

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

Financial Results for the Third Quarter ended December 31, 2017

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



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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 Q1-Q3	FY2017 Q1-Q3	YoY	
			Change	Percentage change
Net Sales	82,205	94,978	+12,773	+15.5%
(Plant Output)* ¹	18,031 21.9%	19,915 21.0%	+1,884 (0.9pt)	+10.5% –
Gross Profit	5,228 6.4%	5,605 5.9%	+376 (0.5pt)	+7.2% –
Operating Income	2,273 2.8%	2,013 2.1%	(259) (0.7pt)	(11.4%) –
Ordinary income	1,628 2.0%	1,692 1.8%	+64 (0.2pt)	+3.9% –
Net Income	836 1.0%	1,152 1.2%	+315 +0.2pt	+37.7% –
USD Rate (JPY)	Average 106.68 End of period 116.53	Average 111.71 End of period 113.05	+5.03 +3.48	

*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	FY2017 Q3	QoQ (2Q vs. 3Q)	
				Change	Percentage change
Net Sales	30,016	32,325	32,637	+312	+1.0%
(Plant Output)*1	6,479 21.6%	6,704 20.7%	6,731 20.6%	+26 (0.1pt)	+0.4% -
Gross Profit	1,749 5.8%	1,940 6.0%	1,914 5.9%	(26) (0.1pt)	(1.4%) -
Operating Income	583 1.9%	696 2.2%	732 2.2%	+35 +0.0pt	+5.1% -
Ordinary income	500 1.7%	607 1.9%	584 1.8%	(23) (0.1pt)	(3.9%) -
Net Income	340 1.1%	408 1.3%	403 1.2%	(4) (0.1pt)	(1.2) -
USD Rate (JPY)	Average 111.10 End of period 112.00	Average 111.07 End of period 112.74	Average 111.71 End of period 113.05	+0.64 +0.31	

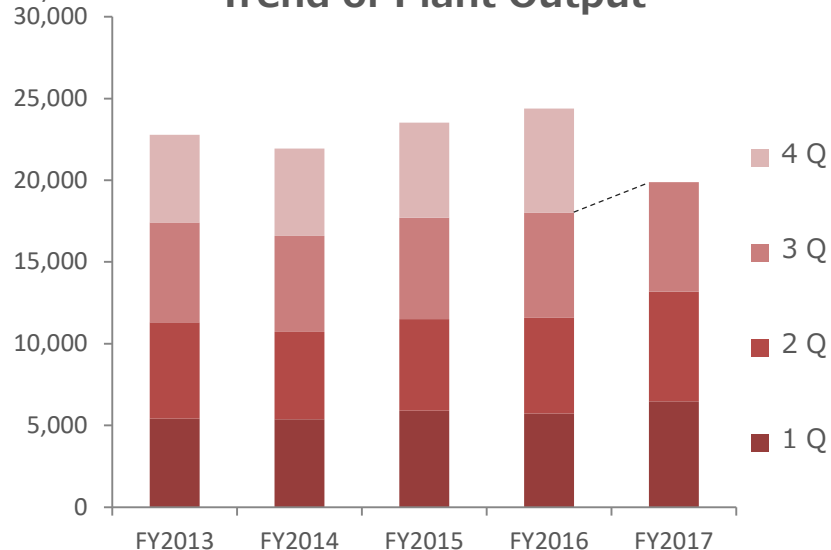
*1 Plant Output= Net sales - Parts cost



Performance Trends

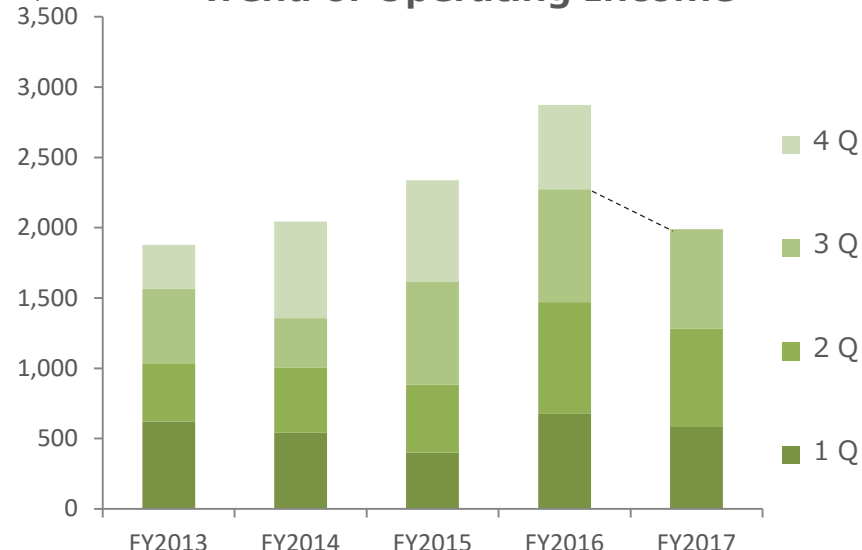
(Millions of yen)

Trend of Plant Output

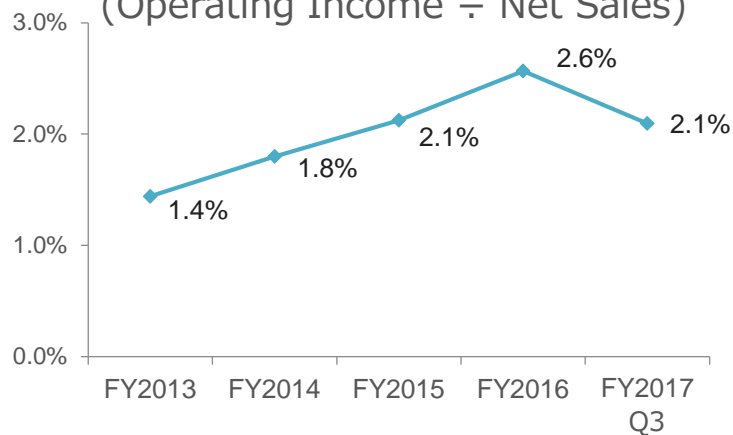


(Millions of yen)

