

*Change UMC, beyond EMS*

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

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

# Contents

**1. Introduction ..... 2**  
(Basic agreement with Hitachi, Ltd. on collaboration for strengthening manufacturing)

**2. Fiscal 2017 Consolidated Financial Results ..... 4**  
(Fiscal year ended March 31, 2018)

**3. Results by Product Category .....11**

**4. Fiscal 2018 Financial Forecast .....14**

(Note) The amount figures in this material are rounded down to the nearest whole number.  
The profit rate, the rate of change, the distribution rate and equivalents are rounded to the nearest tenth of a percent.

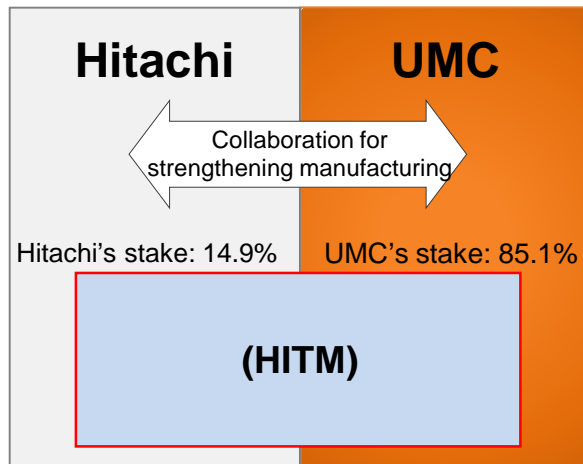
# Introduction

Announcement on April 3, 2018:

## Basic agreement with Hitachi, Ltd. on collaboration for strengthening manufacturing

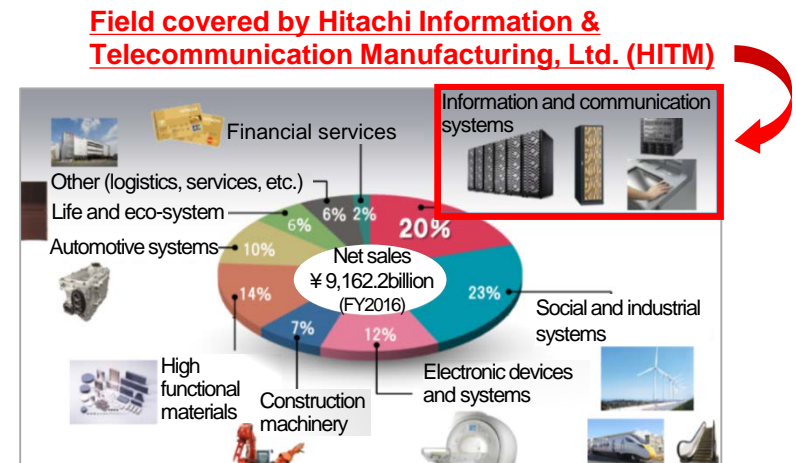
- **Hitachi, Ltd.** and **UMC Electronics Co., Ltd.** reached a basic agreement on collaboration for strengthening manufacturing in the IT product field, including server, storage and network equipment.
- Under this agreement, **UMC Electronics acquired\* shares of Hitachi Information & Telecommunication Manufacturing, Ltd. (HITM)**, a wholly owned subsidiary of Hitachi, and manufacturing assets of the related manufacturing bases owned by Hitachi.

### Collaborative Structure



\*Official acquisition due in July 2018

### Reference: Business of Hitachi, Ltd. (Fiscal 2016)



Excerpt from material produced by Hitachi, Ltd.

# Introduction

Excerpt from presentation material produced by Hitachi, Ltd. (published on May 9)

**"Actions for Strengthening MONOZUKURI"**  
**モノづくり強化の取り組み**

**HITACHI**  
Inspire the Next

2018/4/3 UMCエレクトロニクス社とモノづくり強化協業で基本合意  
"Reaching basic agreement with UMC Electronics on collaboration for strengthening manufacturing on Apr. 3, 2018"

日立ストレージの  
高品質なモノづくり力 + UMCエレクトロニクス社  
ポリウムオペレーションの  
コスト競争力

"Hitachi Storage Solutions' high quality manufacturing capabilities" + "UMC Electronics' cost competitiveness in volume operation"

**競争力ある新たな製造業の  
ビジネスモデルを確立**  
"Establishing a new competitive business model for manufacturing"

高品質かつコスト競争力の高い日立ブランドのストレージを  
需要が急拡大するデータセンター市場向けをはじめとする、  
国内外の幅広いお客さまに提供

"Offering Hitachi-branded storage solutions with high quality and cost competitiveness to the data center market with rapidly growing demand and a wide range of customers in Japan and overseas"

UMCエレクトロニクス社・ユー・エム・シー・エレクトロニクス株式会社 © Hitachi, Ltd. 2018. All rights reserved.

Translation by  
UMC Electronics

## [Hadano Site]

◆ Land area: approx. 190,000 m<sup>2</sup> (Building area: 67,000 m<sup>2</sup>)

## [Koriyama Site]

◆ Land area: approx. 70,000 m<sup>2</sup> (Building area: 17,000 m<sup>2</sup>)

### Hadano Site

Expertise and technical strength for maintaining the world's top-rated efficiency and quality and mother factory configuration that supports global production

#### Products



### Koriyama Site

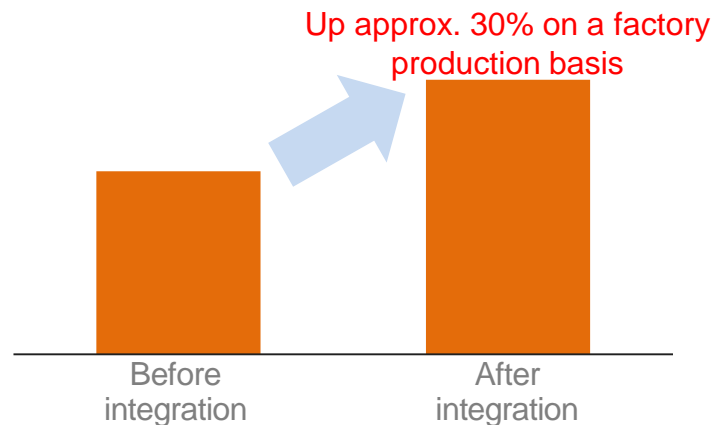
Production expertise for maintaining cost effectiveness, high quality and high reliability and for rapid responses to changes in production

