

Change UMC, beyond EMS

**Financial Results
for the First Quarter
Ended June 30, 2018**

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)	FY2017 Q1 Result	FY2018 Q1 Result	YoY	
			Change	Percentage change
Net Sales	30,016	31,162	+1,146	3.8%
(Plant Output)* ¹	6,479 21.6%	6,552 21.0%	+73 (0.6pt)	1.1% —
Gross Profit	1,749 5.8%	1,548 5.0%	(201) (0.8 pt)	(11.5%) —
Operating Income	583 1.9%	292 0.9%	(291) (1.0pt)	(49.9%) —
Ordinary income	500 1.7%	(106) —	(607) —	— —
Net Income	340 1.1%	(50) —	(391) —	— —
USD Rate (JPY)	Average 111.10 End of period 112.00	Average 109.07 End of period 110.54	△2.03 △1.46	

*1 Plant Output= Net sales - Parts cost

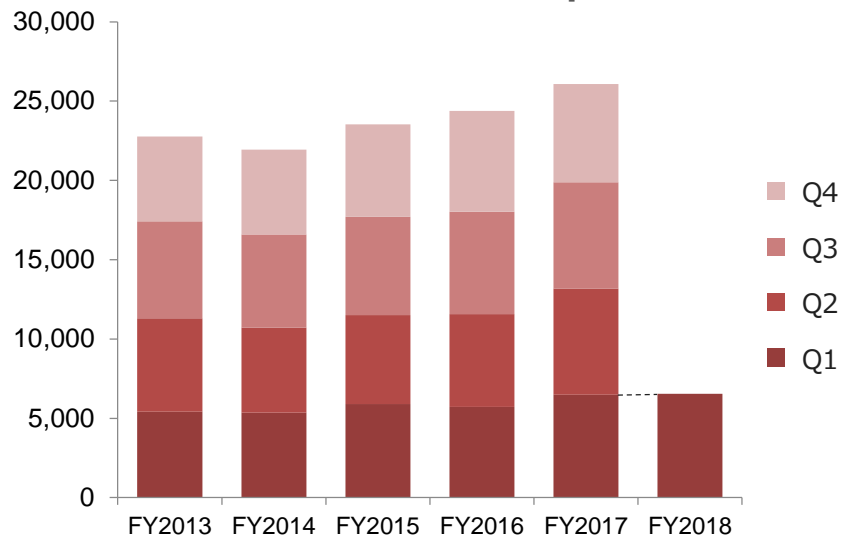
The net sales of an EMS company depends heavily on the product unit price and thus the Company discloses it as an indicator of "plant output," which shows the added value.



Performance Trends

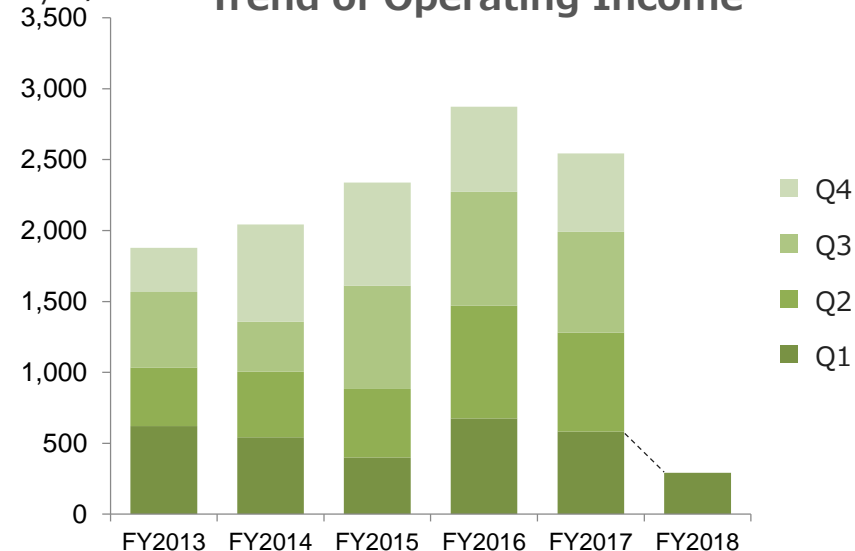
(Millions of yen)

Trend of Plant Output

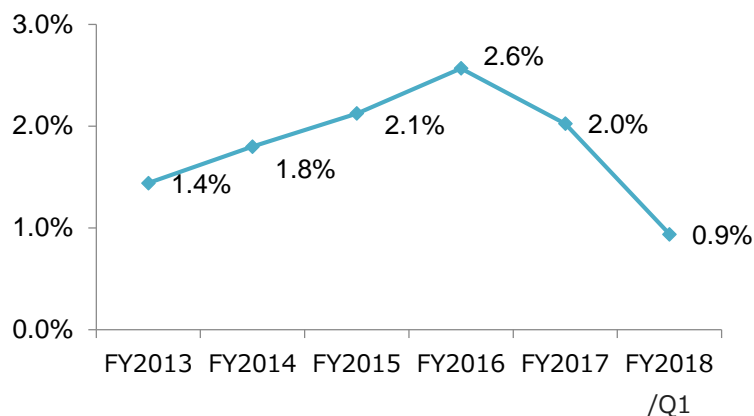


(Millions of yen)

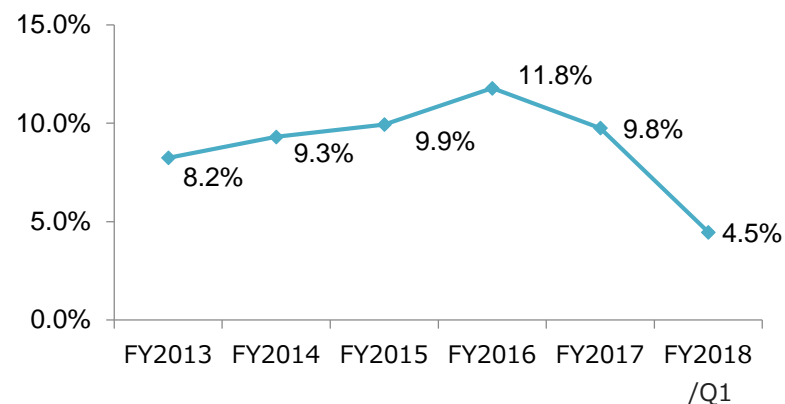
Trend of Operating Income



Trend of Operating Margin (Operating Income ÷ Net Sales)