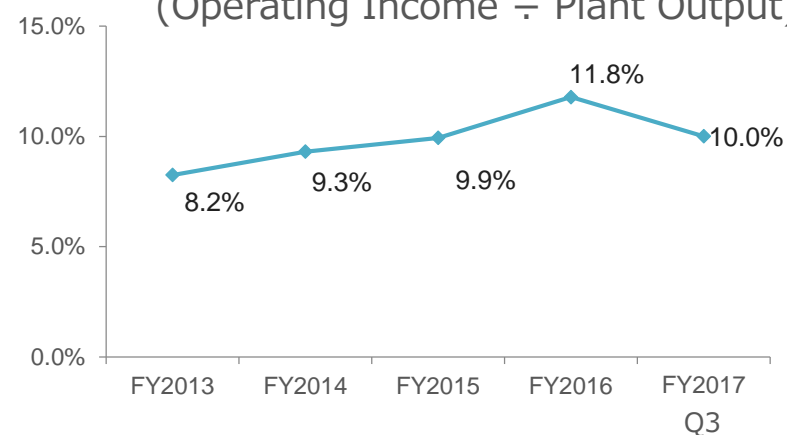
Trend of Operating Income



Trend of Operating Margin (Operating Income ÷ Net Sales)



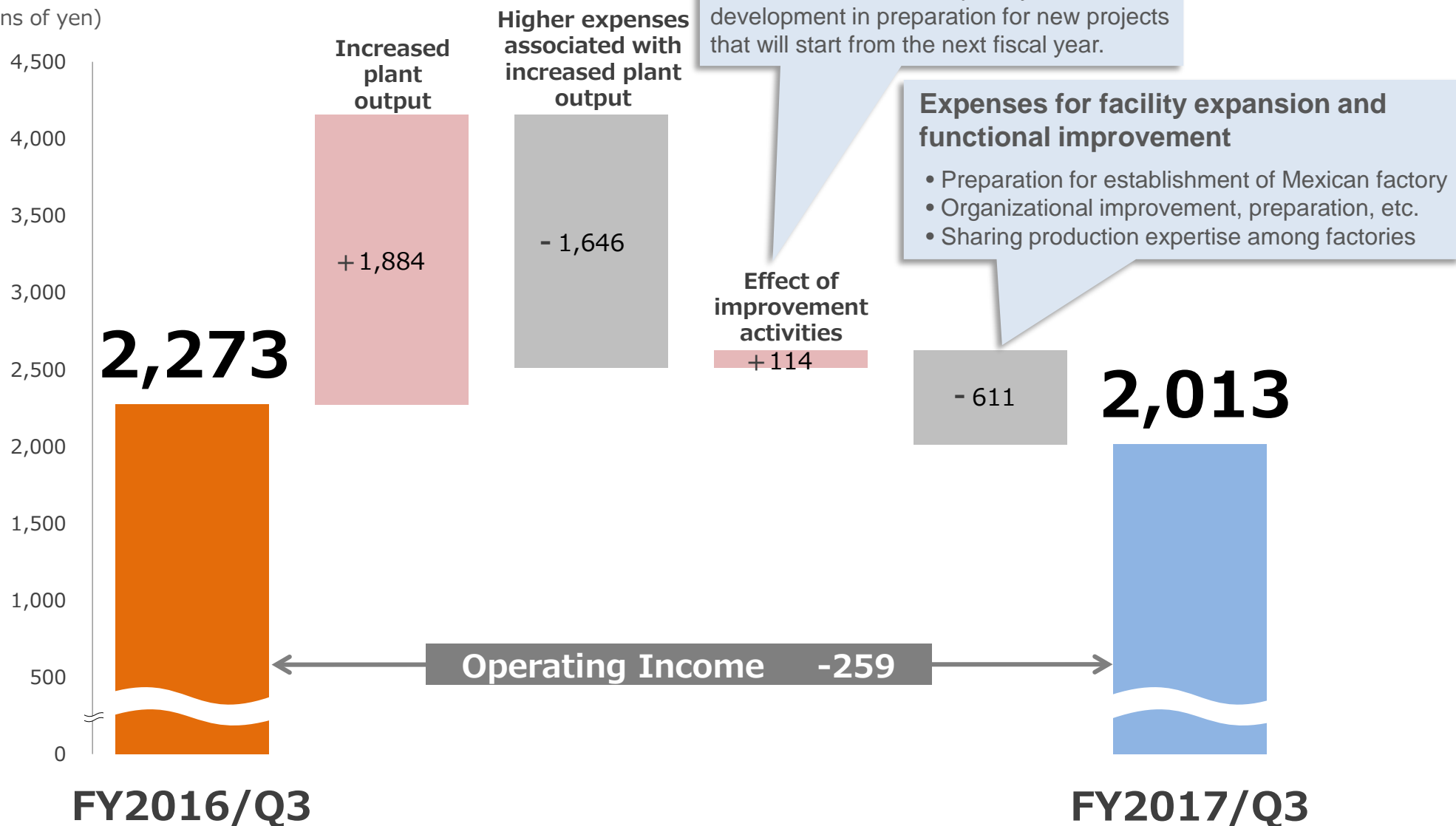
Trend of Operating Margin (Operating Income ÷ Plant Output)





Factors for Change in Consolidated Operating Income (FY2016/Q3 vs.FY2017/Q3)

