

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

Financial Results for the Second Quarter ended September 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 1H	FY2018 1H	YoY	
			Change	Percentage change
Net Sales	62,341	68,442	+6,101	9.8%
(Plant Output)* ¹	13,184 21.1%	15,154 22.1%	+1,970 +1.0pt	14.9% —
Gross Profit	3,690 5.9%	3,774 5.5%	+83 (0.4pt)	2.3% —
Operating Income	1,280 2.1%	1,052 1.5%	(227) (0.5pt)	(17.8%) —
Ordinary income	1,108 1.8%	499 0.7%	(609) (1.0pt)	(54.9%) —
Net Income	748 1.2%	489 0.7%	(258) (0.5pt)	(34.6%) —
USD Rate (JPY)	Average 111.07 End of period 112.74	Average 110.27 End of period 113.58	(0.80) +0.84	

*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 (FY2018/Q1~Q2)

(Millions of yen)	FY2018 Q1	FY2018 Q2	QoQ	
			Change	Percentage change
Net Sales	31,162	37,279	+6,116	19.6%
(Plant Output)* ¹	6,552 21.0%	8,602 23.0%	+2,049 +2.0pt	31.3% —
Gross Profit	1,548 5.0%	2,225 6.0%	+677 +1.0pt	43.7% —
Operating Income	292 0.9%	760 2.0%	+468 +1.1pt	160.1% —
Ordinary Income	(106) —	605 1.6%	+712 —	— —
Net Income	(50) —	540 1.5%	+591 —	— —
USD Rate (JPY)	Average 109.07 End of period 110.54	Average 110.27 End of period 113.58	+1.20 +3.04	

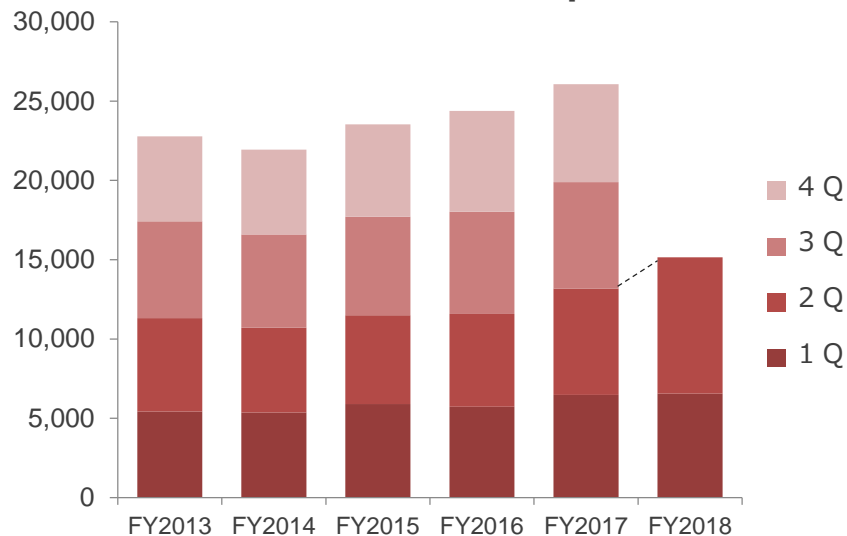
*1 Plant Output= Net sales - Parts cost



Performance Trends

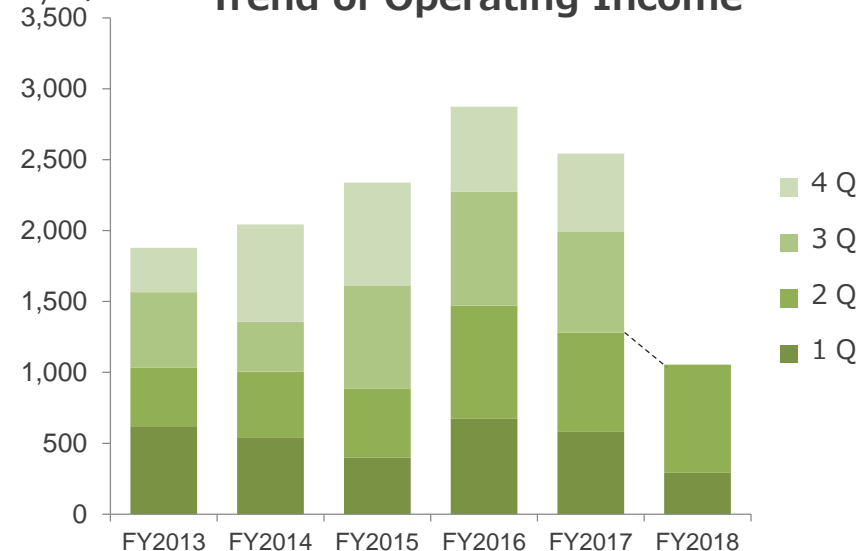
(Millions of yen)

Trend of Plant Output

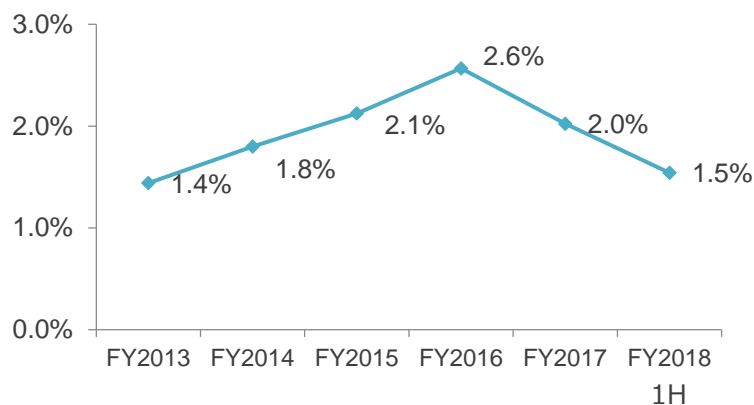


(Millions of yen)

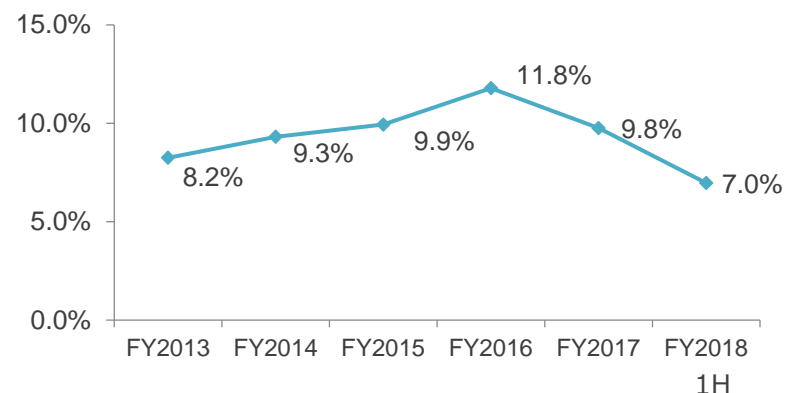
Trend of Operating Income



Trend of Operating Margin (Operating Income ÷ Net Sales)