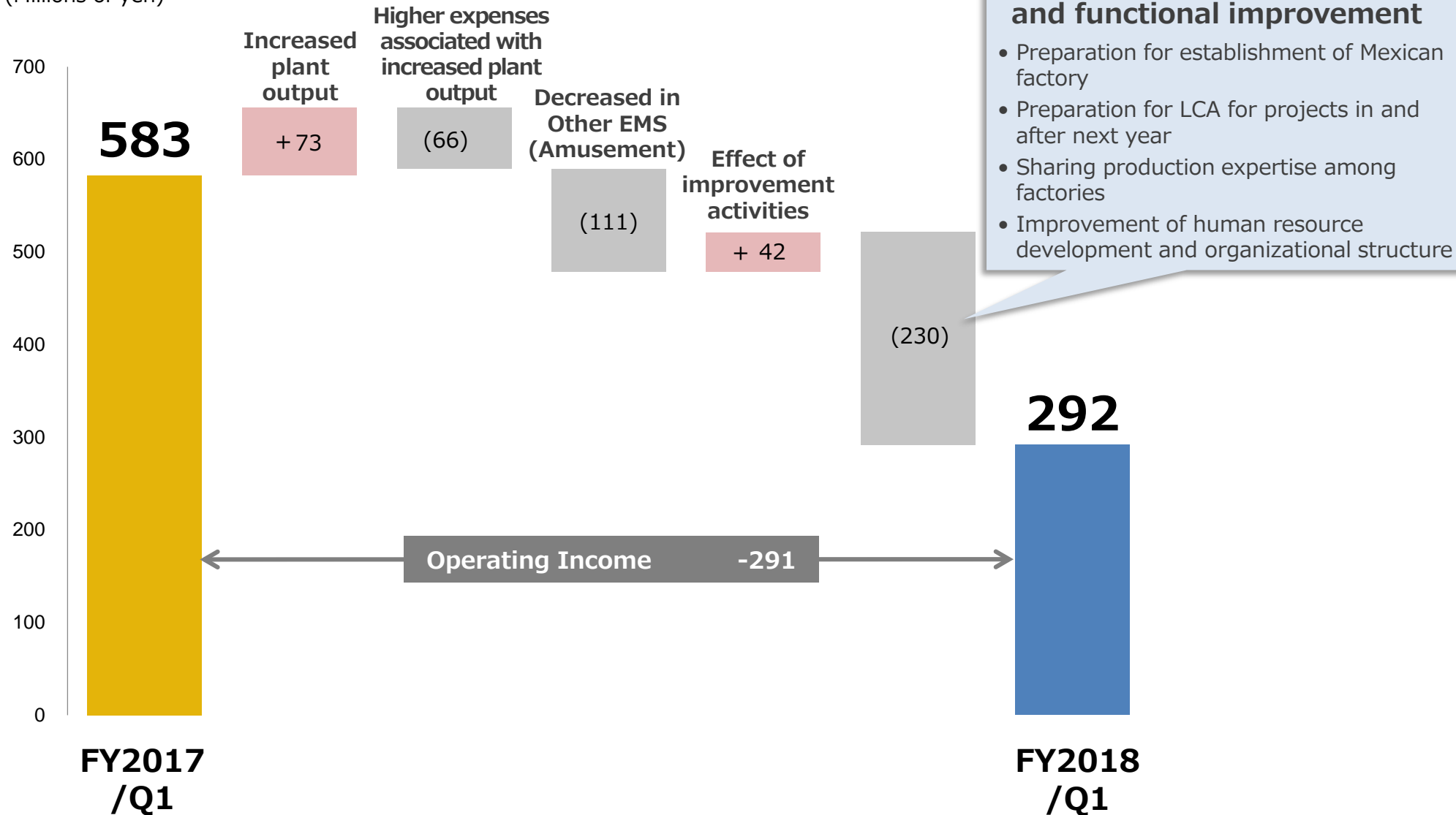
Trend of Operating Margin (Operating Income ÷ Plant Output)





Factors for Change in Consolidated Operating Income (FY2017/Q1 vs.FY2018/Q1)

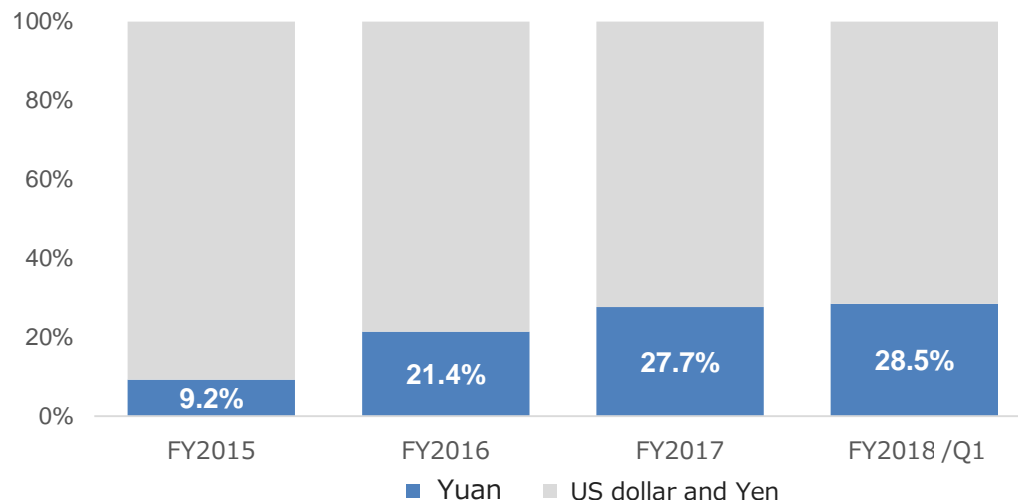
(Millions of yen)