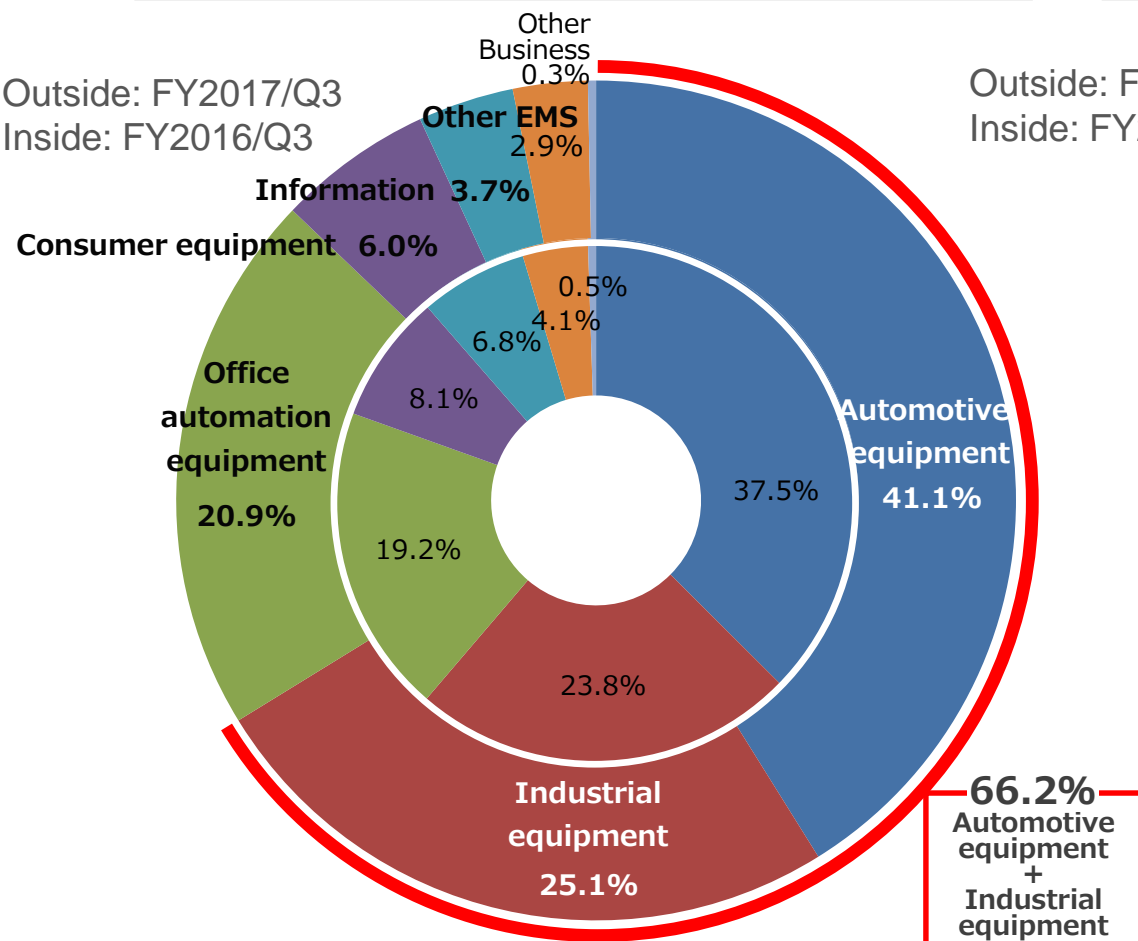
(Millions of yen)