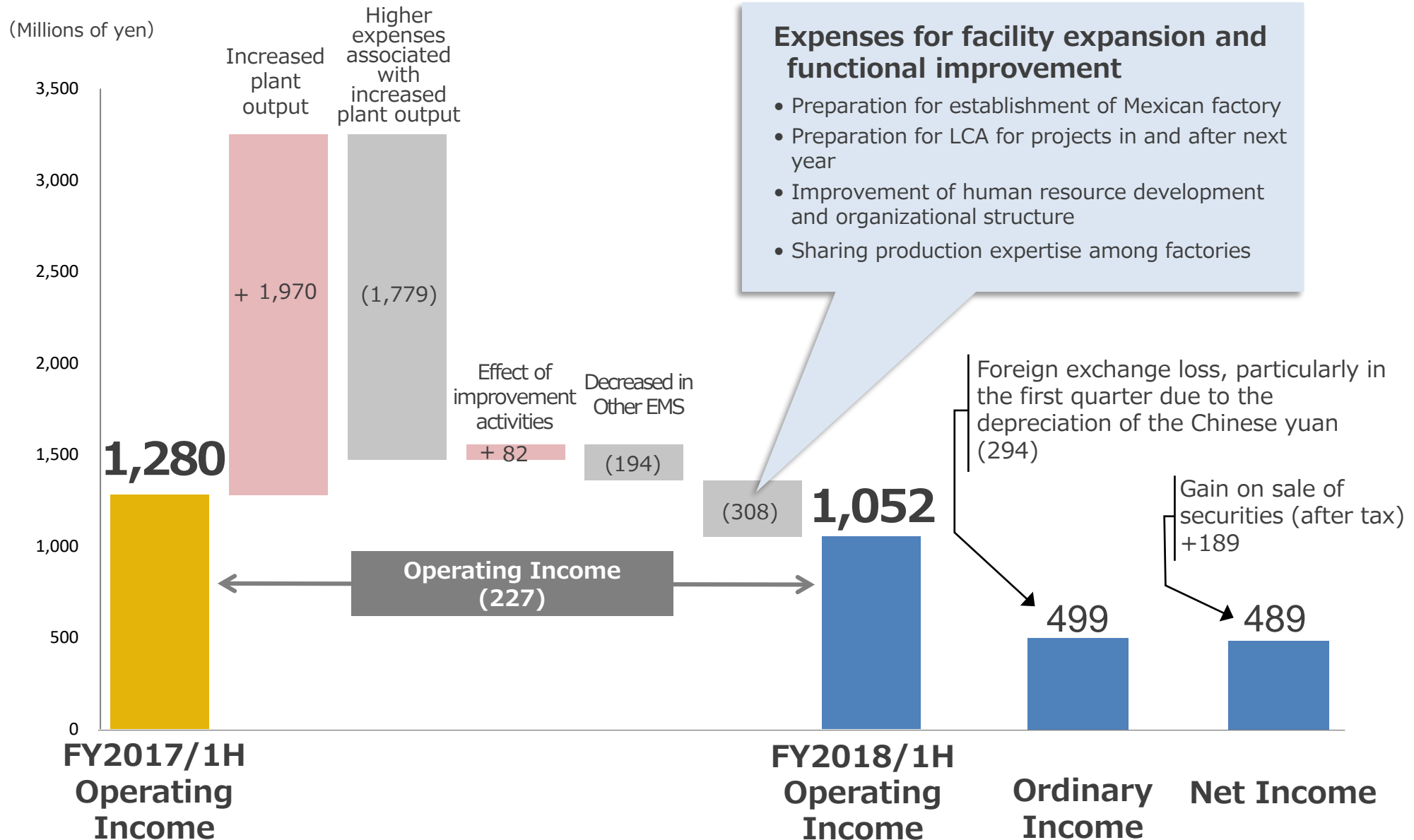


Trend of Operating Margin (Operating Income ÷ Plant Output)





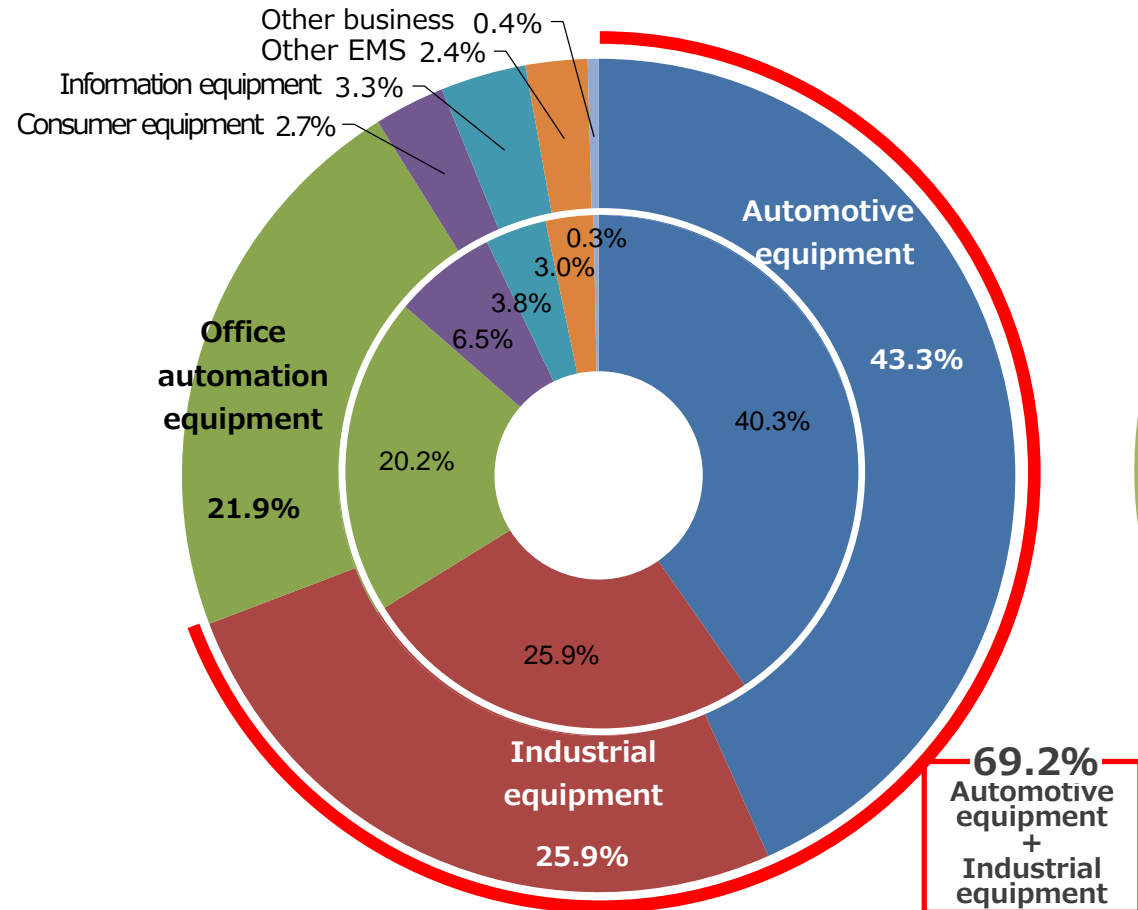
Factors for Change in Consolidated Operating Income (FY2017/1H vs.FY2018/1H)