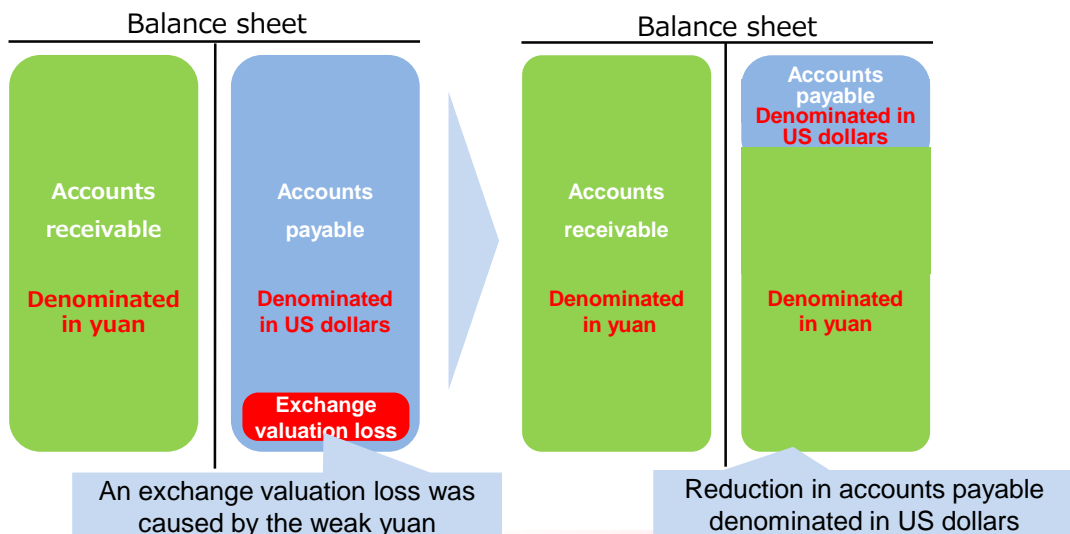
Posting of a Foreign Exchange Loss

Rises in yuan-denominated sales recorded at **bases in China**



- The currency imbalance between assets and liabilities increased due to the growth of yuan-denominated sales.
- The exchange evaluation loss (250 million yen) was posted due to the weaker yuan against the US dollar.
- Efforts will be made to minimize foreign exchange risks by reducing the currency imbalance between assets and liabilities going forward.

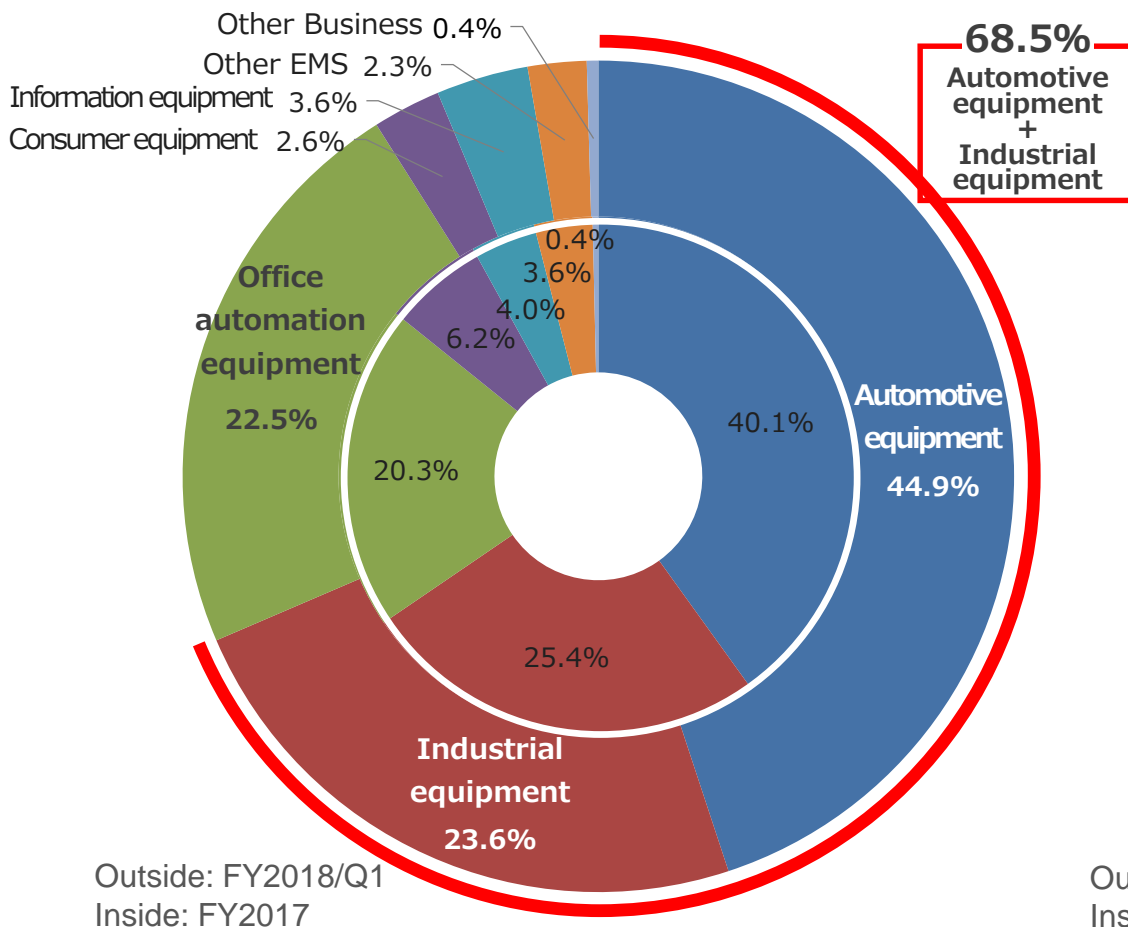
Efforts to **minimize foreign exchange risks**
by reducing accounts payable denominated in US dollars