#### Products

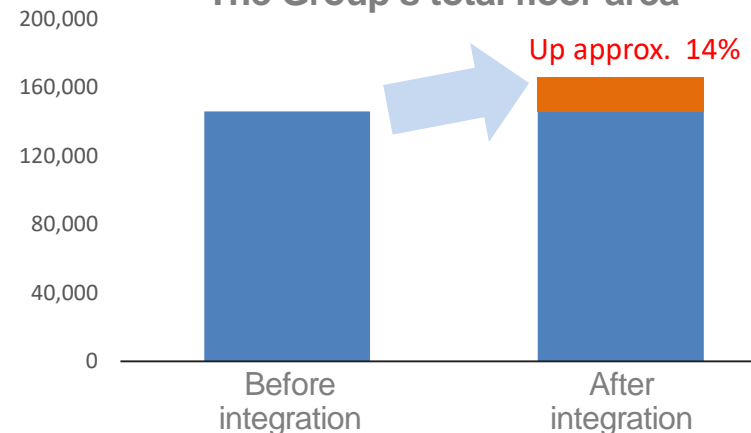


Excerpts from material produced by Hitachi, Ltd.

## Increase in production of the Group's factories



## The Group's total floor area





# Summary of Consolidated Financial Results

(Millions of yen)	FY2016	FY2017	YoY	
			Change	Percentage change
Net Sales	111,915	125,676	+13,761	+12.3%
(Plant Output)* <sup>1</sup>	24,382 21.8%	26,073 20.7%	+1,690 (1.0pt)	+ 6.9% —
Gross Profit	7,077 6.3%	7,315 5.8%	+238 (0.5pt)	+3.4% —
Operating Income	2,873 2.6%	2,543 2.0%	(329) (0.5pt)	(11.5%) —
Ordinary income	2,160 1.9%	2,075 1.7%	(84) (0.2pt)	(3.9%) —
Net Income	1,306 1.2%	1,518 1.2%	+211 +0.0pt	+16.2% —
USD Rate (JPY)	Average 108.42 End of period 112.20	Average 110.86 End of period 106.27	+2.44 (5.93)	

\*1 Plant Output= Net sales - Parts cost

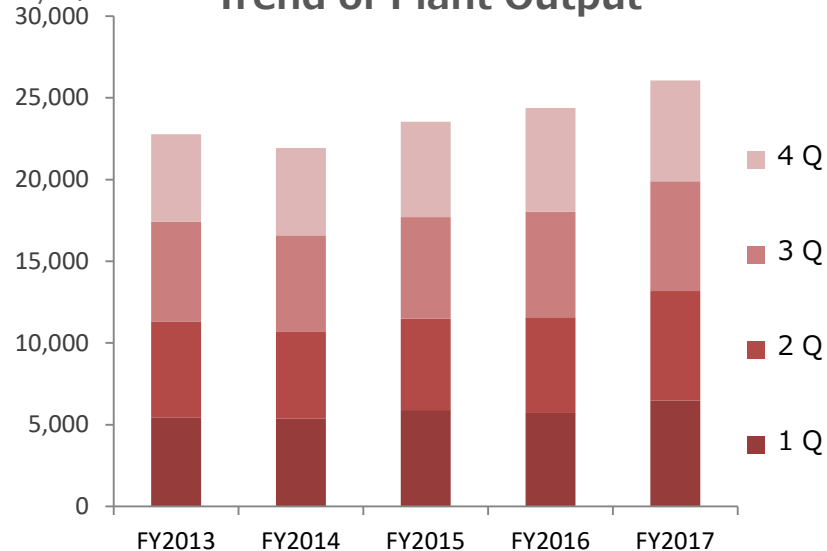
The net sales of an EMS company depends heavily on the product unit price and thus the Company discloses it as an indicator of "plant output," which shows the added value.



# Performance Trends

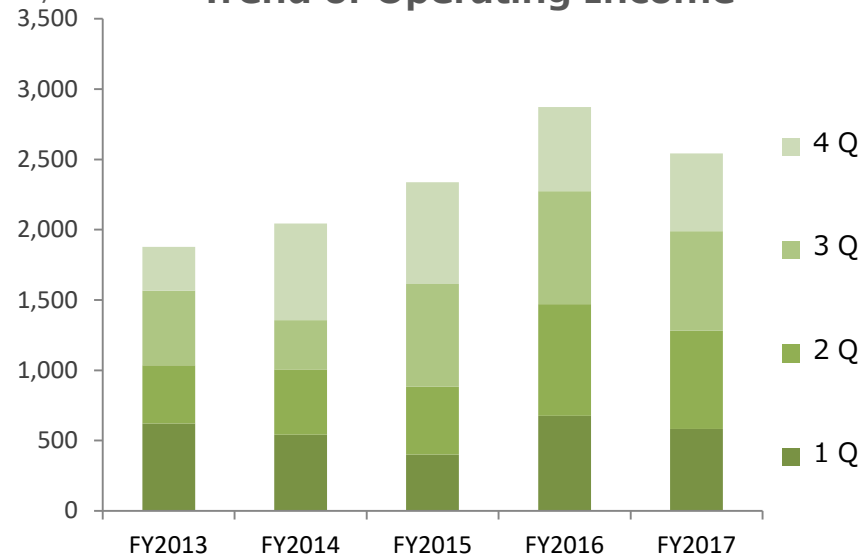
(Millions of yen)

## Trend of Plant Output

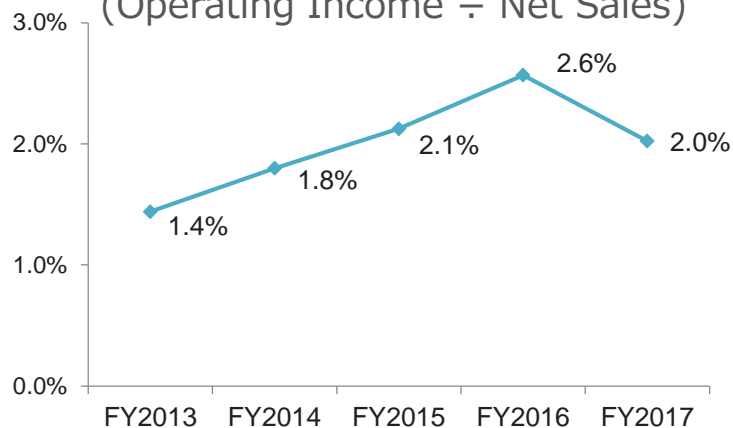


(Millions of yen)