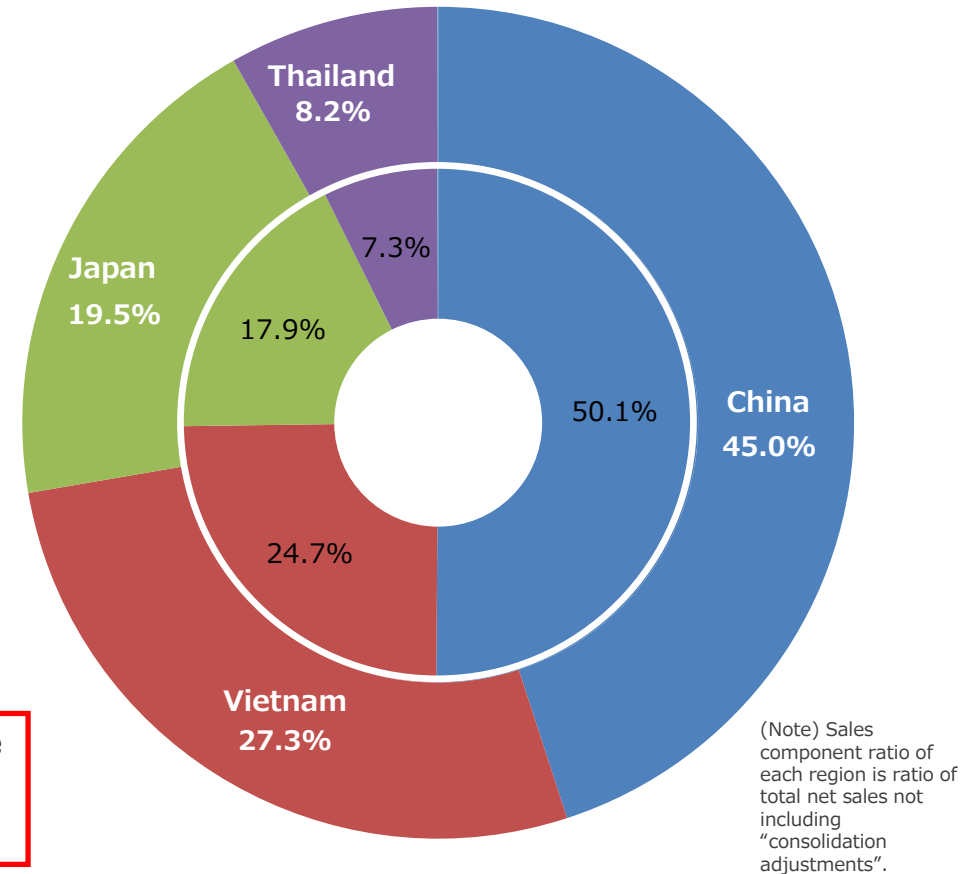
Sales Breakdowns by Product Category and by Region

Net sales by product category



Ratio of automotive and industrial equipment sales rose 3.0% YoY

Net sales by region



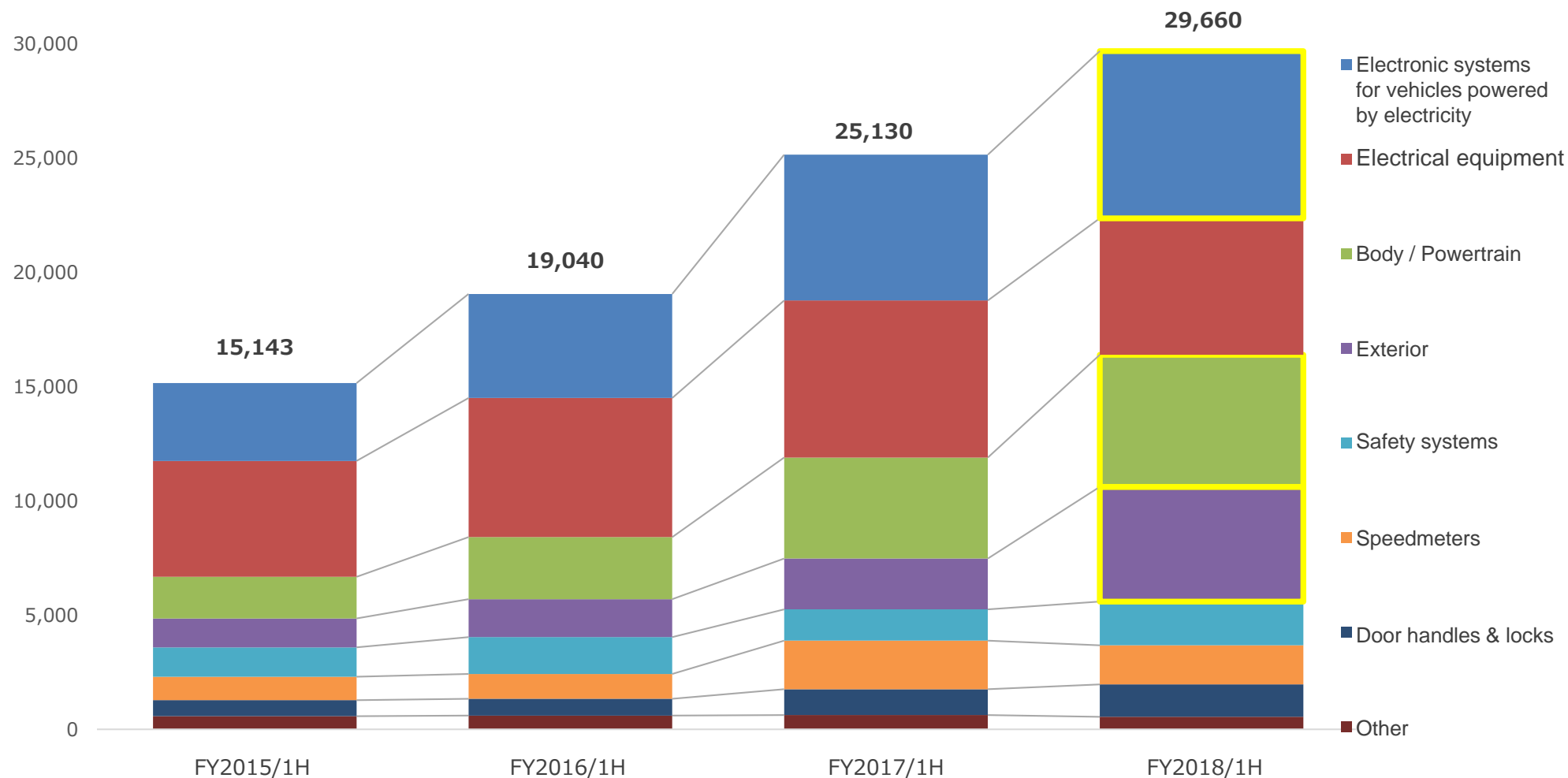
Base in Vietnam was growth



Sales Breakdowns by Product Category

(Millions of Yen)

Sales related to exteriors and powertrain expanded in addition to those of Electronic systems for vehicles powered by electricity.