Sales Breakdowns by Product Category and by Region

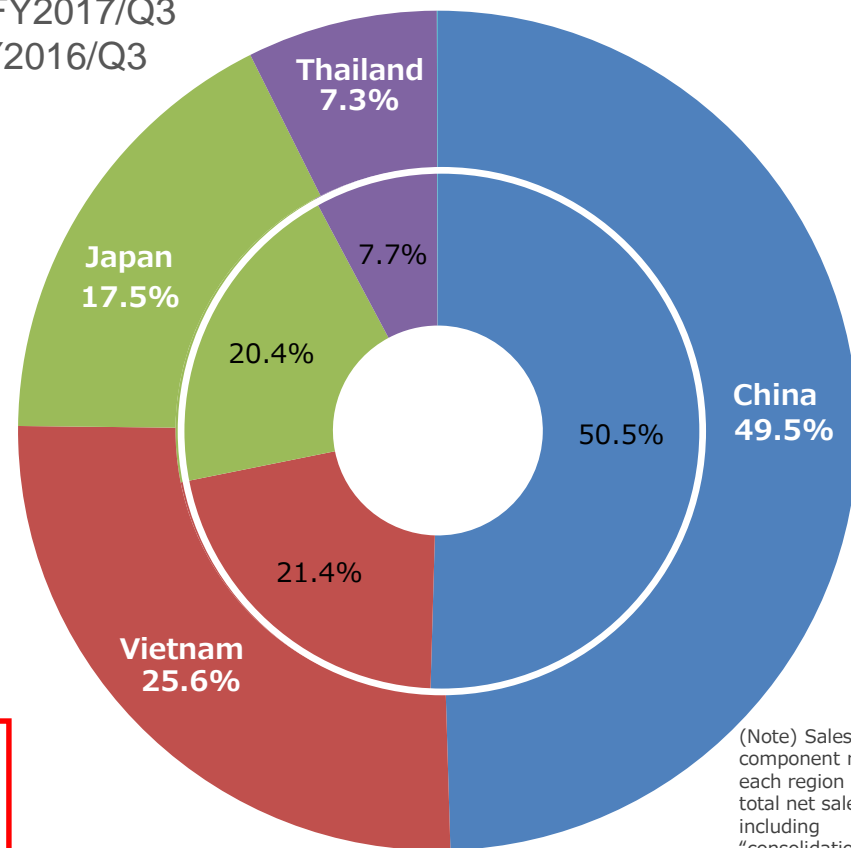
Net sales by product category



Ratio of automotive and industrial equipment sales rose 4.9% YoY

Net sales by region

Outside: FY2017/Q3
Inside: FY2016/Q3



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

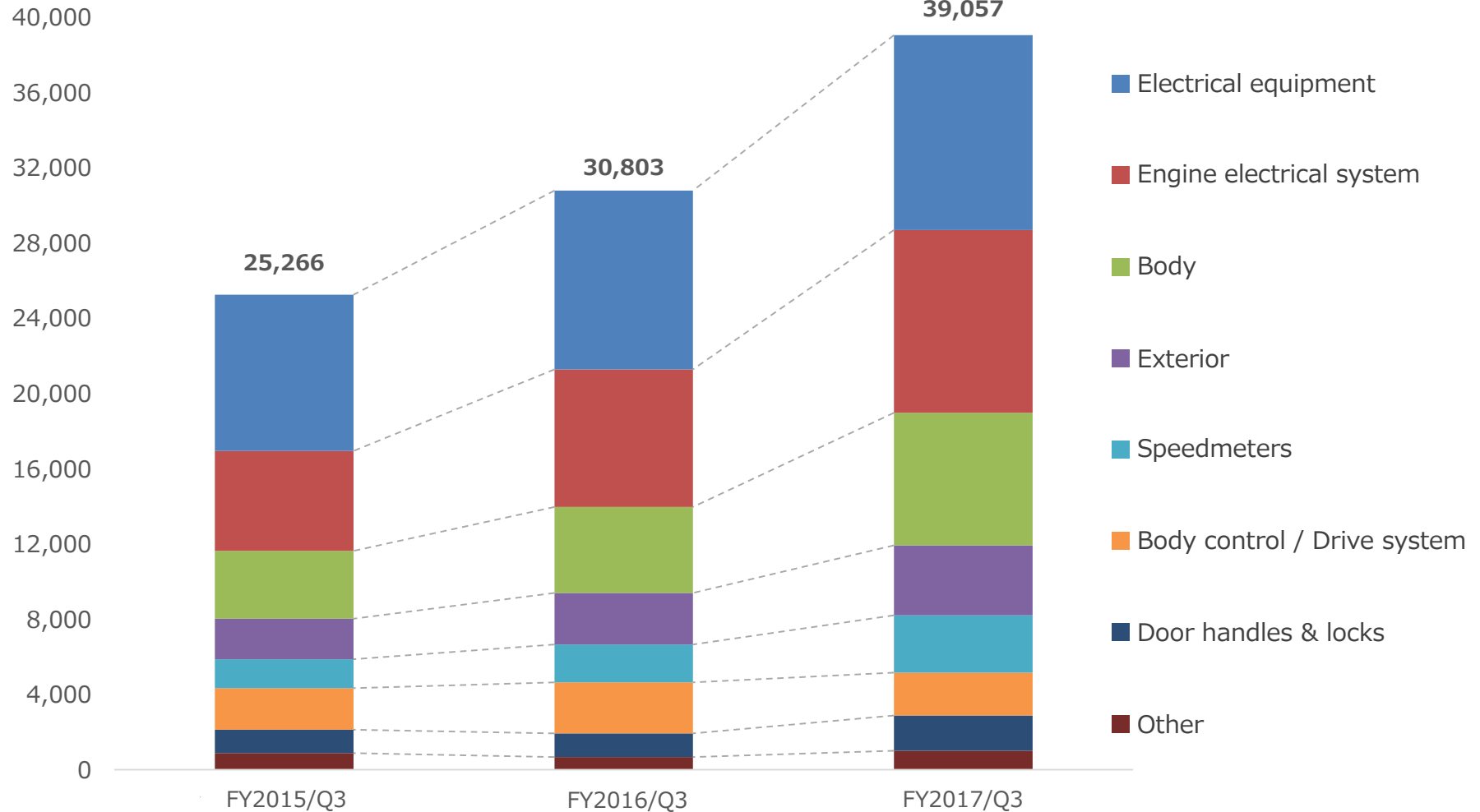
Base in Vietnam was growth



Sales Breakdowns by Product Category

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

(Millions of Yen)





Balance sheet

Balance Sheet

FY2016

FY2017/Q3

70,705

(Millions of yen)

60,627

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

Current Assets 50,245	Liabilities 27,537
	Interest bearing Debt 24,971
Noncurrent Assets 20,460	Net Assets 18,197

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

Cash Conversion Cycle

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

CCC
+0.16 months

Notes and accounts receivable -trade 22,340	Notes and accounts payable-trade 23,635
Inventories(Note) 17,894	16,599

(Millions of yen)

- (Note) • 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 1.46-month level.

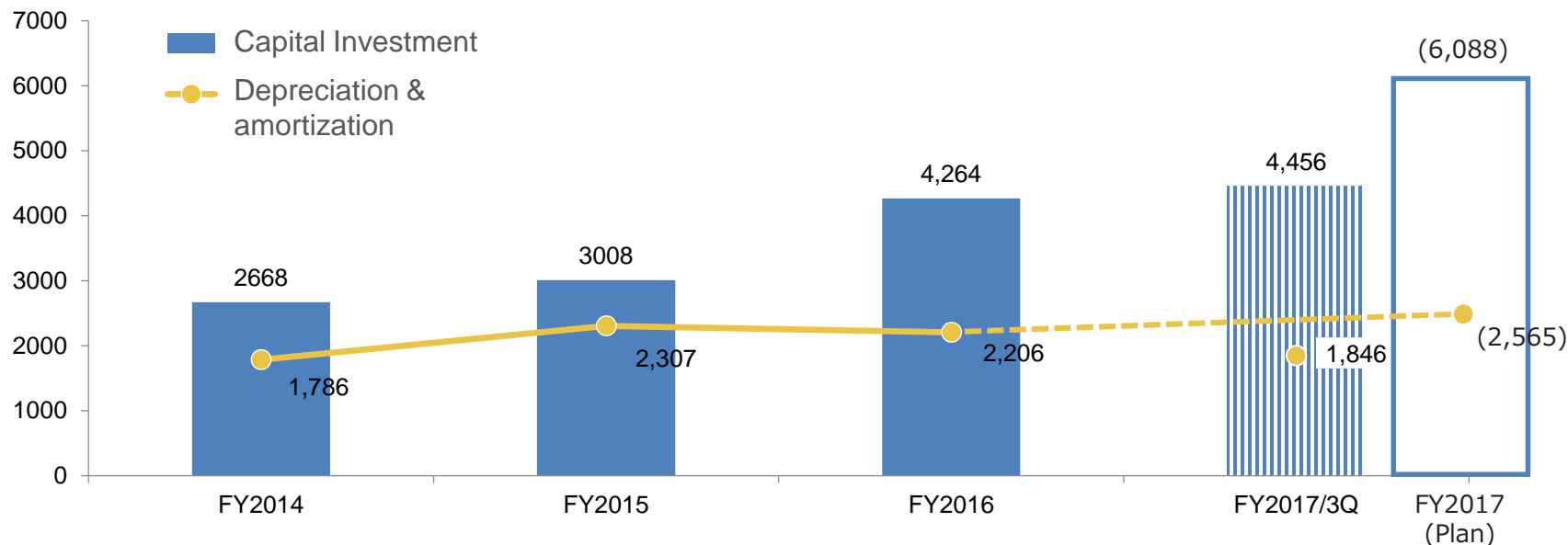
Total Assets ¥60,627million
Equity Ratio 27.4%

Total Assets ¥70,705million
Equity Ratio 25.7%



Capital Investment and Depreciation & Amortization

(Millions of yen)