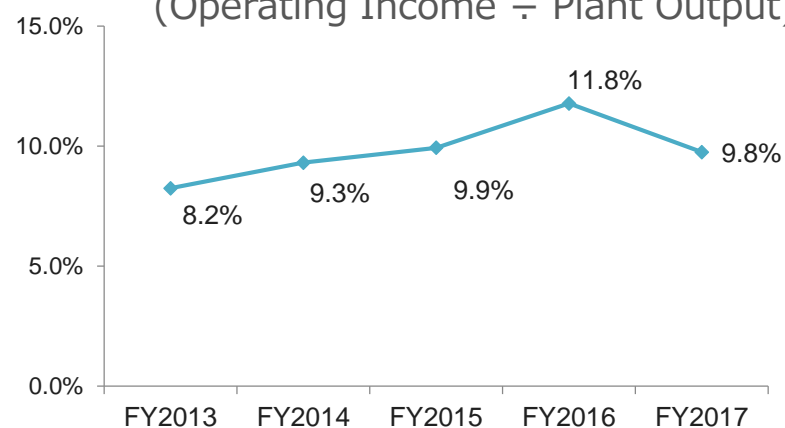
## Trend of Operating Income



## Trend of Operating Margin (Operating Income ÷ Net Sales)



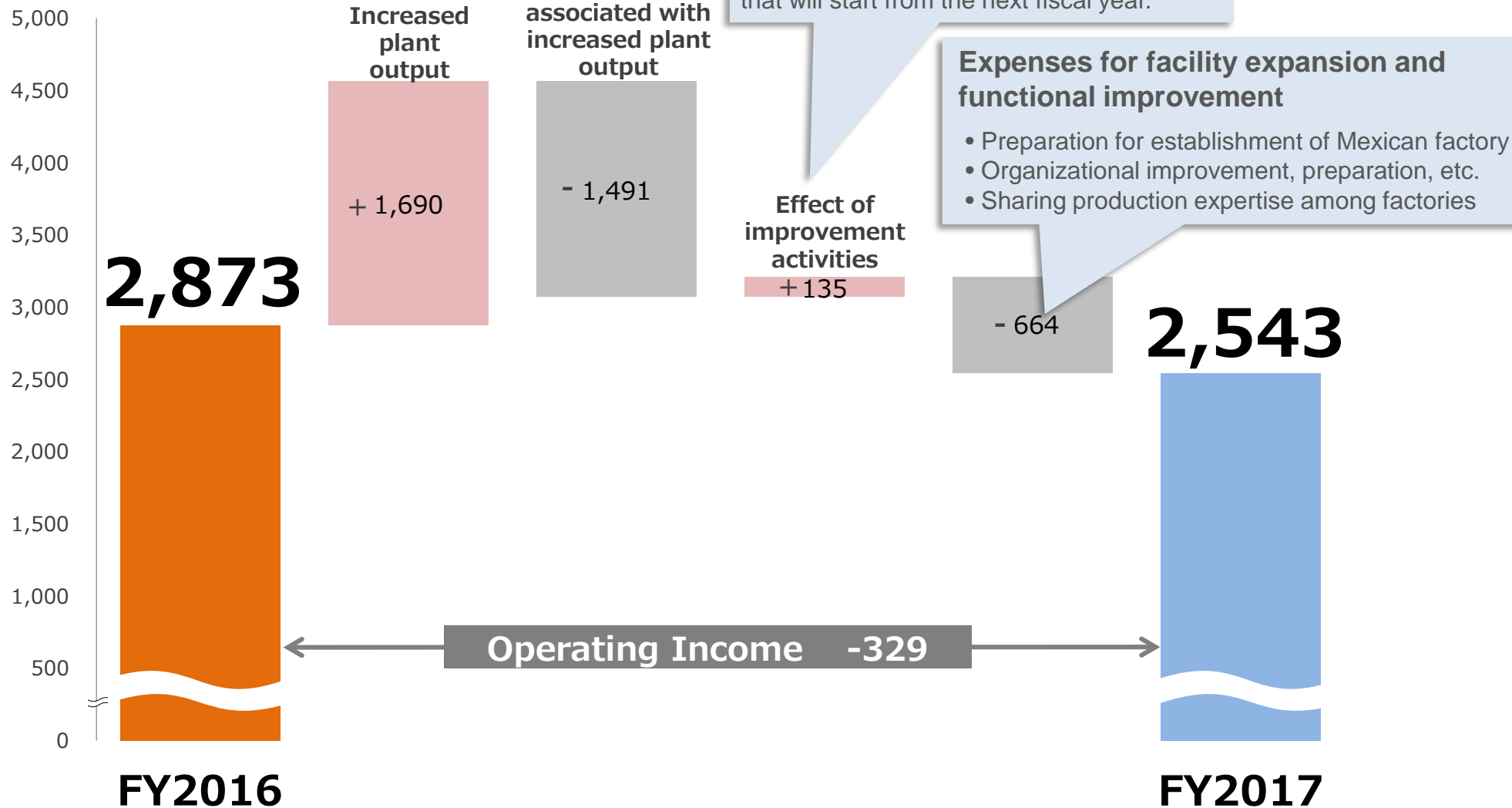
## Trend of Operating Margin (Operating Income ÷ Plant Output)