Balance sheet and Cash flow

Balance Sheet

FY2017

FY2018/1H

(Millions of yen)

65,878	
Current Assets 44,990	Liabilities 24,586
	Interest bearing Debt 23,084
Noncurrent Assets 20,887	Net Assets 18,208

83,352	
Current Assets 59,654	Liabilities 31,867
	Interest bearing Debt 25,037
Noncurrent Assets 23,697	Net Assets 26,447

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

Cash Conversion Cycle

1.50months

Notes and accounts receivable –trade	21,289
Inventories	15,187
Notes and accounts payable-trade	20,775

1.65months

Notes and accounts receivable –trade	22,859
Inventories*	21,741
Notes and accounts payable-trade	25,340

* Safety stock continues to accumulate as a measure against the current tightness of the electronic component market.

Total Assets ¥ 65,878million
Equity Ratio 27.6%

Total Assets ¥ 83,352million
Equity Ratio 31.6%

Cash Flow

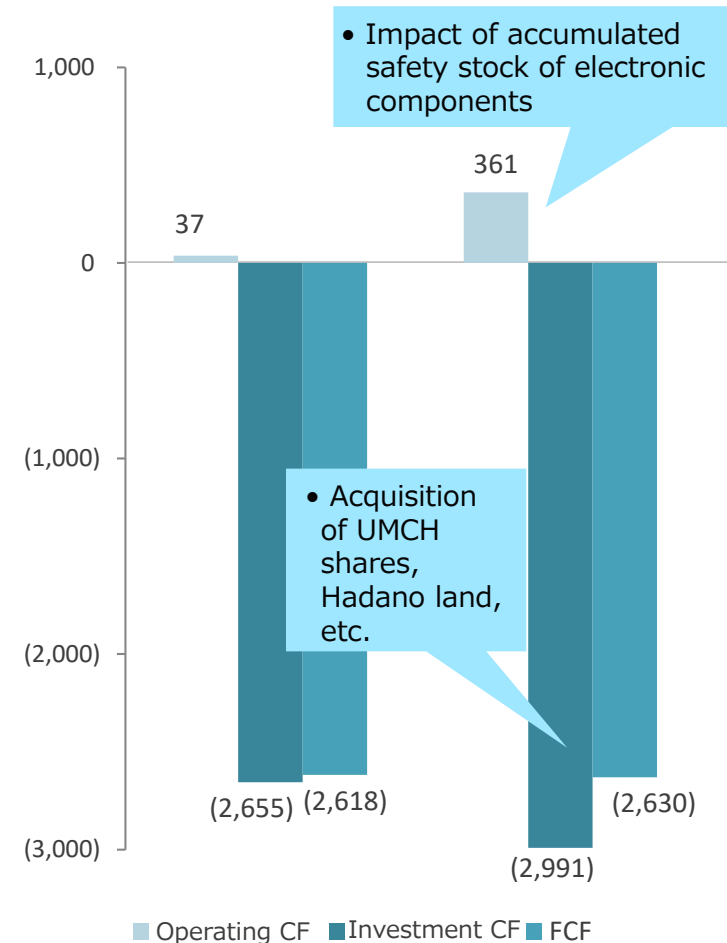
FY2017

FY2018

1H

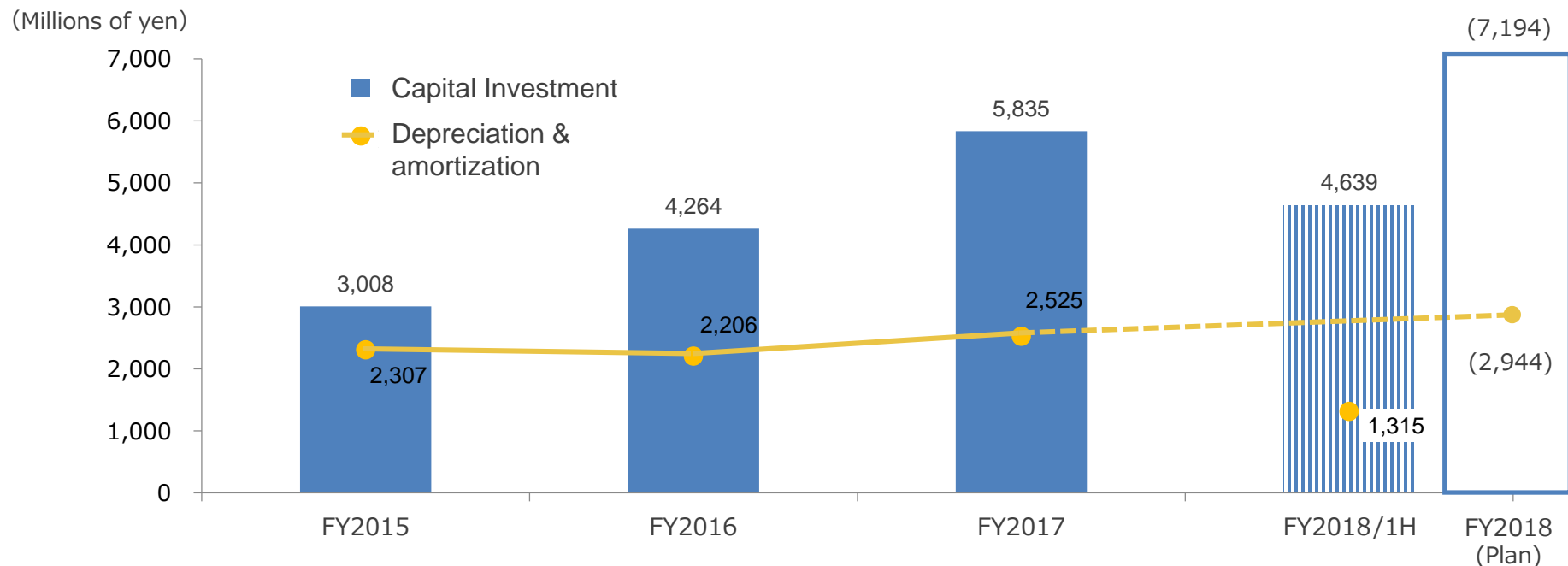
1H

(Millions of yen)





Capital Investment and Depreciation & Amortization



Breakdown of Capital Investment

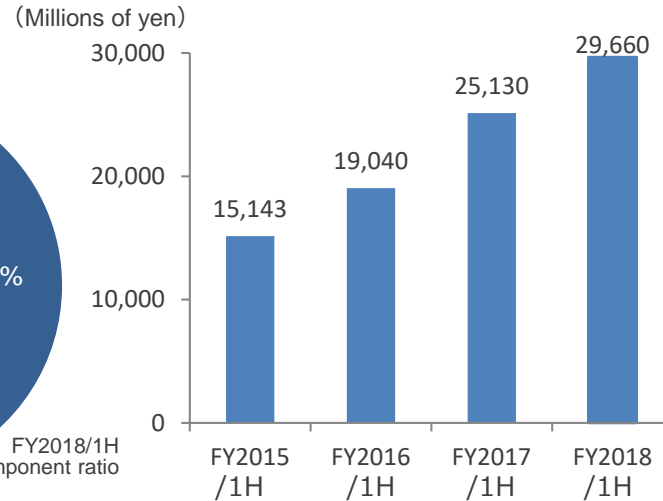
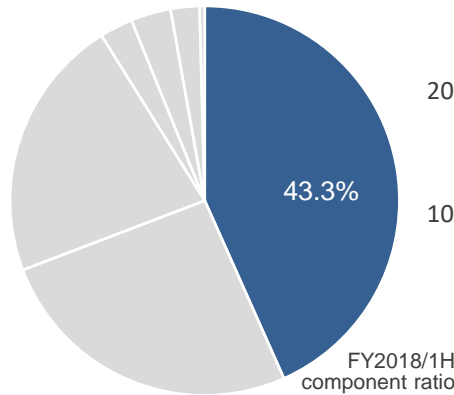
(Millions of yen)	FY2015	FY2016	FY2017	FY2018/1H Actual
Japan	318	860	852	3,077 *
China	1,157	1,233	1,712	884
Vietnam	959	664	965	227
Thailand	574	423	680	236
Mexico	0	1,081	1,624	214
Total	3,008	4,264	5,835	4,639