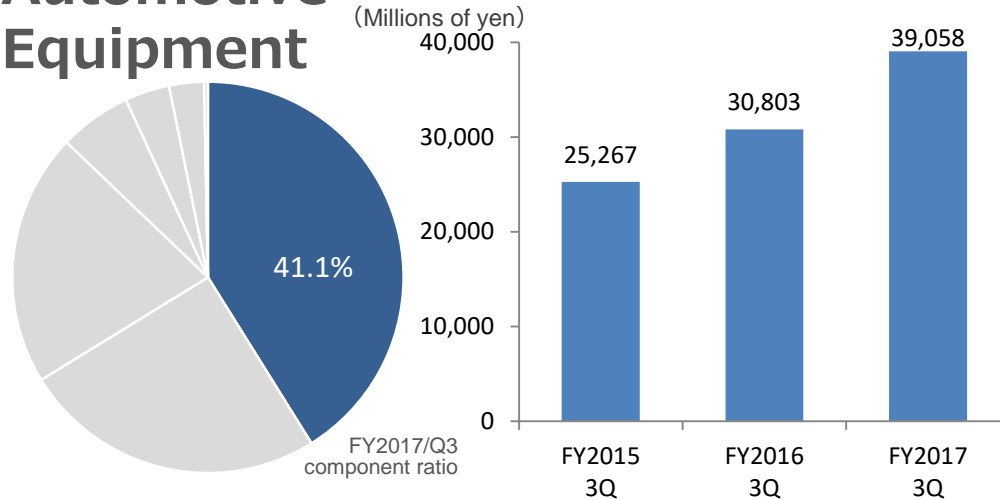
Breakdown of Capital Investment

(Millions of yen)	FY2014	FY2015	FY2016	FY2017/Q3 Actual	FY2017 Plan
Japan	567	318	860	537	876
China	1,533	1,157	1,233	1,448	1,724
Vietnam	496	959	664	757	1,119
Thailand	72	574	423	357	561
Mexico	0	0	1,081	1,357	1,806
Total	2,668	3,008	4,264	4,456	6,088



Net Sales by Product Category

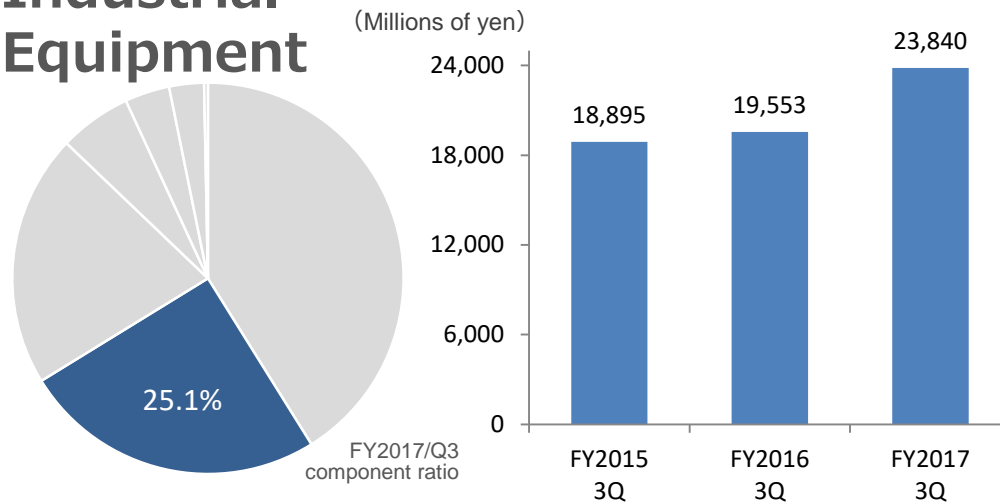
Automotive Equipment



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



Industrial Equipment



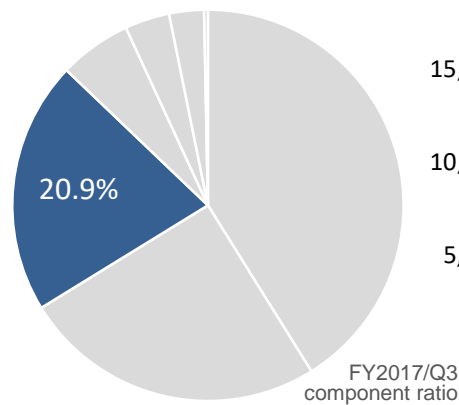
- ◆ Sales of power supply systems, inverters and motor drivers of leading Japanese manufacturers were strong.
- ◆ Sales of power supply-related products and products for semiconductor testers were strong.
- ◆ Proposed business development in Vietnam, which is an export base with price competitiveness,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



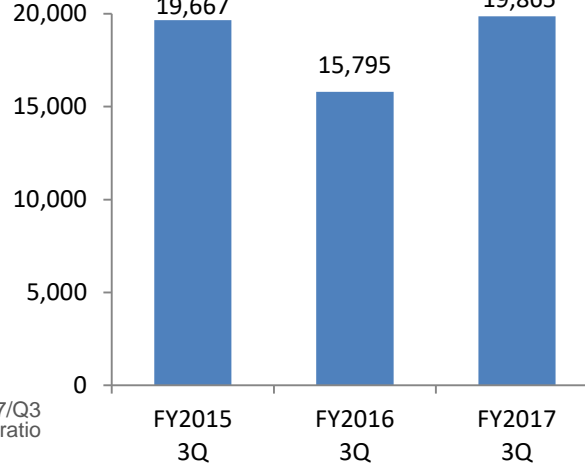


Net Sales by Product Category

Office Automation Equipment



(Millions of yen)

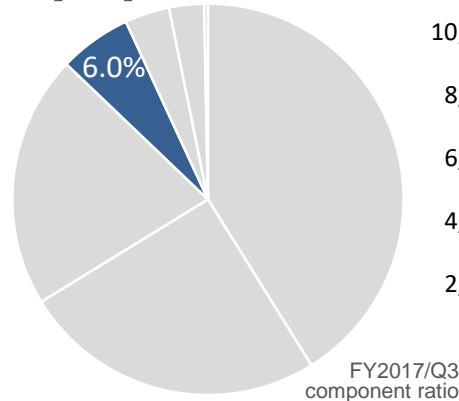


- ◆ The in-house share expanded due to the consolidation of vendors on the customers' side.
- ◆ The market is on track for recovery.