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

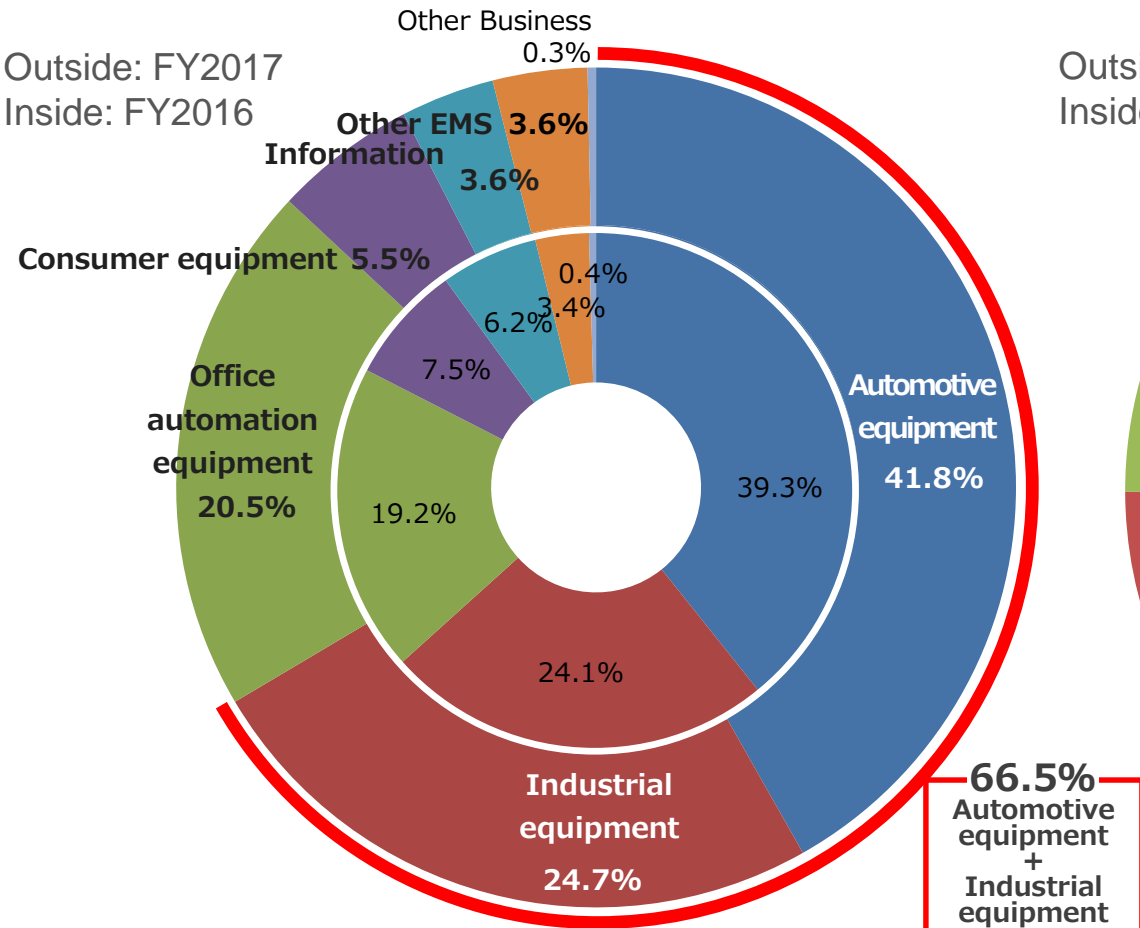
(Millions of yen)





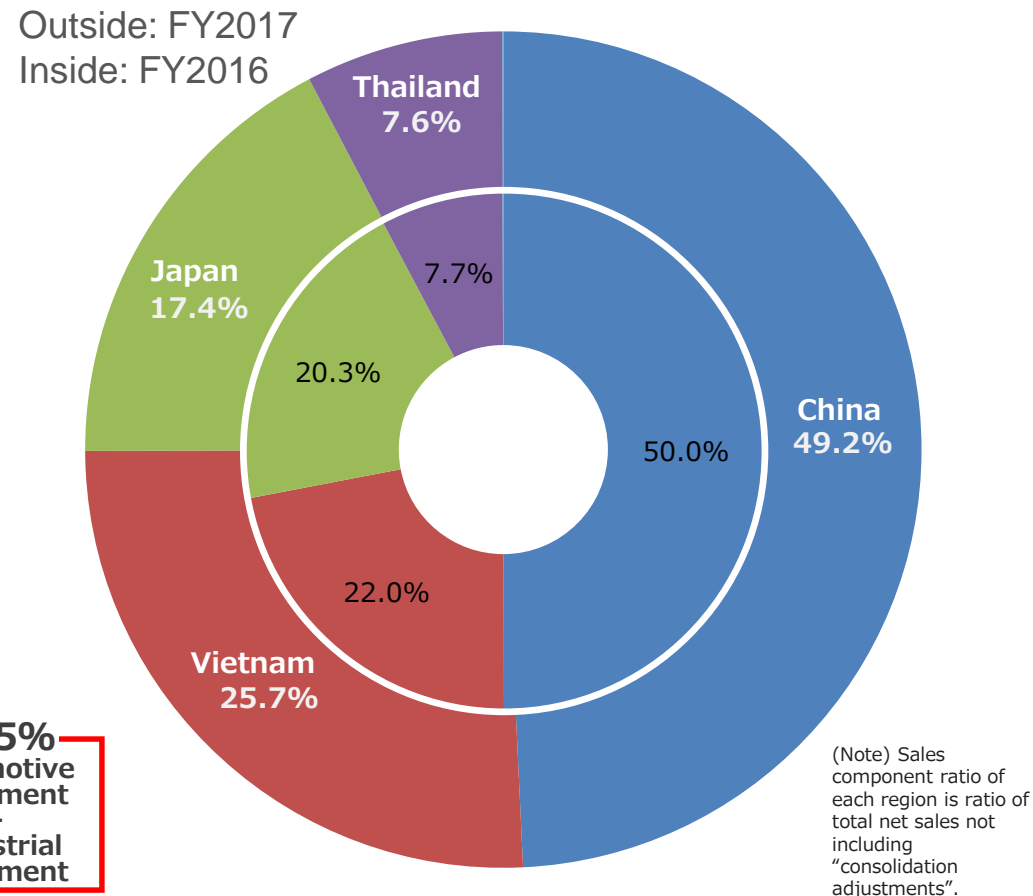
# Sales Breakdowns by Product Category and by Region

