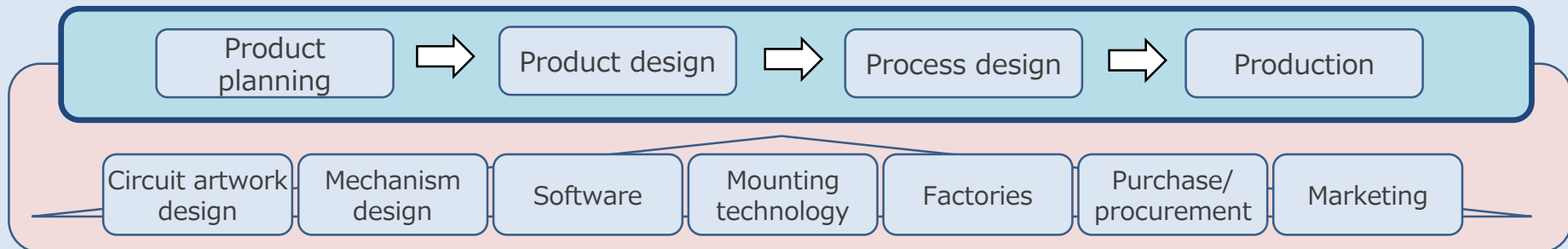
Focus on preparation for the introduction of LCA for mass production that will begin in or after the next fiscal year.



Concept of Smart Factory



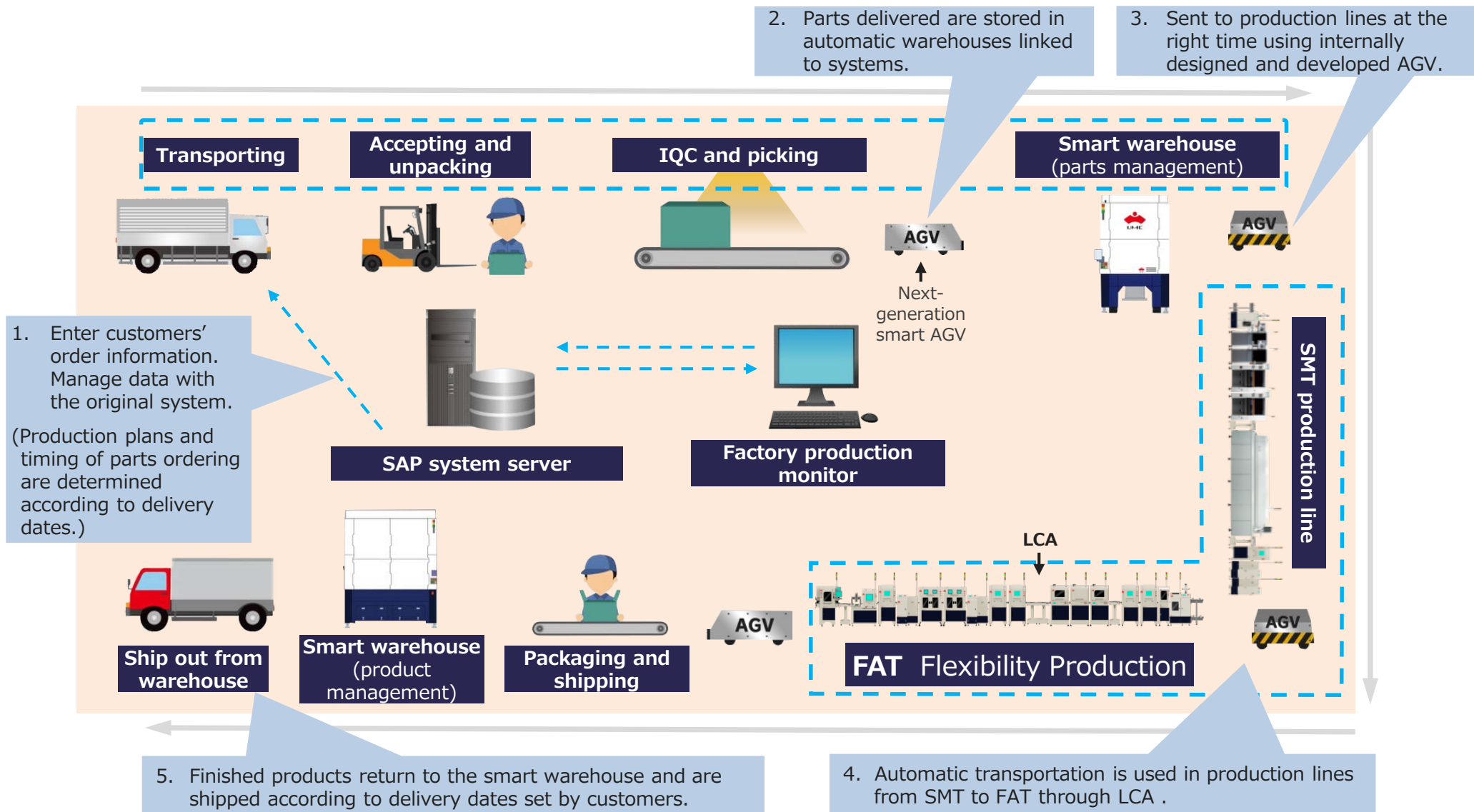
“Manufacturing through a total solution” from upstream design to mounting technology and manufacturing