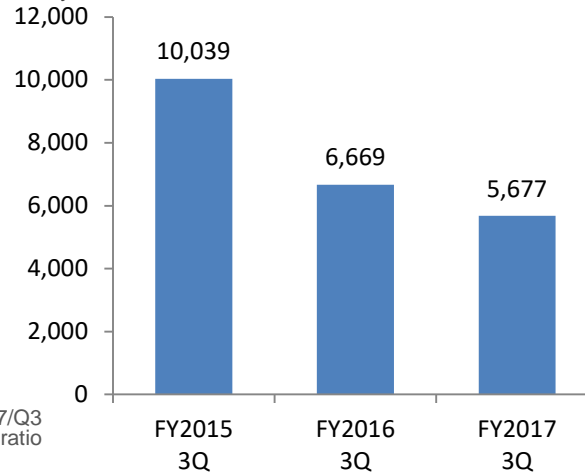


Various circuit boards for leading printer manufacturers

Consumer Equipment



(Millions of yen)



- ◆ Price competition among brand manufacturers was fierce.
- ◆ Foreign manufacturers such as Chinese companies are promising.
- ◆ We are narrowing down to products with high added value.
- ◆ Proposing production base optimization.



LED lighting

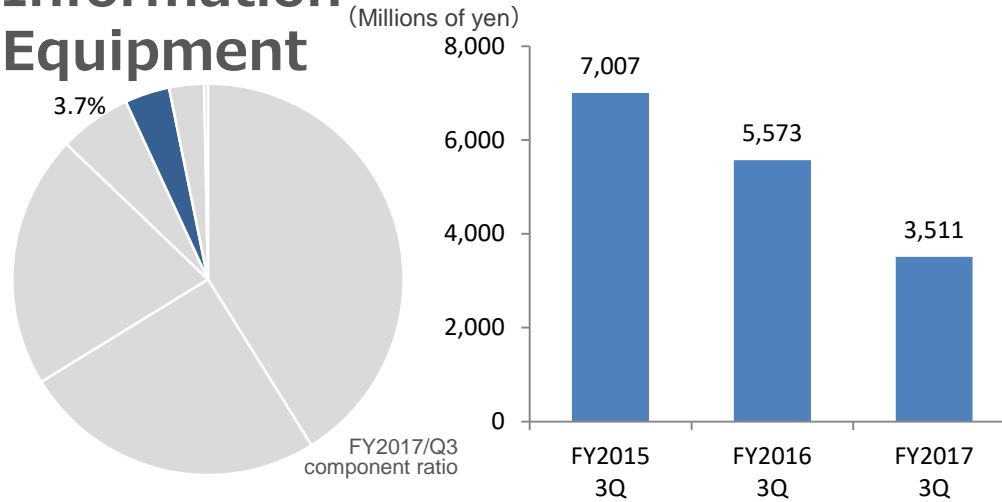


Circuit board for air purifier

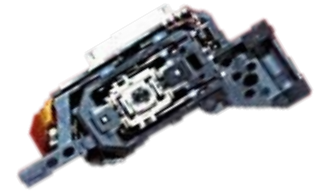


Net Sales by Product Category

Information Equipment



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



Optical pickup



Progress of Mexican Factory Development

New facilities to meet the demands of automotive equipment customers

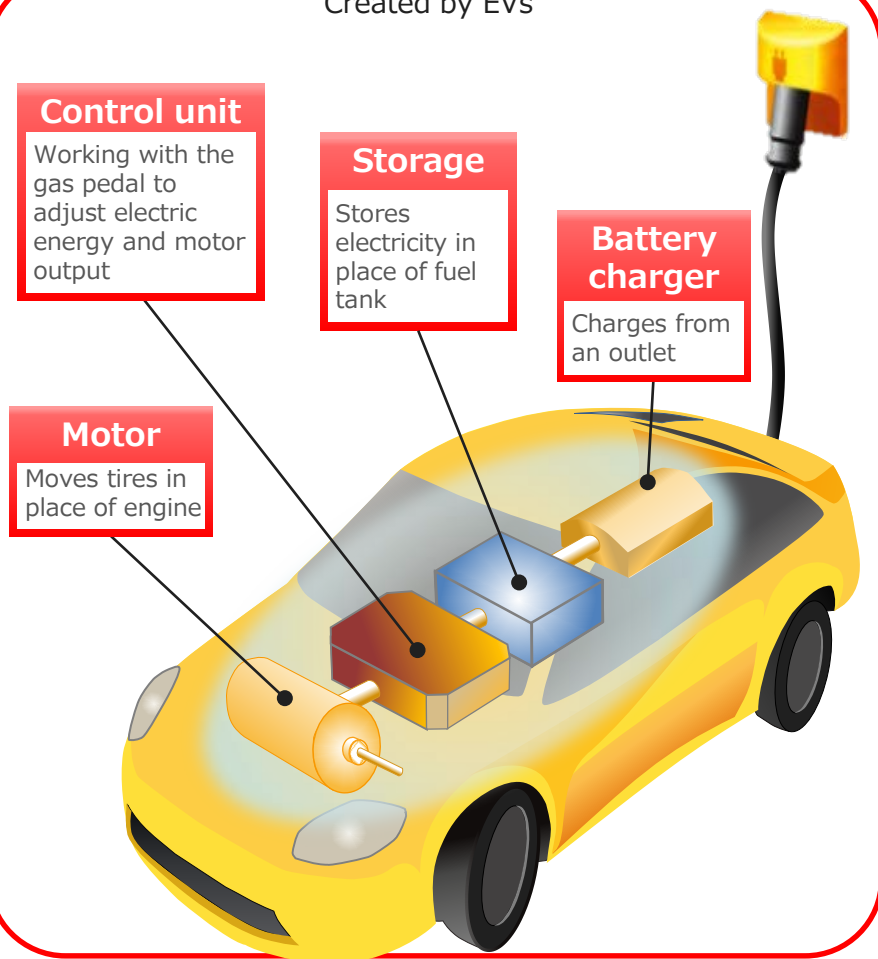
- A manufacturing factory handling the entire process from molding to substrate installation and assembly
- Delivery of the production area has been completed, and preparations for the start of mass production are now underway
- Improves collaboration with the North American office (Chicago office)
- Promotes sales activities targeting products for automotive equipment and the North American market