* Including 2,702 million yen for acquisition of UMCH (shares, facilities, and land)

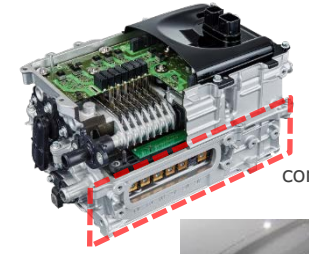


Net Sales by Product Category

Automotive Equipment



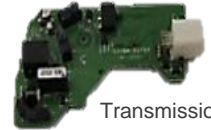
- ◆ Sales of critical safety parts such as powertrains, control and drive systems were strong because our track record in domestically produced power control products continued to be recognized in China.
- ◆ Expansion of exterior products that resulted from growing demand due to the shift to LED lights
- ◆ Expansion of body, powertrain, and safety systems
- ◆ Expansion of electrical equipment for environmentally friendly vehicles and connected cars.



Power control unit

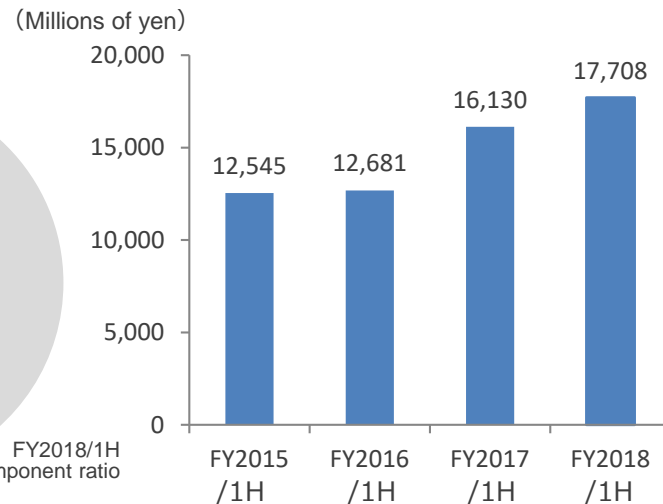
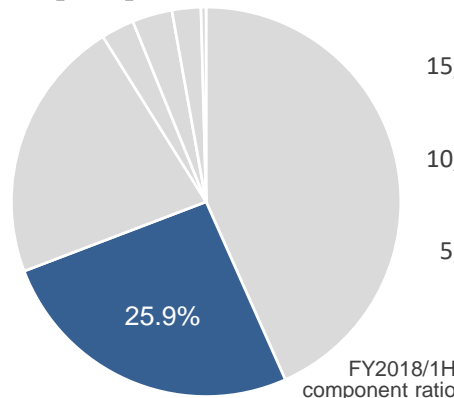


Exterior



Transmission control

Industrial Equipment



- ◆ Contribution of server, storage, and network devices of UMC H Electronics Co., Ltd, a company that has recently become a consolidated subsidiary
- ◆ Strong sales of products for semiconductor testers
Orders for finished products also received
- ◆ Strong sales of power supply systems and inverters of leading Japanese and European manufacturers
- ◆ Transactions with new growing companies and Chinese companies increased



Server, Storage



Industrial power supply

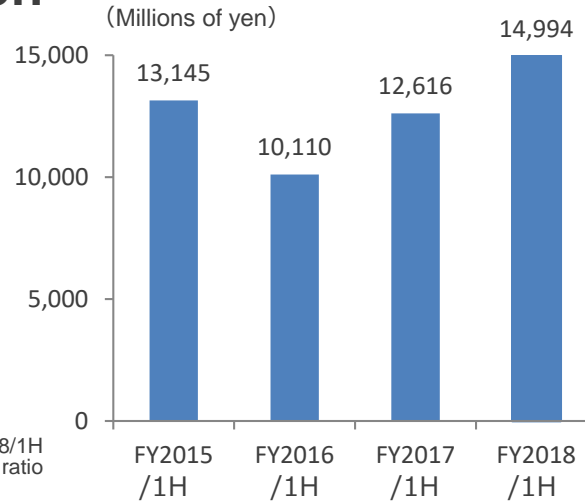
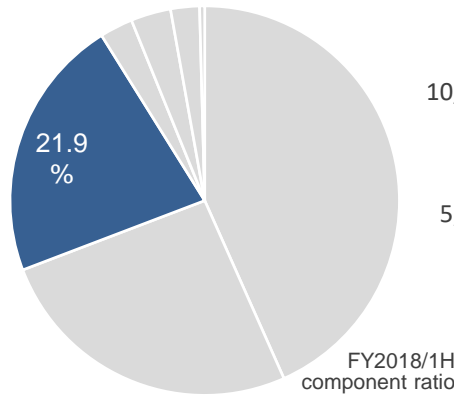


Semiconductor testers

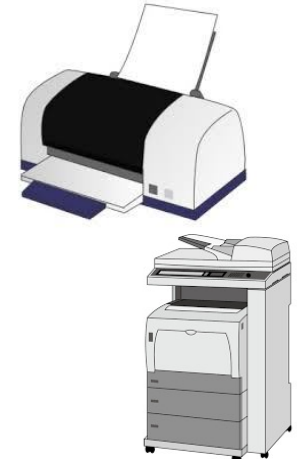


Net Sales by Product Category

Office Automation Equipment

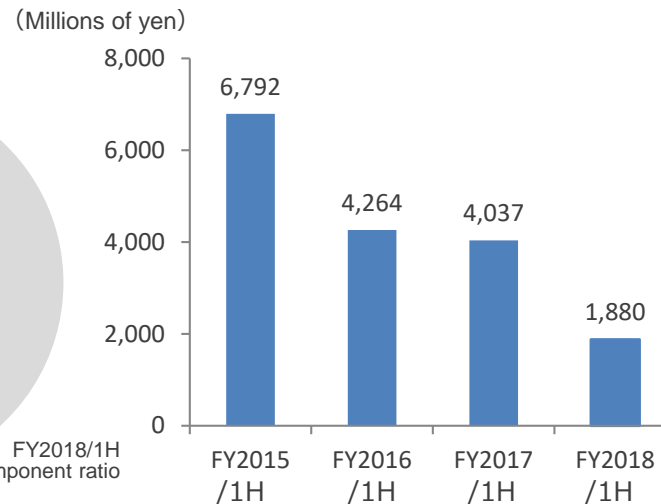
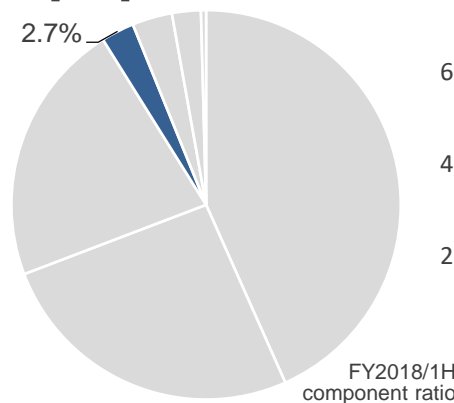


- ◆ Sales were strong on the back of an increase in the in-house share
- ◆ Sales related to color and monochrome laser printers were strong



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.