- Links between design, mounting technology, and factories through “PCB design standardization”
- Services to customers are provided mainly by substrate installation and assembly factories and supported by molding and die-casting factories.



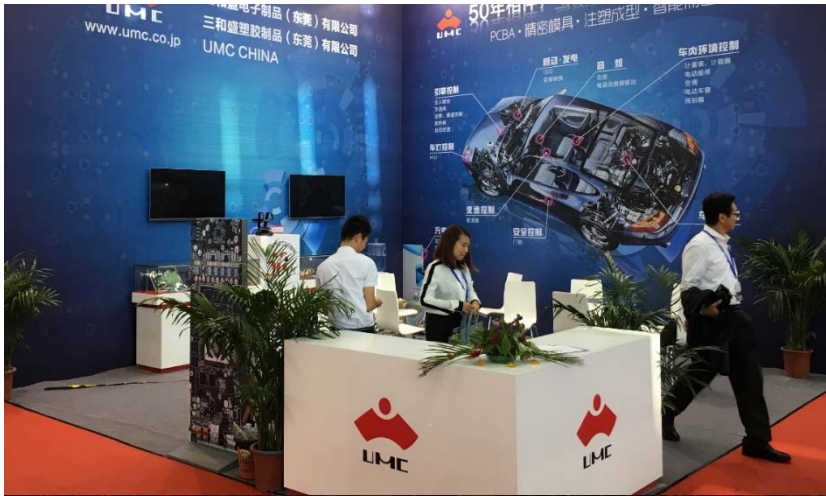
Concept of Smart Factory





Participation in IoT Exhibitions

IoT Exhibition (August) in Shenzhen, China, and IoT/M2M Exhibition in Makuhari (November)



- Exhibited UMC's automotive-related achievements and promoted its newest production lines
- Described initiatives for smart factories
- Topics:
Proposals using the design and introduction of mounting technology systems

UMC Electronics' smart factories
based on LCA and IoT

Photo above: IoT Exhibition in Shenzhen, China (Aug. 16-18)

Photo below: IoT/M2M Exhibition in Makuhari (Nov. 8-10)



BIG Account Strategy Map

Marketing activities and system that link the business environment and UMC's characteristics and strengths with orders

System

Program Manager (PM) System

Propose collaboration strategy and build long-term partnerships to fully satisfy customer needs