## Net sales by product category



**Ratio of automotive and industrial equipment sales rose 4.9% YoY**

## Net sales by region



**Base in Vietnam was growth**

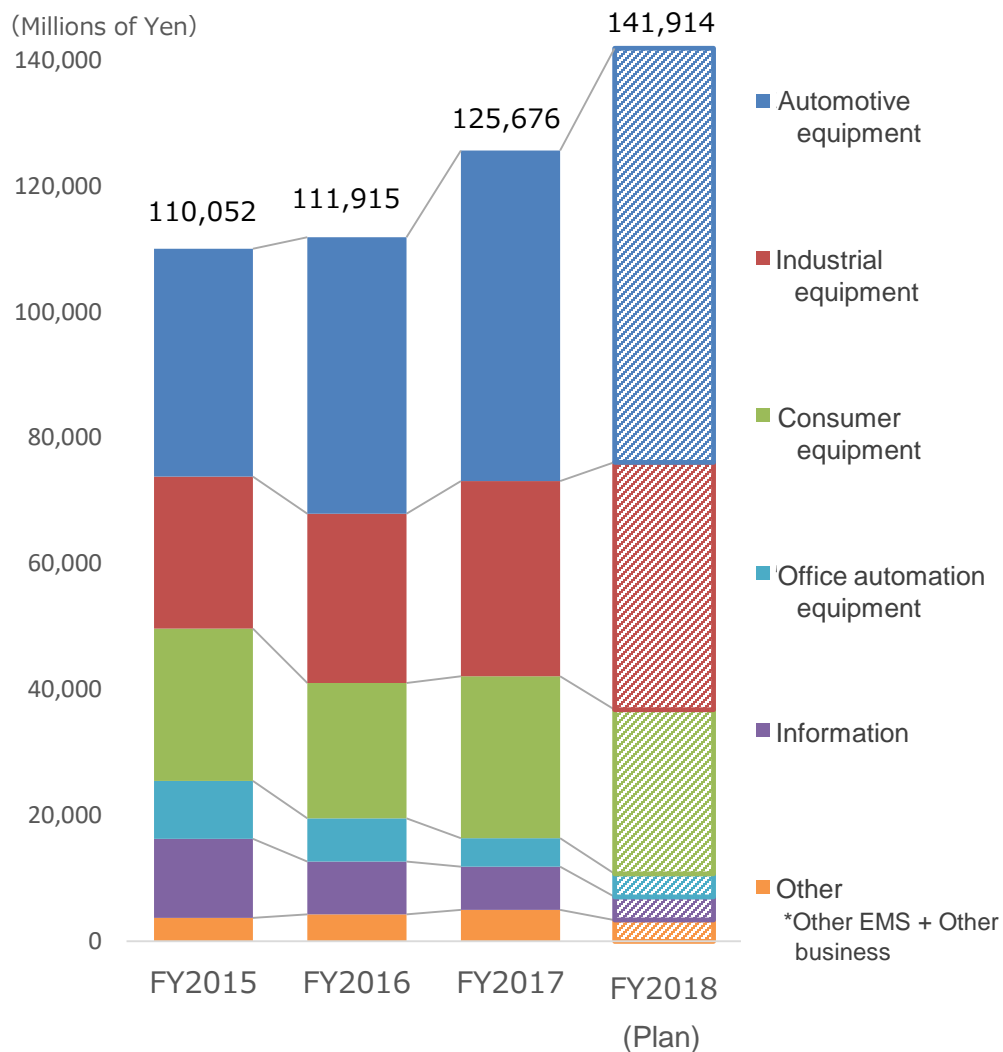




# Sales Breakdowns by Product Category

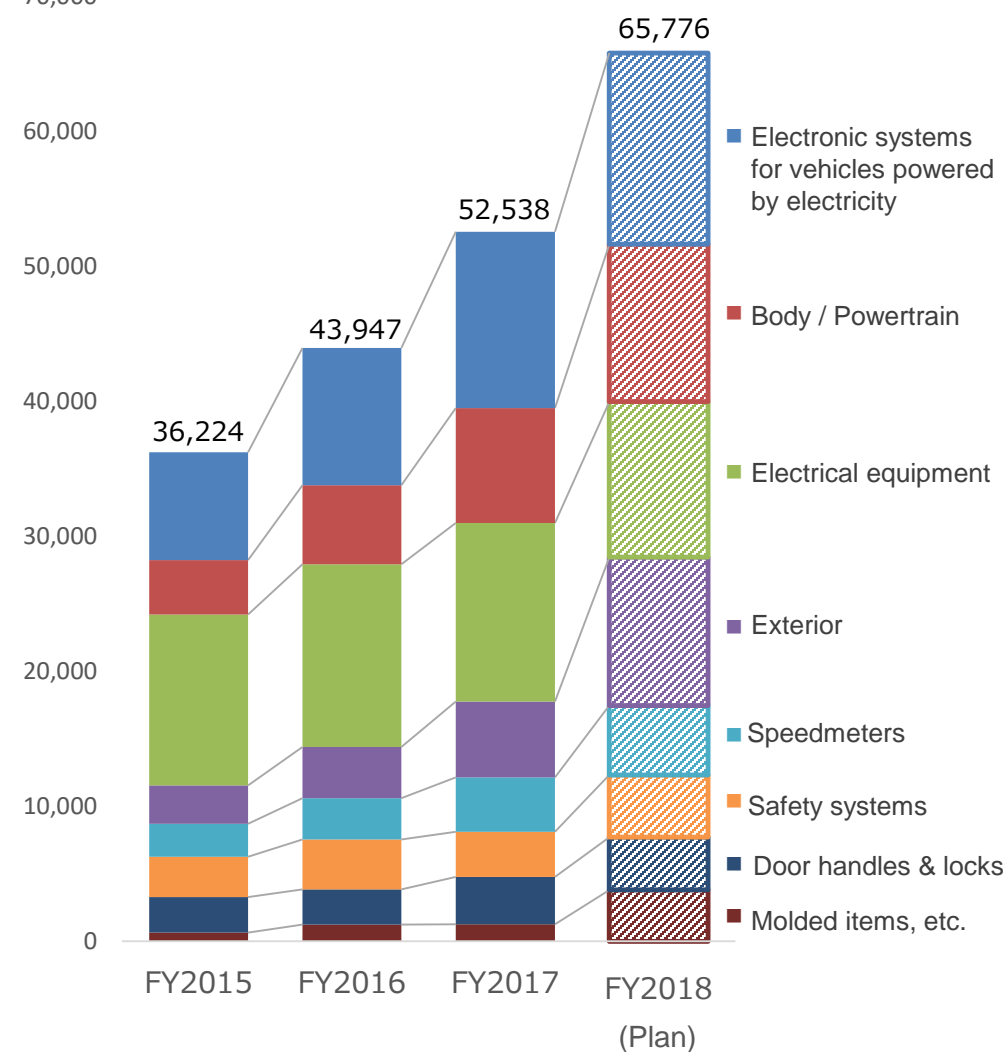
## Net sales by product category

(Millions of Yen)