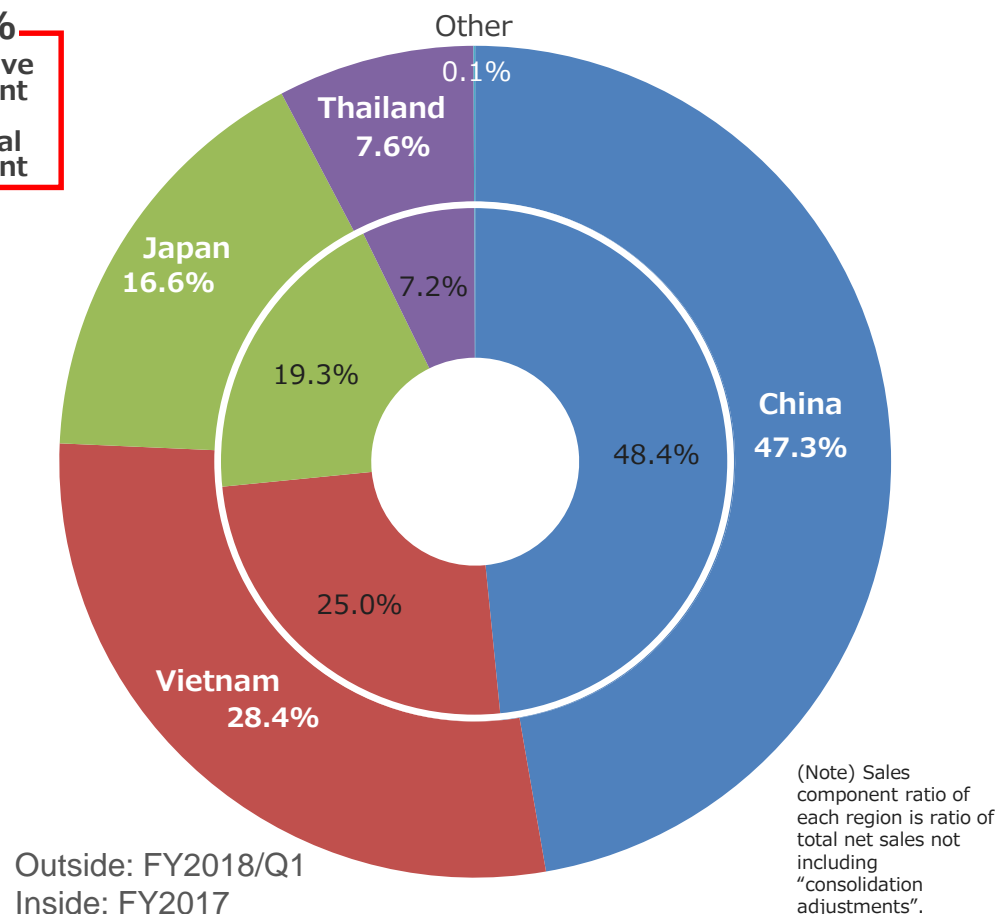
Sales Breakdowns by Product Category and by Region

Net sales by product category



Ratio of automotive and industrial equipment sales rose 4.6% YoY

Net sales by region



Base in Vietnam was growth

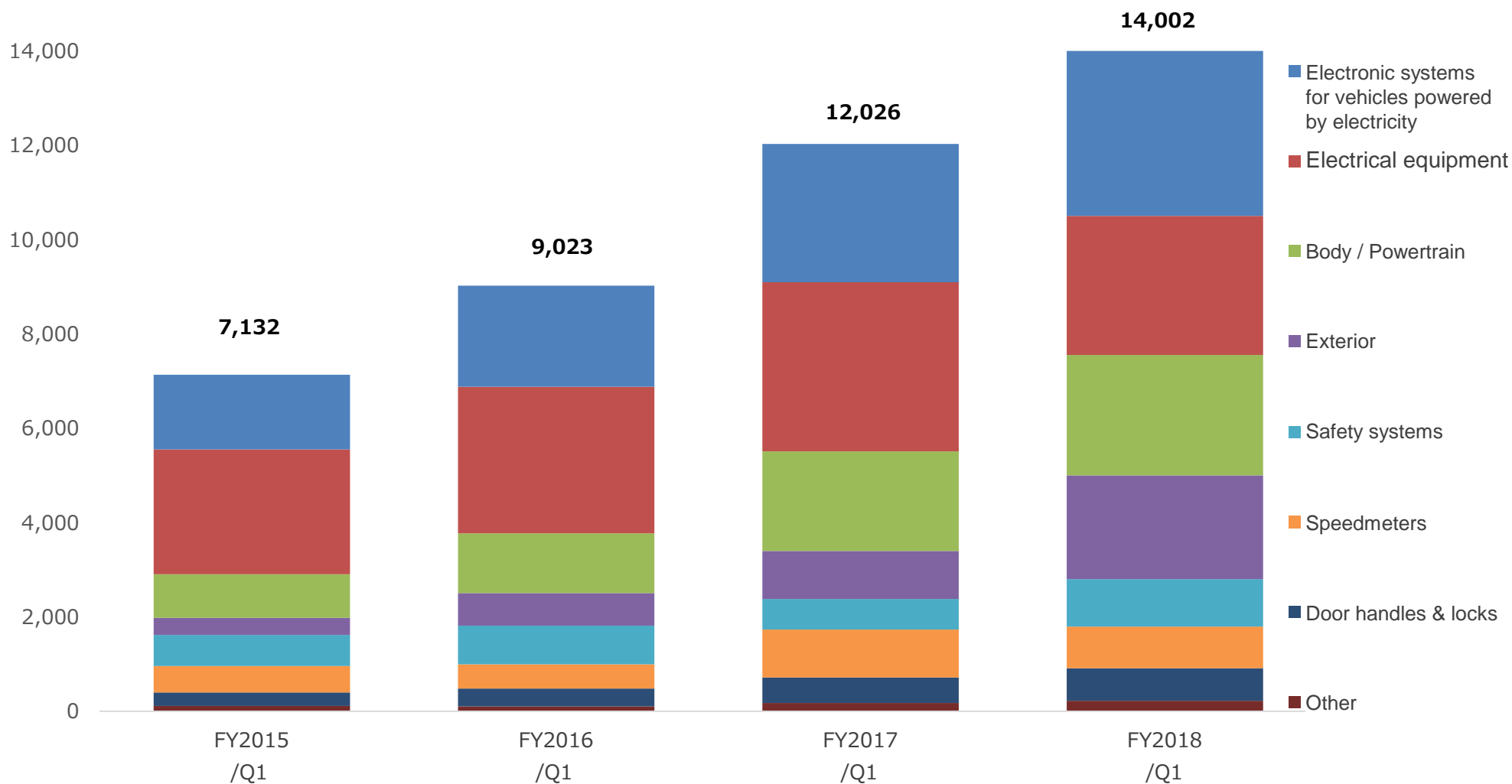


Sales Breakdowns by Product Category

(Millions of Yen)

16,000

Sales related to exteriors expanded in addition to those of electrical equipment for vehicles powered by electricity





Balance sheet

Balance Sheet

FY2017

FY2018/Q1

77,049

(Millions of yen)

65,878

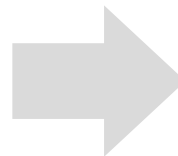
Current Assets	Liabilities
44,990	24,586
Noncurrent Assets	Interest bearing Debt
20,887	23,084
	Net Assets
	18,208

Current Assets	Liabilities
56,180	26,862
Noncurrent Assets	Interest bearing Debt
20,869	24,441
	Net Assets
	25,747

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



Notes and accounts receivable -trade	Notes and accounts payable-trade
21,883	22,676
Inventories*	17,858
18,651	

- 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 1.68-month level.