Target (approach)/status

1. Industry's top manufacturers that lead manufacturing expertise

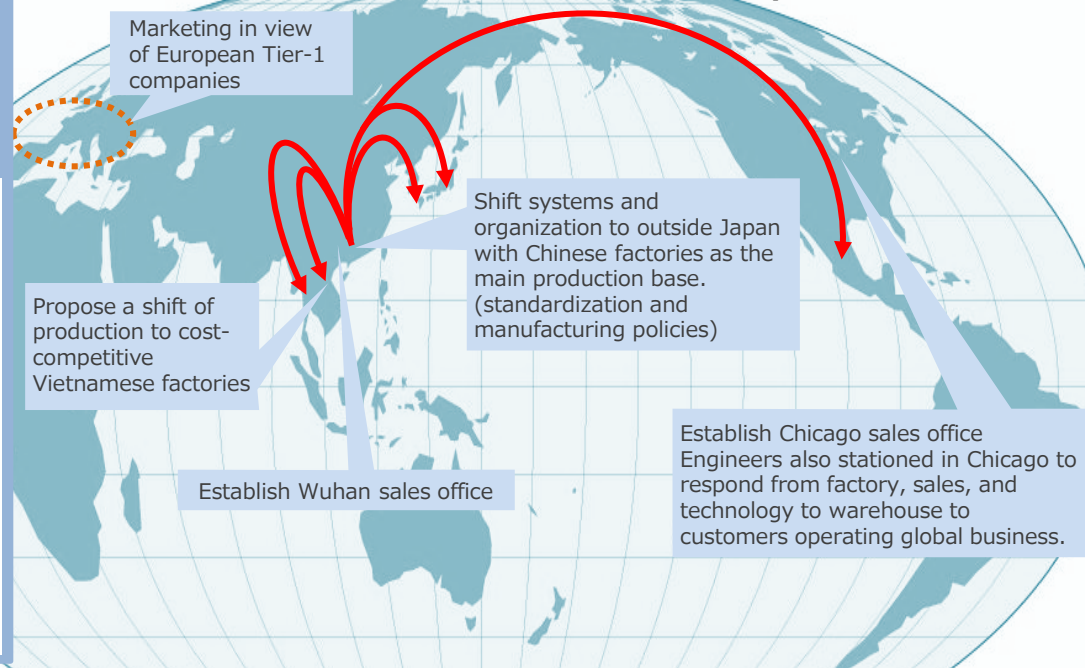
(develop new methods and technologies with customers)

Increase in new negotiations through offers from upstream design

- Global demand for chargers, inverters, and DC/DC converters is expected to increase in response to demand for EVs
- Body products (sunroofs, ECU for sliding doors, etc.) increase.

Regions

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



2. Manufacturers focusing on new technologies while entrusting suppliers with manufacturing (fabless-style approach)

- Orders for automotive products are received from global manufacturers successively in Japan, China, Thailand, and Mexico.

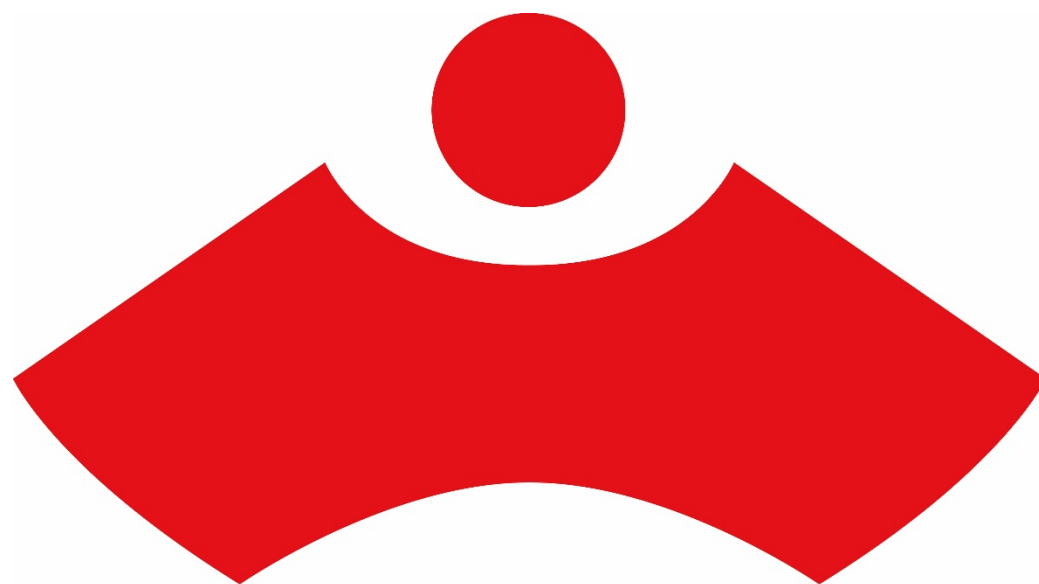
3. Top specialized manufacturers in existing product segments (UMCE prepares plans to solve customers' problems).

- Inverter projects for EVs
- Power supply business projects
- Semiconductor-related business

"Manufacturing through a total solution" from upstream design to mounting technology and manufacturing
 Use of smart factories

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