Location	Lagos De Moreno, Jalisco
Size	<ul style="list-style-type: none"> • Land area: 47,700 sq. meters • Building area: 15,000 sq. meters
Capital	2,732 million yen

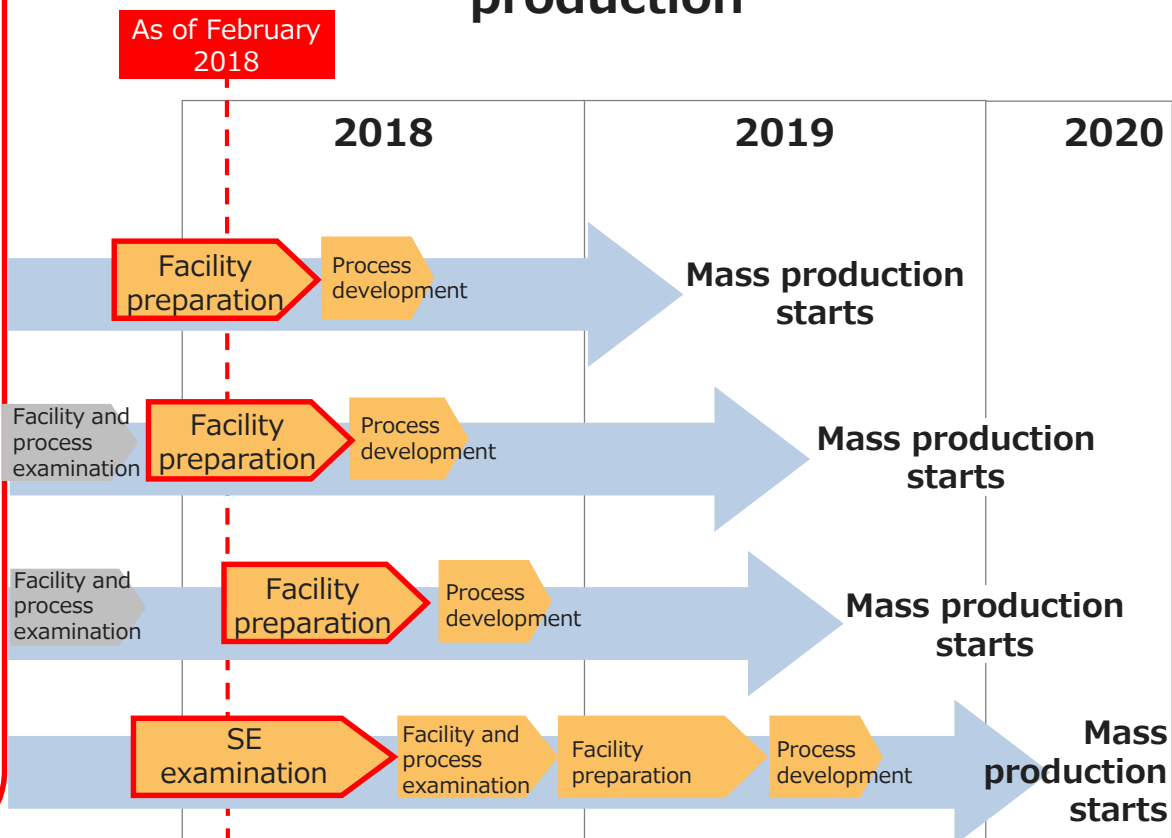


New Automotive Equipment Project: Roadmap to Mass Production

Products for Which New Demand Will be Created by EVs



More than 10 projects are currently underway ahead of the start of mass production



Focus on facility production for mass production that will begin in or after the next fiscal year



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

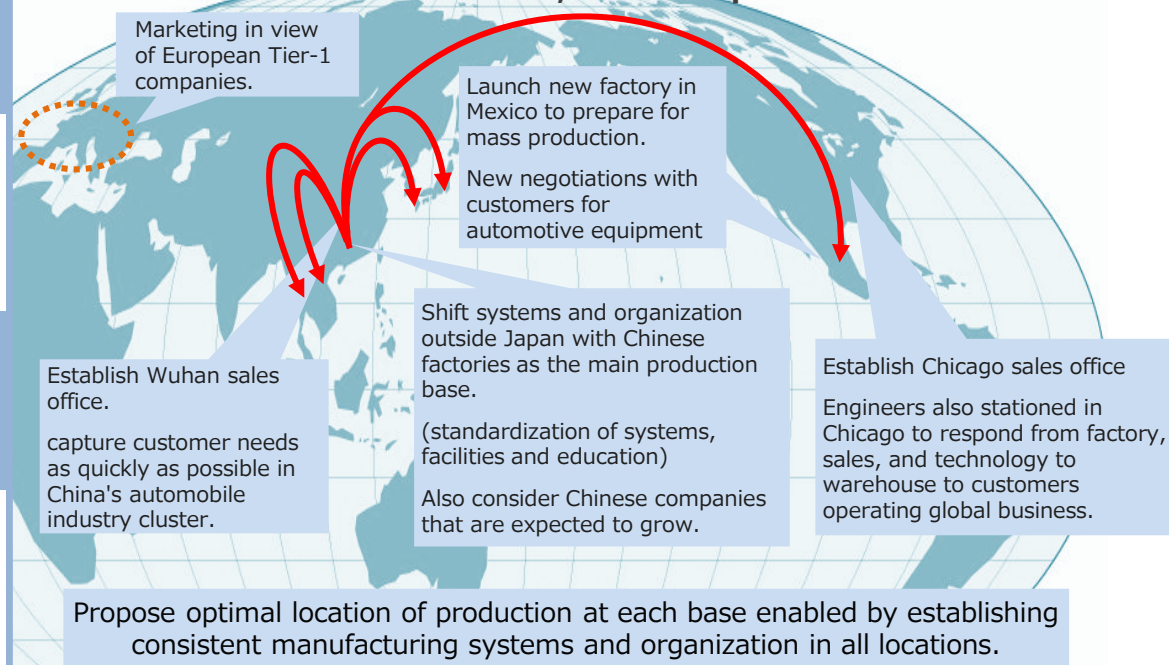
Make proposals to fully satisfy customer needs and build long-term partnerships.