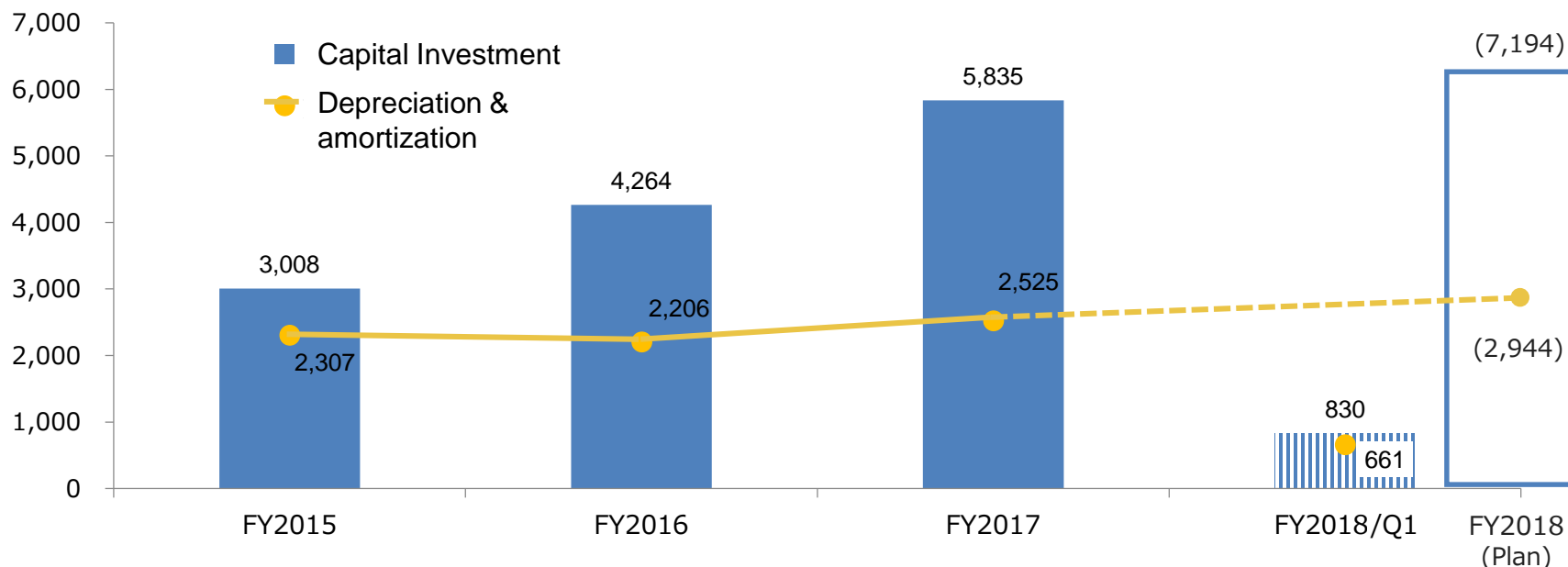
Total Assets **¥65,878million**
Equity Ratio **27.6%**

Total Assets **¥77,049million**
Equity Ratio **33.3%**



Capital Investment and Depreciation & Amortization

(Millions of yen)



Breakdown of Capital Investment

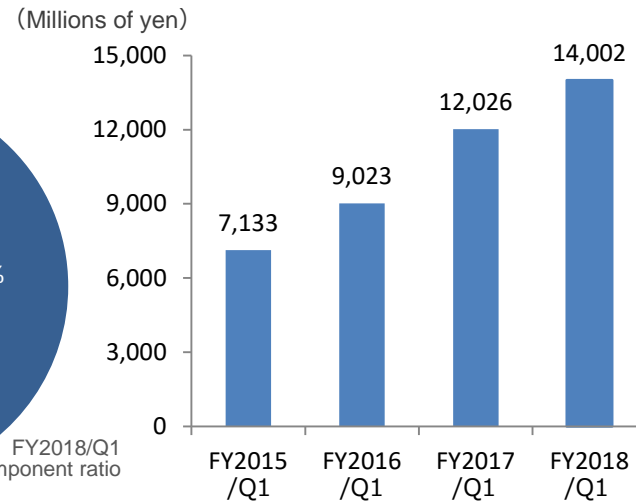
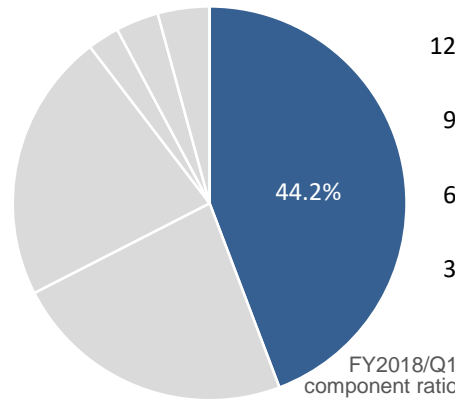
(Millions of yen)

	FY2015	FY2016	FY2017	FY2018/Q1 Result
Japan	318	860	852	245
China	1,157	1,233	1,712	330
Vietnam	959	664	965	22
Thailand	574	423	680	47
Mexico	0	1,081	1,624	186
Total	3,008	4,264	5,835	830