## Break down of Automotive equipment

(Millions of Yen)





# Balance sheet and Cash flow

## Balance Sheet

**FY2016**

(Millions of yen)

**60,627**

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

**FY2017**

**65,923**

<b>Current Assets</b> 45,039	<b>Liabilities</b> 24,631
	<b>Interest bearing Debt</b> 23,084
<b>Noncurrent Assets</b> 20,883	<b>Net Asset</b> 18,208

### Cash Conversion Cycle

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

**CCC**  
**+0.2 months**

Notes and accounts receivable -trade	Notes and accounts payable-trade
21,289	20,775
Inventories *	16,401
15,887	

- 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 ¥65,923million**  
**Equity Ratio 27.5%**

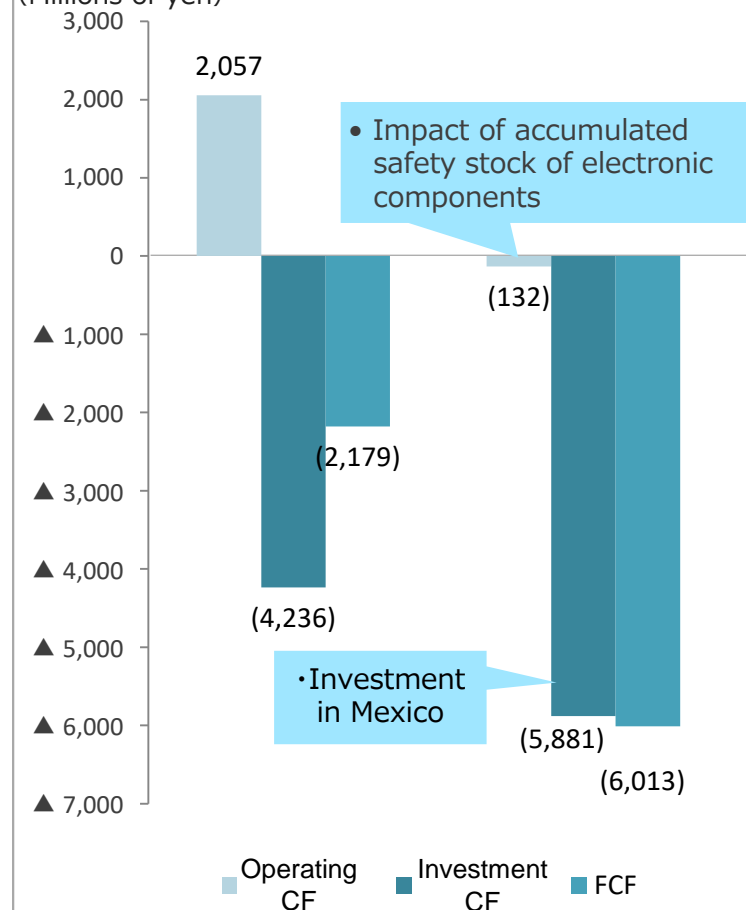
(Note) Interest-bearing debt is all liabilities recorded on the balance sheet on which the Company pays interest

## Cash Flow

**FY2016**

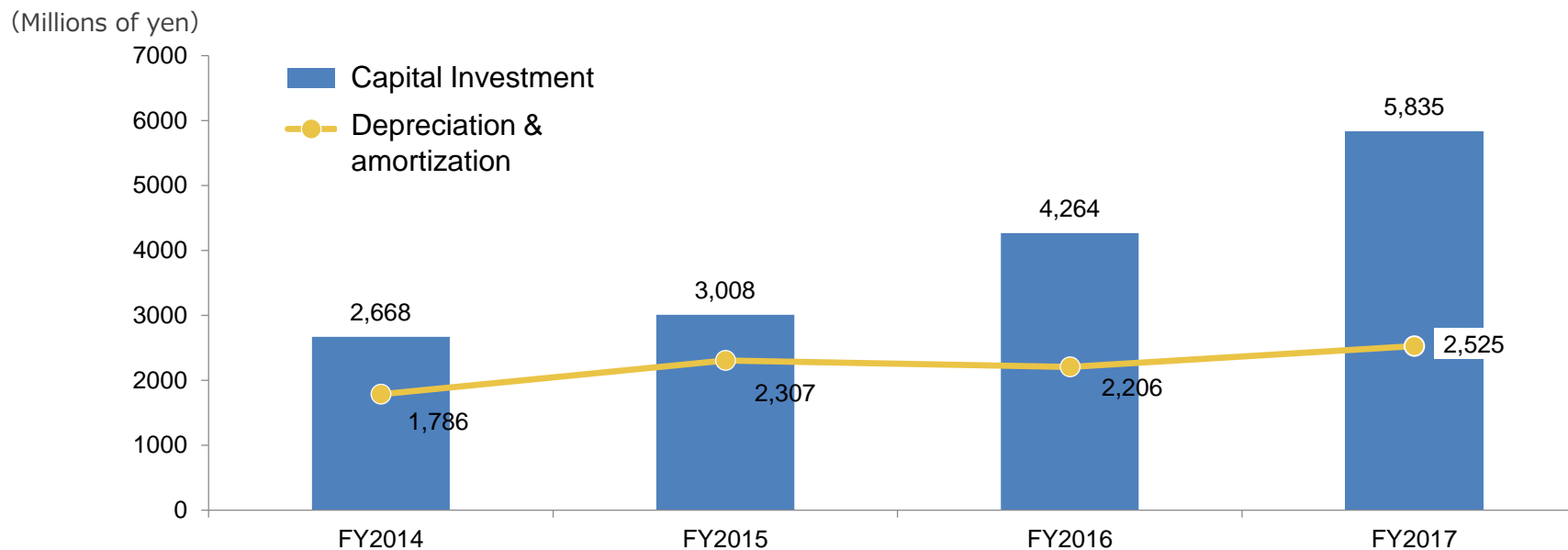
**FY2017**

(Millions of yen)