LED lighting

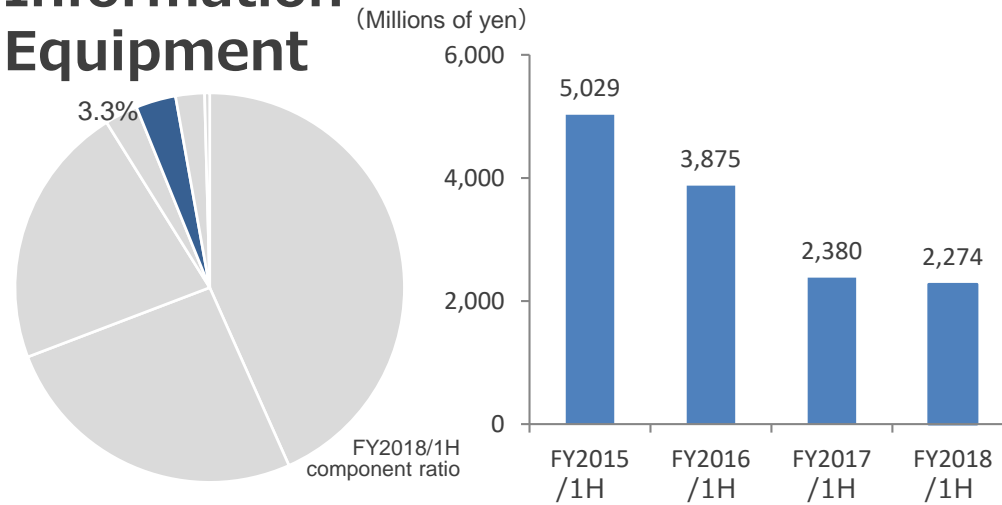


Circuit board for air purifier

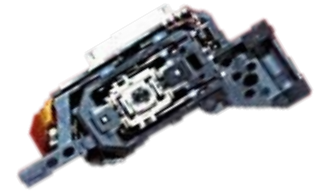


Net Sales by Product Category

Information Equipment



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



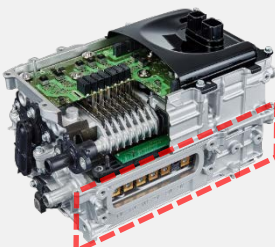
Optical pickup



New Automotive Equipment Project: Roadmap to Mass Production

HV

FY2016 Local production in China



Power control unit
manufactured by UMC



Increasing presence of UMC Electronics with a track record of overseas mass production

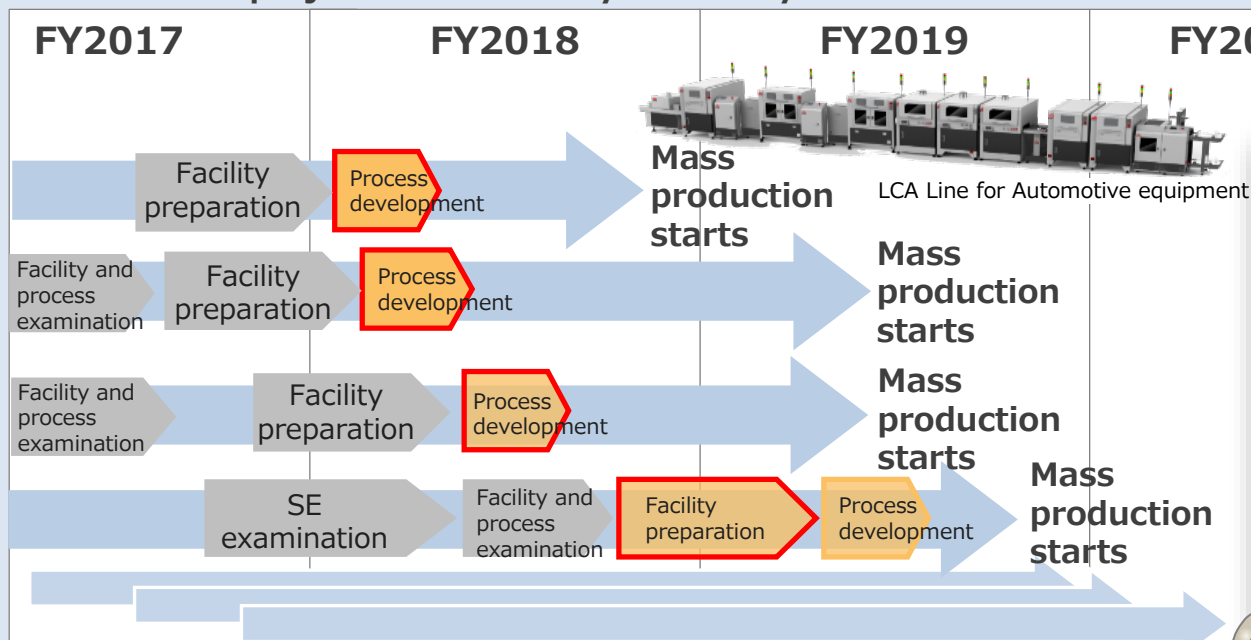
PHV

FY2018 Local production in China

EV

FY2019 Local production in China

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.

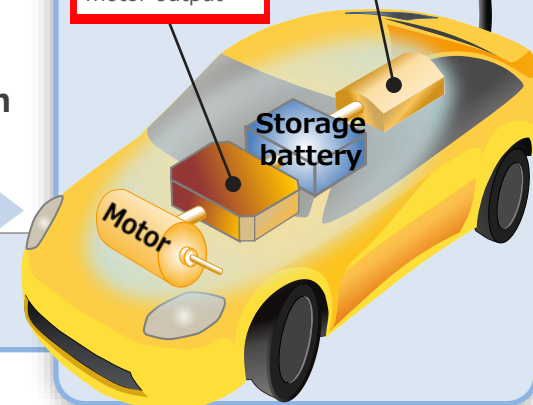
PHV / EV

Control unit
Working with the gas pedal to adjust electric energy and motor output

Battery charger
Charges from an outlet

Storage battery

Motor

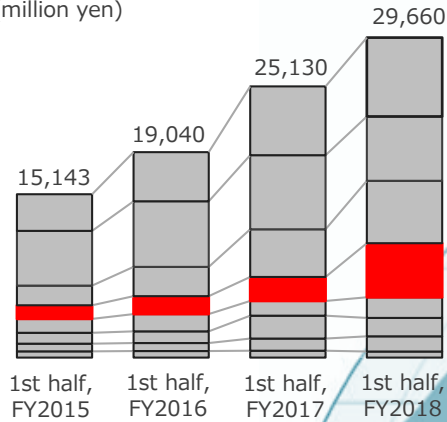




Growth of Automotive Equipment and Exterior Products

Breakdown of automotive equipment sales (Red: exterior)