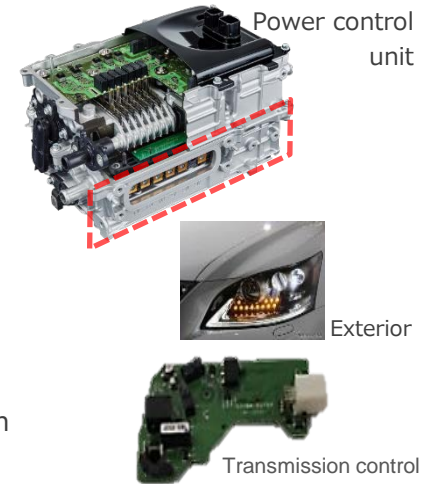


Net Sales by Product Category

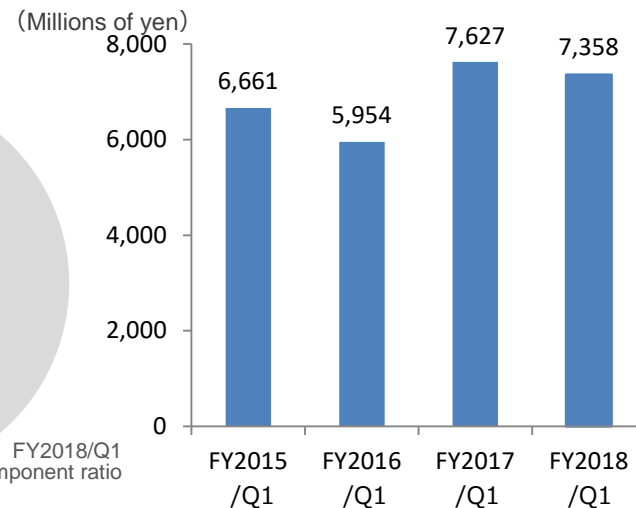
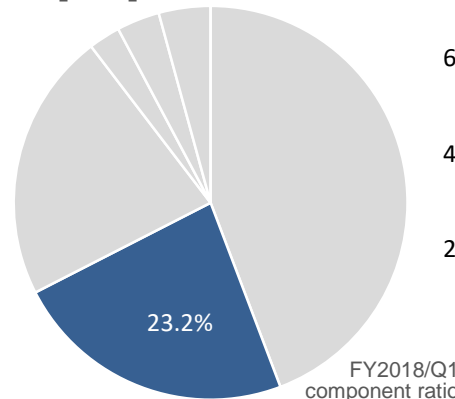
Automotive Equipment



- ◆ The new project launched in fiscal 2016 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



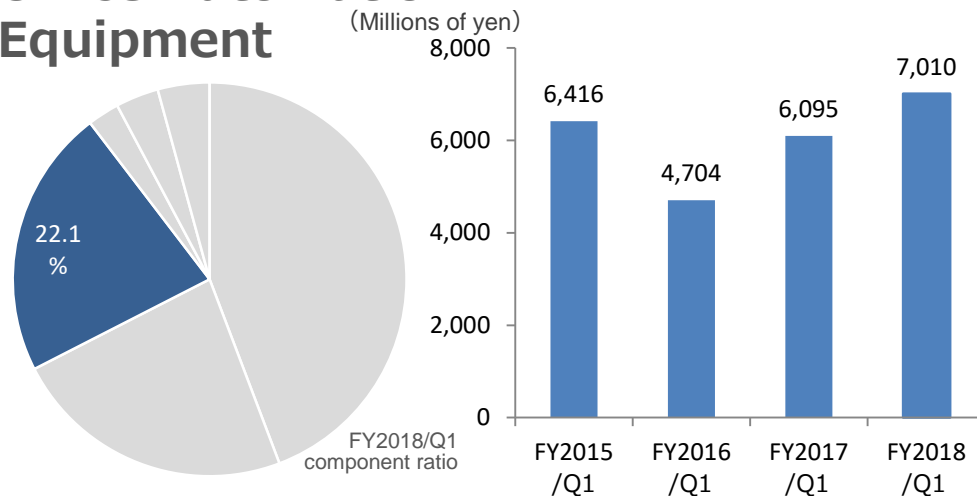
- ◆ Sales of power supply systems, inverters and motor drivers of leading Japanese and European manufacturers were strong.
- ◆ Transactions with new growing companies and Chinese companies increased.
- ◆ Sales of power supply-related products and products for semiconductor testers were strong.





Net Sales by Product Category

Office Automation Equipment

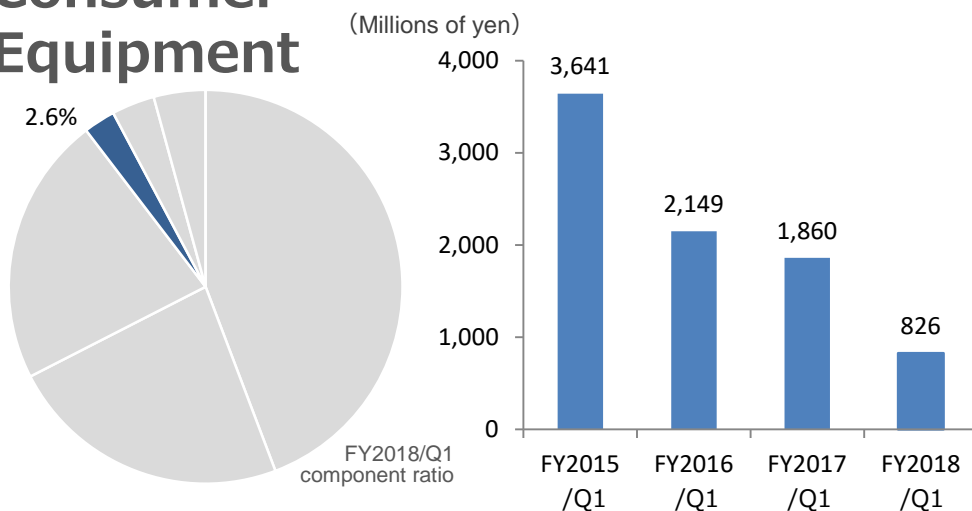


- ◆ Sales were strong on the back of an increase in the in-house share
- ◆ Sales related to color laser printers were strong