# Capital Investment and Depreciation & Amortization



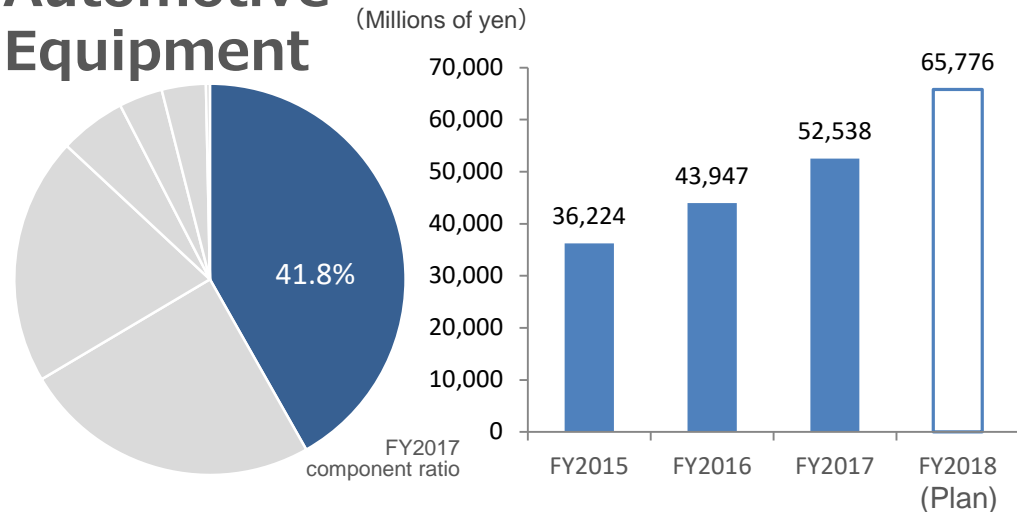
## Breakdown of Capital Investment

(Millions of yen)	FY2014	FY2015	FY2016	FY2017
<b>Japan</b>	567	318	860	852
<b>China</b>	1,533	1,157	1,233	1,712
<b>Vietnam</b>	496	959	664	965
<b>Thailand</b>	72	574	423	680
<b>Mexco</b>	0	0	1,081	1,624
<b>Total</b>	2,668	3,008	4,264	5,835

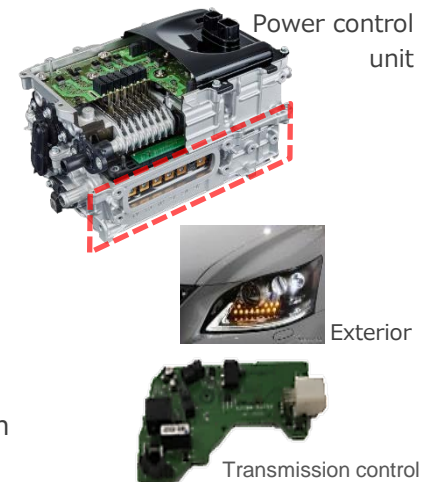


# Net Sales by Product Category

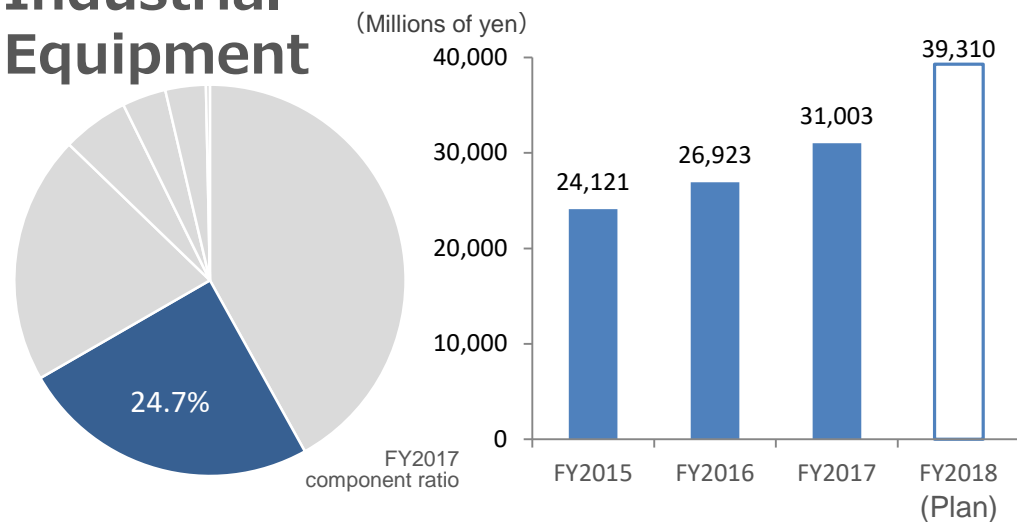
## Automotive Equipment



- ◆ The new project launched in fiscal 2017 contributed to results.
- ◆ Sales of critical safety parts such as powertrains, 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.
- ◆ Transactions with new growing companies and Chinese companies increased.
- ◆ Conceptualize LCA for power supply systems
- ◆ In FY2017, the portfolio will be changed due to a shift to higher value-added products.

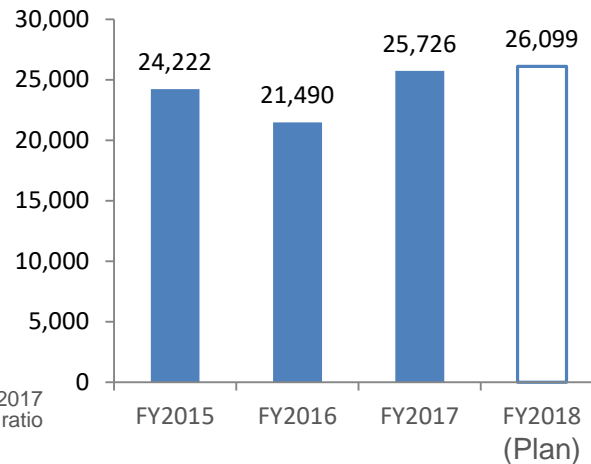
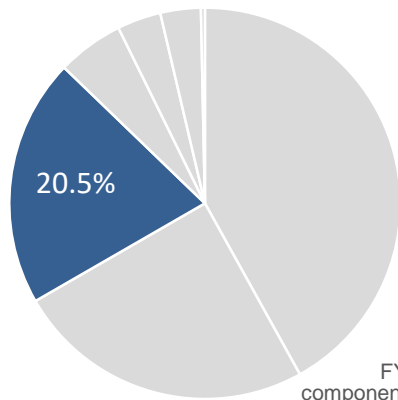