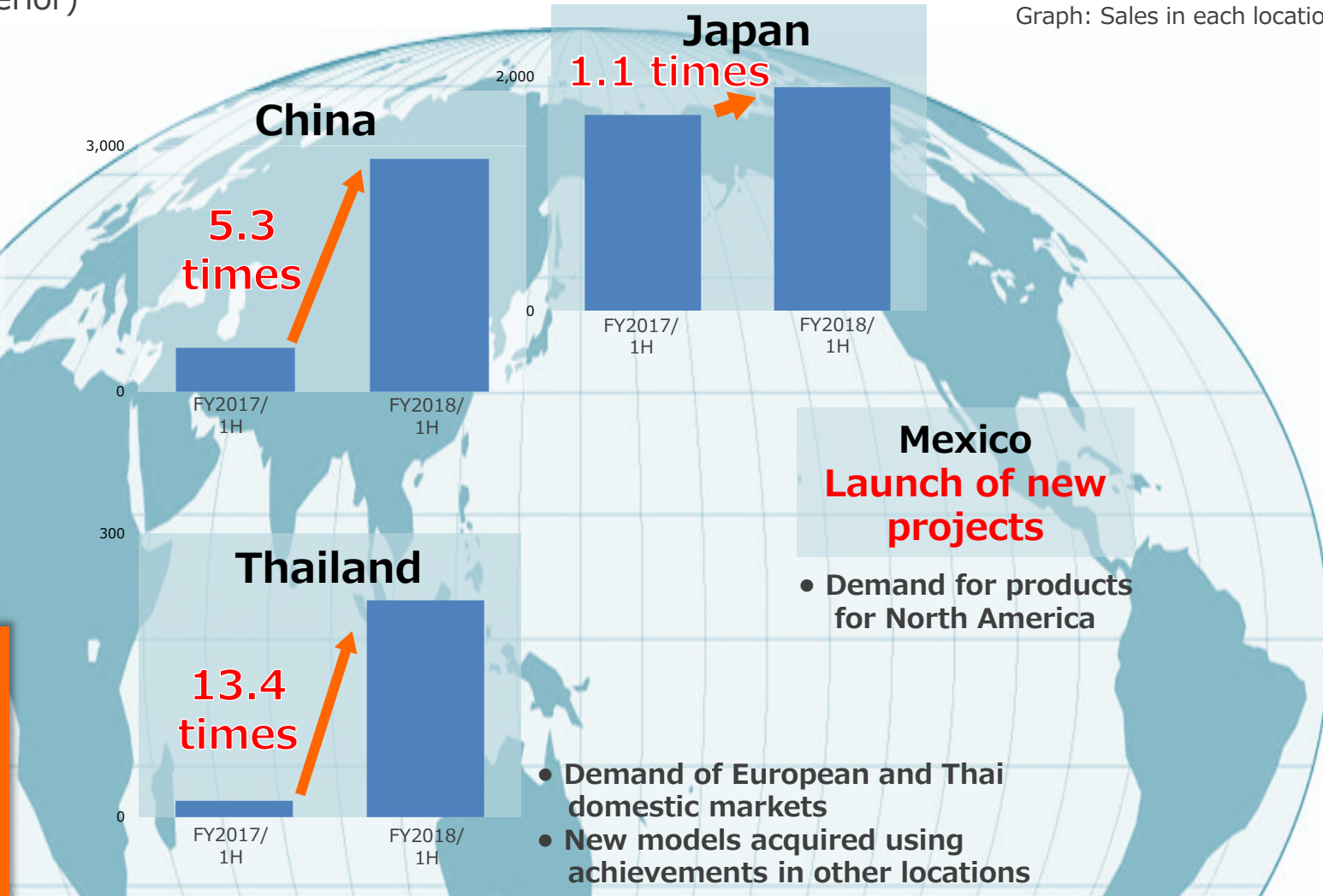
(million yen)



Graph: Sales in each location

Exterior products

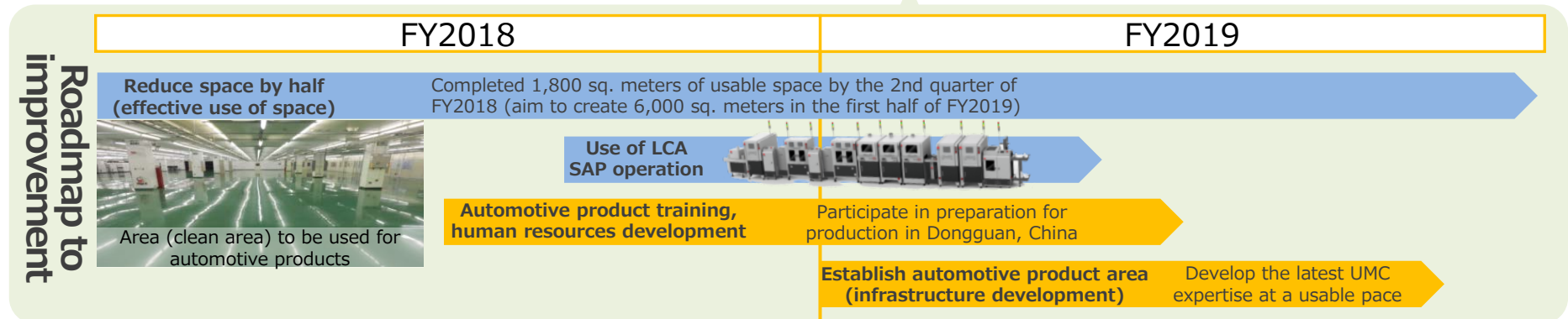
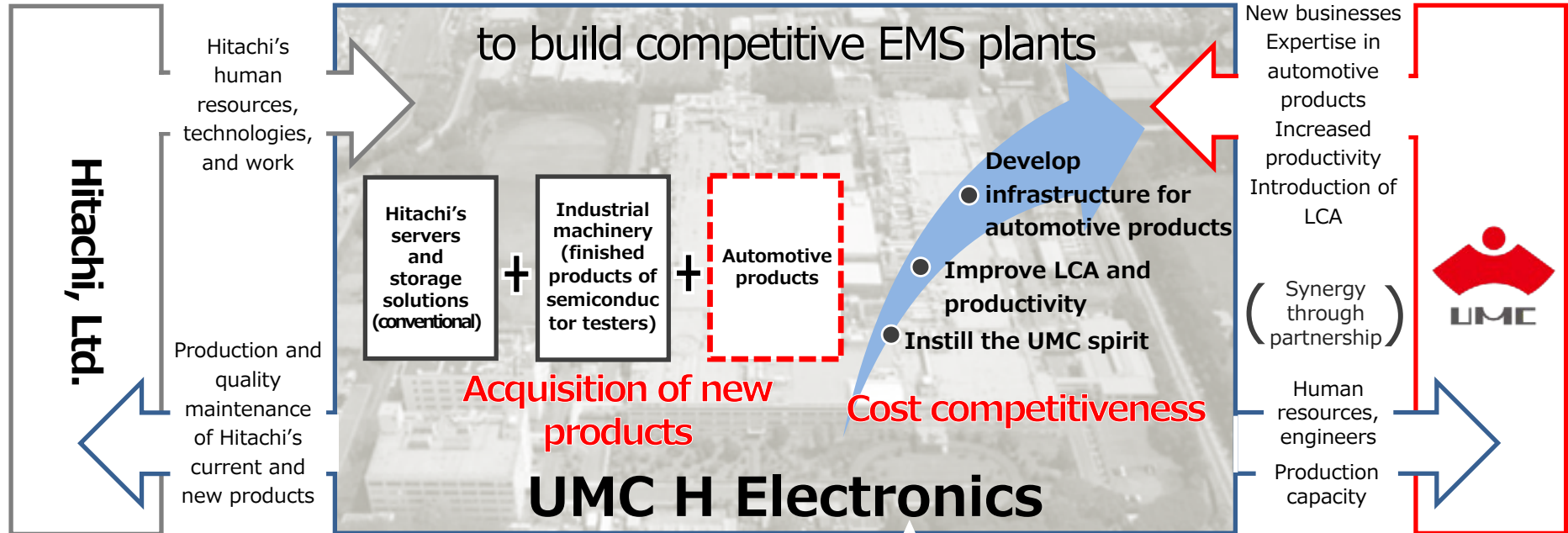
- Light distribution is controlled fully automatically.
- Growing demand for power-saving products for environmentally friendly vehicles