Various circuit boards for leading printer manufacturers

Consumer Equipment



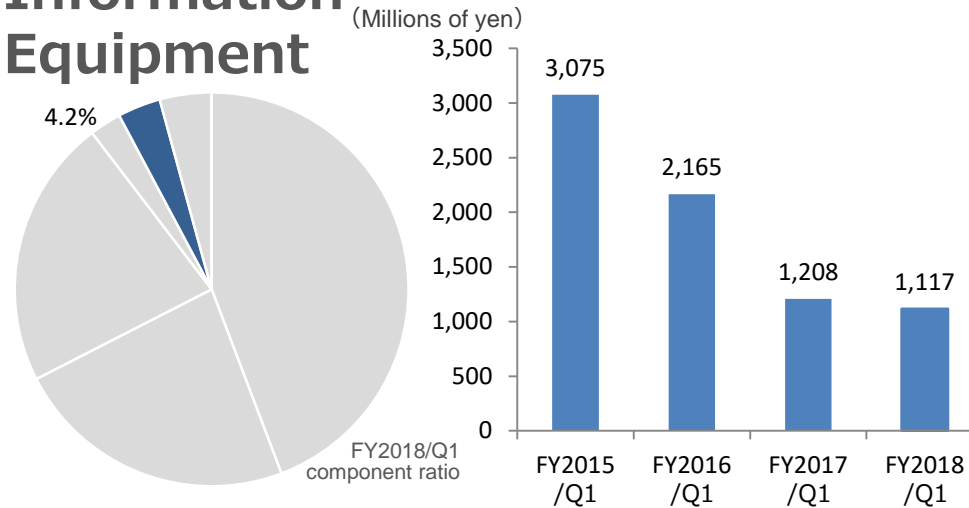
- ◆ The manufacture of a product whose production lot was large was ended
- ◆ Price competition among brand manufacturers was fierce.
- ◆ Foreign manufacturers such as Chinese companies are promising.
- ◆ We are narrowing down to products with high added value.
- ◆ Proposing production base optimization.



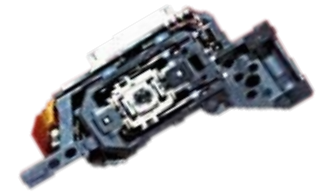


Net Sales by Product Category

Information Equipment



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

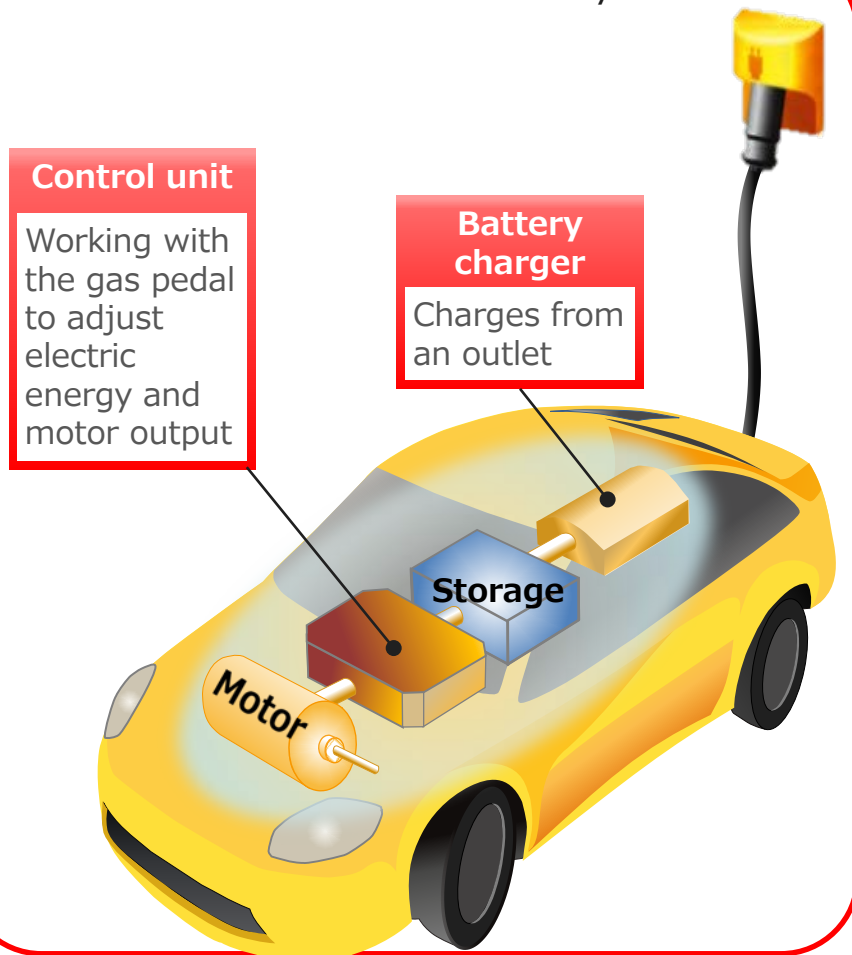


Optical pickup



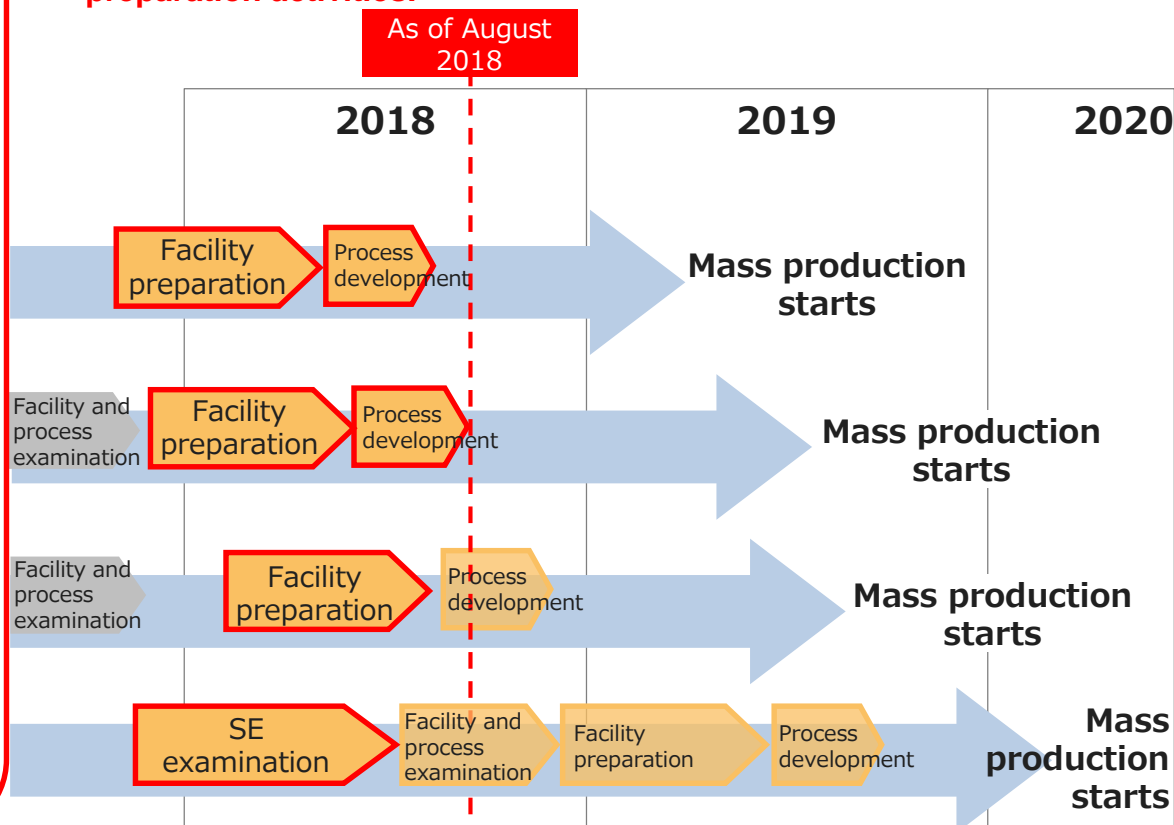
New Automotive Equipment Project: Roadmap to Mass Production