Target (approach)/status

1. Industry's top manufacturers that lead manufacturing expertise (develop new methods and technologies with customers)	2. Manufacturers focusing on new technologies while entrusting suppliers with manufacturing (fabless-style approach)
Increase in new negotiations through offers from upstream design	<ul style="list-style-type: none"> Orders for automotive products are received from global manufacturers successively in Japan, China, Thailand, and Mexico.
<ul style="list-style-type: none"> 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. 	3. Top specialized manufacturers in existing product segments (UMCE prepares plans to solve customers' problems).
	<ul style="list-style-type: none"> Inverter projects for EVs Power supply business projects Semiconductor-related business

Regions

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



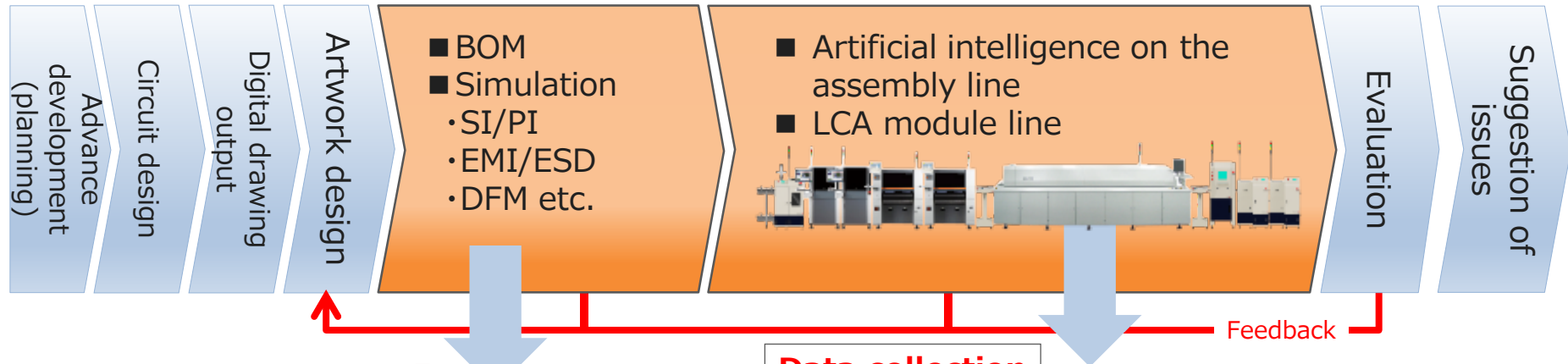
“Manufacturing through a total solution” from upstream design to mounting technology and manufacturing
 Use of smart factories



Manufacturing through a total solution

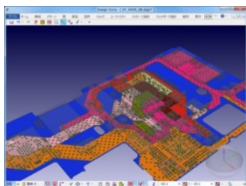
Efforts to improve design and manufacturing quality: thoroughly maintained production lines that prevent defects

Customer communication on issues to solve problems (SE activities)

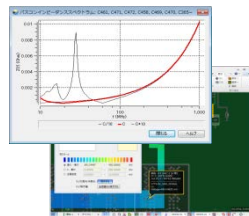


Design verification using simulation Increased efficiency

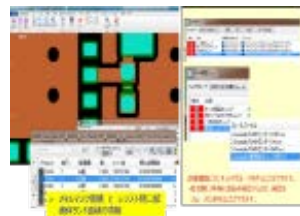
SI/PI verification



EMI/ESD verification



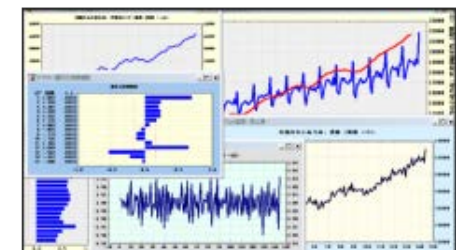
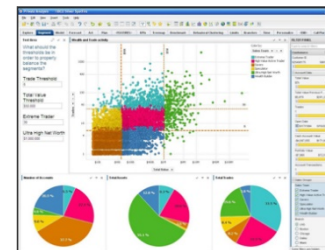
DFM verification



Data collection

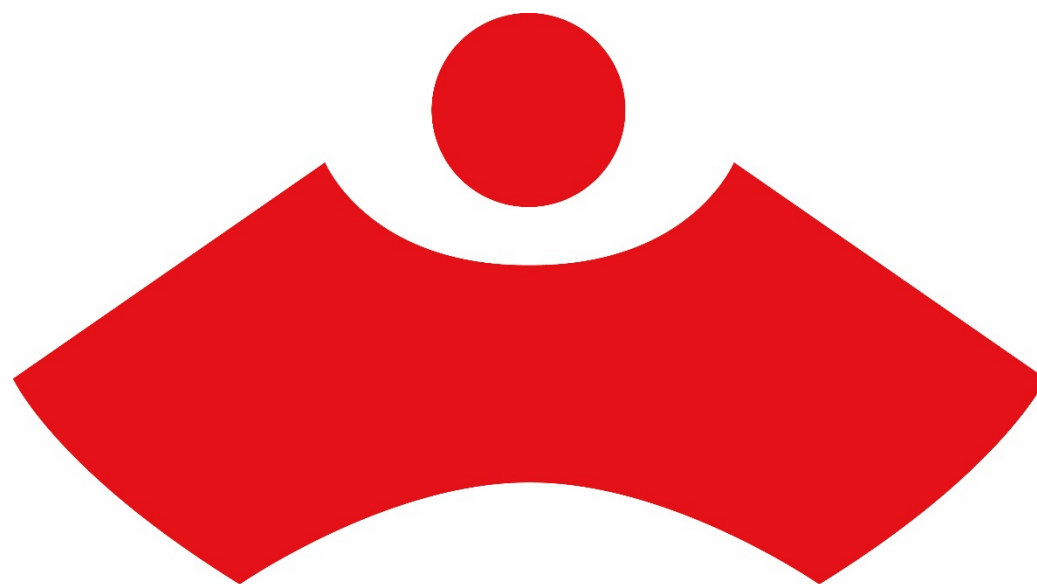
SMT: solder film thickness, installation accuracy, temperature variation, and image examination
 FAT: screwing torque, coating film thickness, image examination, and FCT

Data analysis using AI and big data



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