# Net Sales by Product Category

## Office Automation Equipment

(Millions of yen)



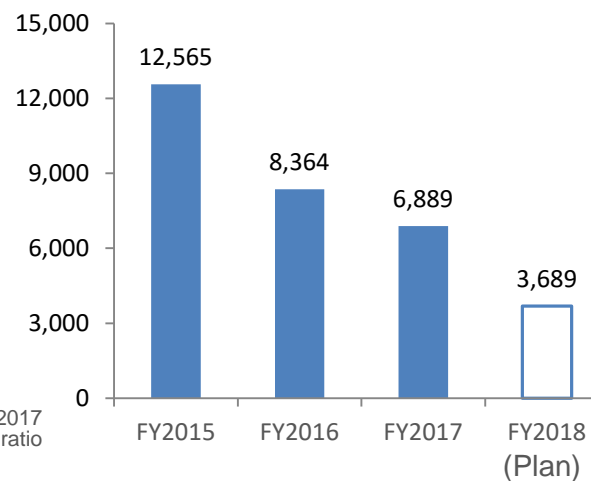
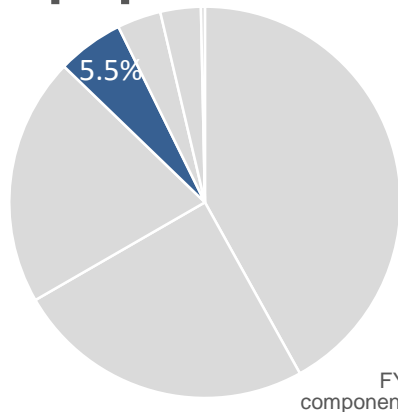
- ◆ The in-house share expanded due to the consolidation of vendors on the customers' side.
- ◆ The market is on track for recovery.



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

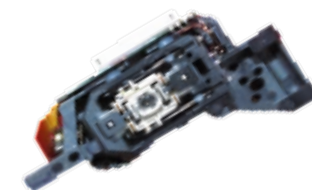
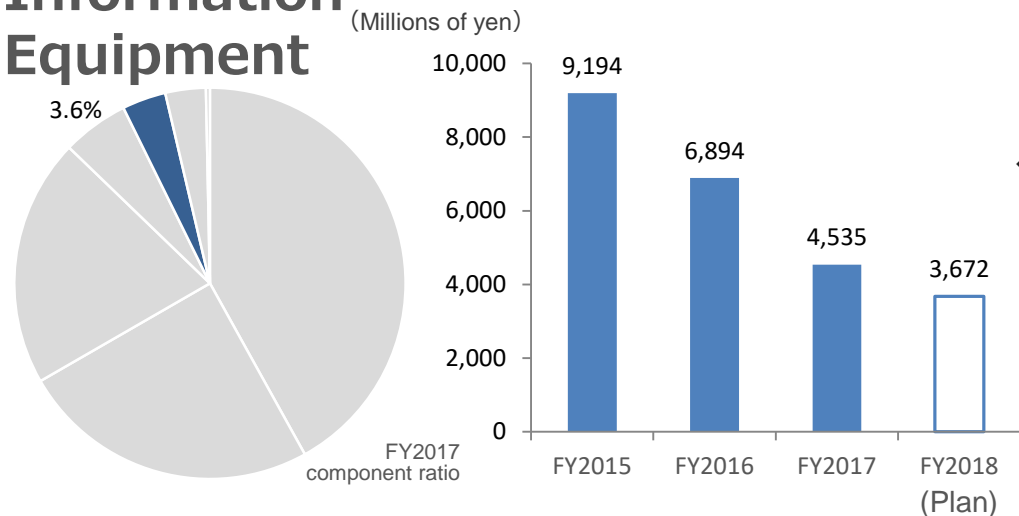


Circuit board for air purifier



# Net Sales by Product Category

## Information Equipment



Optical pickup



# Outlook for FY2018

(Millions of yen)	FY2016 Result	FY2017 Result	FY2018 Forecast	Compared to previous period (FY2017 vs. FY2018)	
				Change	Percentage change
Net Sales	111,915	125,676	141,914	+16,238	+12.9%
(Plant Output)* <sup>1</sup>	24,382 21.8%	26,073 20.7%	30,183 21.3%	+4,110	+15.8%
Gross Profit	7,077 6.3%	7,315 5.8%	7,489 5.3%	+174	+2.4%
Operating Income	2,873 2.6%	2,543 2.0%	2,678 1.9%	+135	+5.3%
Ordinary income	2,160 1.9%	2,075 1.7%	2,295 1.6%	+220	+10.6%
Net Income	1,306 1.2%	1,518 1.2%	1,799 1.3%	+281	+18.6%
USD Rate (JPY)	Average 108.42 End of period 112.20	Average 110.86 End of period 106.27	105.00	(5.86)	

\*1 Plant Output= Net sales - Parts cost

- This material is provided for informational purposes only and does not constitute solicitation for investment activity or a recommendation of specific stock.
- Some of the information disclosed by the Company may contain projections about the future and forward-looking statements. Such forward-looking statements are based on the Company's judgment and information available to the Company at the time this material was prepared, and may change due to a variety of factors. These projections and forecasts involve risks and uncertainties, and the Company makes no guarantee that they will prove to be correct. Actual results may differ materially from the forecasts.
- While the Company makes every effort to ensure that the information contained in this material is correct, the Company makes no guarantee whatsoever with respect to the accuracy, reliability, suitability or fairness of the content. Please note that the information contained in this material may be changed or removed without notice.
- No portion of this material may be reproduced or appropriated without the Company's prior permission.

**[Inquiries] PR/IR Dept., Administration Division, UMC Electronics Co., Ltd.  
TEL. +81-48-724-0001**





**UMC**