Products for Which New Demand Will be Created by EVs



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

The validation processes of car manufacturers and Tier 1 customers are being steadily cleared at each stage of production preparation activities.





Establishment of **UMC H Electronics Co., Ltd.**, a New Group Company



Hadano
plants



Koriyama
plants

The total floor area of UMC Group's manufacturing bases expanded by approximately 14%.

- Acquired 85.1% of the shares of Hitachi Information & Telecommunication Manufacturing, Ltd. (HITM), a wholly owned subsidiary of Hitachi, Ltd.
- UMC H Electronics Co., Ltd. (former HITM) was established with a new structure.

Chairman & Representative Director	Kazuhisa Takasu (Deputy President & Executive Officer of UMI Electronics Co., Ltd.)
President & Director	Koji Saito (President & Representative Director of the former HITM)

- To be reflected in UMC's consolidated financial results from the second quarter.
- New project/Advantest Corporation steadily expanding completed test equipment for semiconductors.




UMC	+	Hitachi, Ltd.
Track record of manufacturing numerous automotive products and strong cost competitiveness		Human resources that support high quality, reliable products
		Excellent design ability, production technology and manufacturing capability

- Addition of new products (automotive product areas)
- Creation of competitive EMS plants



Overview of Capital Increase by **Public Offering** Conducted in May 2018

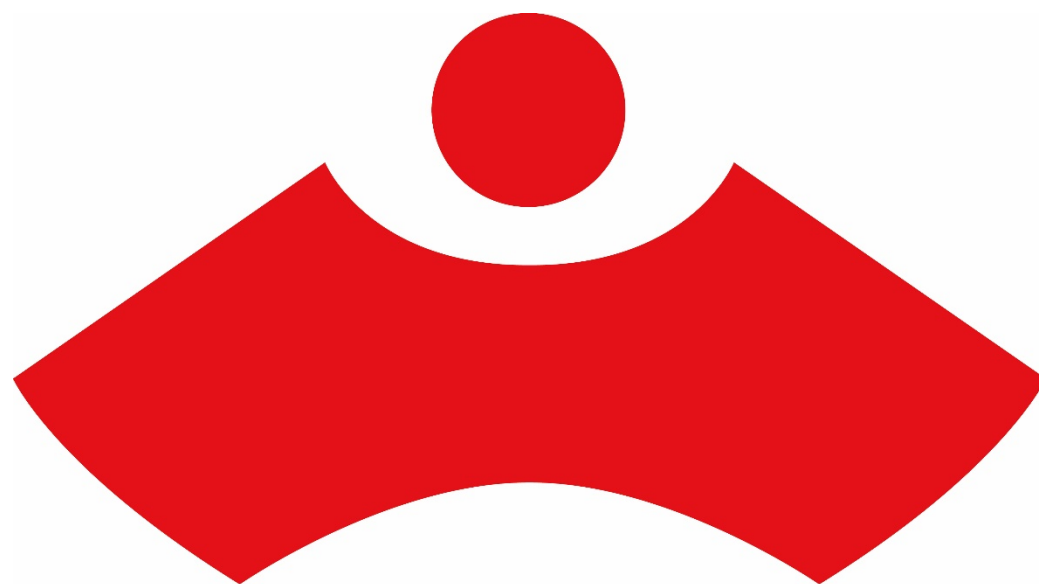
Number of shares for subscription and shares to be sold	4,280,000	Number of shares offered for subscription: 3,032,400 (Number of shares newly issued: 2,413,500 • Number of treasury shares to be disposed of: 618,900)	
		Number of shares to be sold: 725,600 (Seller: Tokyo Century Corporation)	
Total amount of offering	Approximately 10.2 billion yen (based on the issue price of 2,878 yen per share)	Total amount of capital raised	Approximately 8.3 billion yen (based on the issue price of 2,878 yen per share)
Use of capital	Acquisition of factory sites, buildings and manufacturing assets, investments and financing for subsidiaries (installation of new SMT production lines, etc.), repayments of short-term loans (any balances to be allotted to working capital)		
Issue price per share	2,878 yen (discount rate of 3.03%)	Paid-in amount per share	2,759.28 yen
Equity ratio	<p>Strengthen the financial base through a capital increase by public offering (May 2018)</p> <p>Equity ratio 27.6%  33.3%</p> <p>(FY2017) (FY2018/Q1)</p>		

Purpose of the offering

- 1 • Acquisition of Hitachi Information & Telecommunication Manufacturing, Ltd. (now UMC H Electronics Co., Ltd.)
- 2 • Capital investment for achieving net sales of 200 billion yen and operating income of 5 billion yen
- 3 • Expansion of the scale of low-cost automation (LCA) and preparations for conducting external sales

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