Operation of UMC H Electronics Starts

Establishing a new manufacturing business model



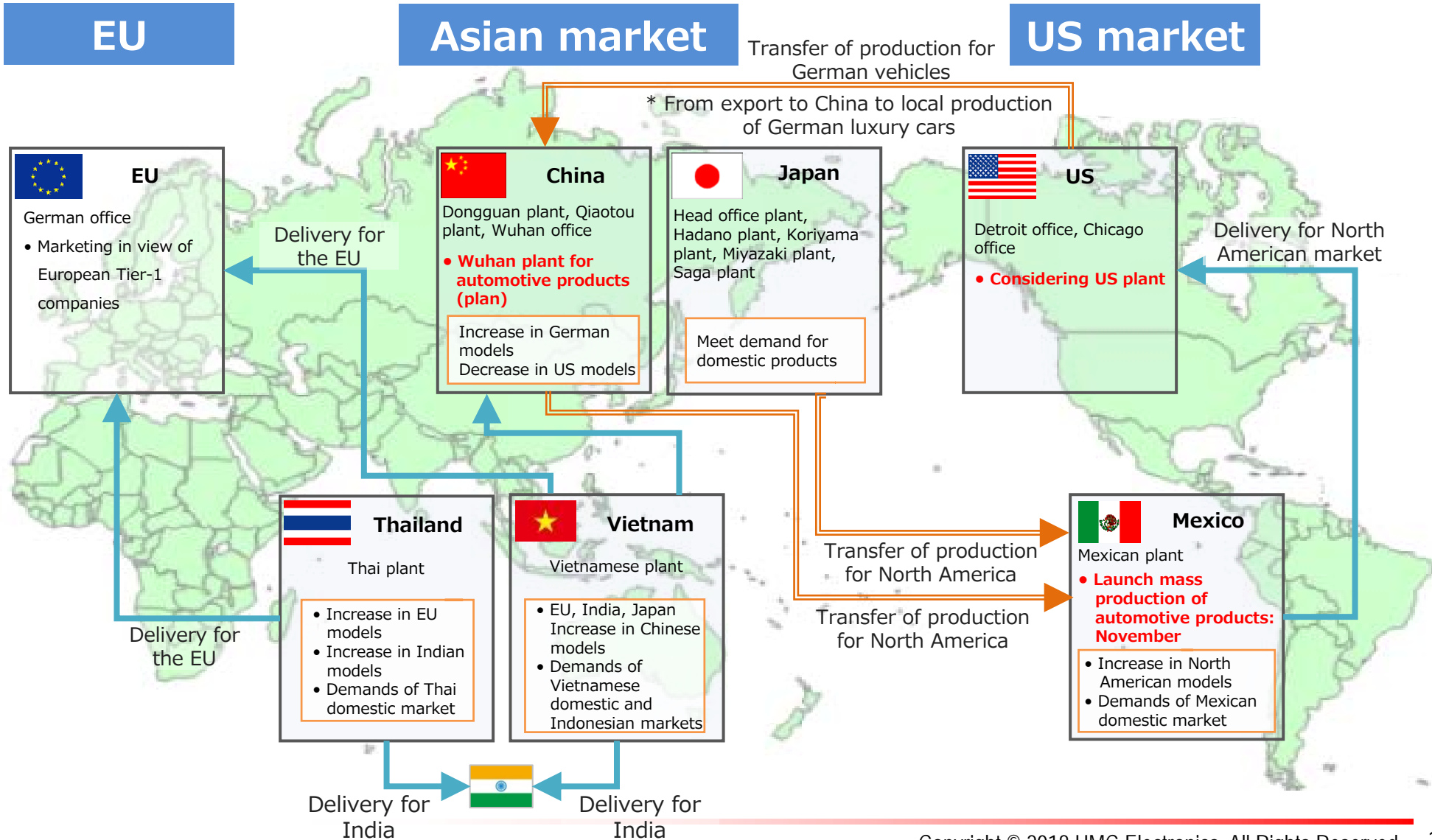
Create a smart factory and global showroom using LCA and Hitachi's software



Activities in Three Largest Consumption Areas

Responding flexibly to customer demand

→ Movement in auto-
parts market





ESG Activities

NEW Information about UMC's CSR and ESG activities is available on its new website.

企業紹介

IR情報

CSR・ESG

動画ライブラリー

ニュース

CSR Activities (Japanese version only)

CSRマネジメント

トップメッセージ

CSR基本方針・行動規範・体制

国連グローバルコンパクトへの参加

Environmental/環境

Social/社会

Governance/ガバナンス

環境保全活動

多様性・働き方
(人権・労働)経営管理
(ガバナンス・コンプライアンス)

社会貢献活動

お客様へ
(品質・製品への取組み)お取引様へ
(CSR・グリーン調達)

<http://www.umc.co.jp/modules/contents/csr/csr-index.html>

UN Global Compact
WE SUPPORT



UMC complies with the 10 principles of the Global Compact and carries out CSR management.

**Received Gold rating
from EcoVadis (China)**



UMC is ranked the highest in the sustainability survey of EcoVadis, which is considered important by large global companies in their selection of suppliers.

Social contribution activities led by local employees

At all of its establishments, volunteer activities, fundraisers, etc. appropriate for each region are carried out voluntarily.

(Japan)

Cleaning on local roads



Development of foreign trainees



Cleaning of Lake Inawashiro



Tree-planting activities



(Vietnam)

Charity event at nursing facilities



Cleaning activities at industrial park



Donation of funds, clothing, etc.



Donation to neighboring high school



(China)

Volunteer group and various activities



Donation of clothing and goods



Cleaning and tree-planting in areas around factory



Blood donation activity



(Thailand)

Donation to a fund and acceptance of student training



Participation in community events



Activities to promote diversity and various work styles (human rights, labor)



The UMC Group places importance on communication, respects the individuality of each of its employees with various backgrounds and values in different countries and regions, and works to create a work environment that provides security and facilitates fulfilment.

(Vietnam) Family Day (invitation of employees' families to the workplace)

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