



UMC Electronics Co., Ltd.

Fiscal 2019 1Q Performance in Focus (April 1, 2019 – June 30, 2019)

1. Overview of Quarterly Results

(1) Overview of Operating Results

In the first quarter of the fiscal year ending March 31, 2020 (Fiscal 2019), it has become clear that production and consumption in China is stagnate due to the prolonged problem of US-China trade friction. The US economy continued to grow steadily due to accelerated exports, despite a slowdown in personal consumption. In Japan, the pace of economic growth slowed down due to a decrease in capital investment and external demand.

In the electronics industry to which UMC Electronics Co., Ltd. and its consolidated subsidiary (hereinafter "UMC Group") belong, although the trend toward electrification of automotive equipment continued in response to CASE (Connected, Autonomous, Shared & Services, Electric), the number of automobile sales decreased comparing to last year due to sluggish sales in China which is the largest market for automobiles. In addition, the United States has issued export restrictions in the high-tech product field, which has made economic situation uncertain especially in the communication equipment industries and semiconductor industries.

In this economic environment, UMC Group flexibly responds to the growing needs of customers for optimal production, which is growing against the background of the US-China trade friction problem, by providing the same quality of manufacturing services globally.

The average exchange rate for the fiscal year under review was 1 US \$ = 109.90 yen (109.07 yen in the previous fiscal year), almost the same rate as the previous fiscal year.

As a result, consolidated net sales for the fiscal year under review were 34,527 million yen (up 11.1% from the previous year). In terms of profit and loss, the operating loss was minus 429 million yen (operating loss of the previous fiscal year was minus 275 million yen), and the ordinary loss was minus 757 million yen (ordinary loss of the previous fiscal year was minus 956 million yen). Net loss attributable to owners of the parent was 1,379 million yen (net loss attributable to owners of the parent of the previous fiscal year was 1,010 million yen) due to booking retirement benefit expenses.

UMC Group operates the EMS business and other businesses, but the segment information on other businesses will not be provided in this document because majority of UMC Group's operations is the EMS business. Consolidated net sales of the EMS business and consolidated net sales of other businesses are as follows. Consolidated net sales described below are figures after elimination of inter-company transactions.

(i) EMS Business

Net sales of the EMS business, which is UMC Group's main business, increased to 34,362 million yen (up 11.1% from the previous fiscal year).

An overview of business results by product category is as follows.

(Automotive equipment)

Consolidated net sales resulted in 17,042 million yen (up 21.9% from the previous fiscal year) due to the expansion of exterior products associated with LED lighting and strong sales of critical safety parts such as power control products for Electric Vehicles/Plug-in Hybrid Vehicles.

(Industrial equipment)

Although Factory Automation equipment-related sales decreased especially in the Chinese market, consolidated net sales increased to 7,959 million yen (up 8.4% from the previous fiscal) due to the contribution of server, storage and network equipment sales of UMC H Electronics Co., Ltd. which became a consolidated subsidiary from the second quarter of the previous fiscal year.

(Office automation equipment)

Consolidated net sales were 7,178 million yen (up 2.9% from the previous fiscal year) due to the strong sales in the printer market.

(Consumer equipment)

Consolidated net sales increased to 936 million yen (up 13.2% from the previous fiscal year) due to the expansion of orders from existing Japanese customers and orders from new Chinese customers.

(Information equipment)

Optical pickups are the main products, and consolidated net sales decreased to 786 million yen (down 29.6% from the previous fiscal year).

(Others)

The main product is amusement equipment, and consolidated net sales decreased to 459 million yen (down 33.1% from the previous fiscal year).

(ii) Other Business

The temporary staffing business was strong, and consolidated net sales increased to 1,605 million yen (up 19.2% the previous fiscal year).

(2) Overview of Financial Position of Fiscal 2019

Status of assets, liabilities and net assets

Total assets at the end of the first quarter of Fiscal 2019 were 80,301 million yen (up 8.1% from the previous fiscal year). This was mainly due to an increase in cash and deposits due to the issuance of commercial paper and an increase in accounts receivable.

Liabilities were 65,797 million yen (up 16.6% from the previous fiscal year). This was mainly due to an increase in short-term loans and commercial paper.

Net assets were 14,504 million yen (down 16.6% from the previous fiscal year). This was mainly due to a decrease in retained earnings and foreign currency translation adjustment.

(3) Forecasts

As announced in “Notice regarding Extraordinary Loss and Revision of Consolidated Financial Forecast and Dividend Forecast” on October 28, 2019, UMC Group is restructuring the management system and re-developing business plans based on the recommendations of the report on the inappropriate accounting issue.

Under these circumstances, there are many uncertain factors to estimate the impact of the issue to the business performance. The consolidated business forecasts will be disclosed after carefully reviewing all factors.

(4) Notes on Going Concern Assumptions

Due to the inappropriate accounting issue in the past years, credit of financial institutions towards UMC Group has changed. On the other hand, UMC Group needs to rely on indirect financing for funding due to a decline in stock prices. Under the circumstances, there are significant doubts about going concern assumptions.

In order to resolve this situation, UMC Group is working on improving the balance of liquidity funds by reducing inventory and by liquidating holding receivables. In addition, UMC Group is working on maintaining good relationships with financial institutions by reporting business results and financial condition of UMC Group and gaining understanding for financing and to stabilize cash flow. UMC Group is also discussing additional loans. At the same time, UMC Group is in the process of discussing diversification of financing methods with some financial institutions. However, as these measures are still under implementation and no final agreement has been reached, there is currently significant uncertainty regarding going concern assumptions.

The quarterly consolidated financial statement is prepared on the assumption of going concern, and the impact of significant uncertainties regarding the going concern assumption is not reflected in the quarterly consolidated financial statement.

Net Sales by Product Category

(Millions of yen)

	FY2018/1Q	FY2019/1Q
EMS business		
Automotive equipment	13,976	17,042
Share	45.0%	49.4%
YoY	16.5%	21.9%
Industrial equipment	7,342	7,959
Share	23.6%	23.1%
YoY	-3.4%	8.4%
Office automation equipment	6,979	7,178
Share	22.5%	20.8%
YoY	20.5%	2.9%
Consumer equipment	826	936
Share	2.7%	2.7%
YoY	-55.7%	13.2%
Information equipment	1,116	786
Share	3.6%	2.3%
YoY	-7.6%	-29.6%
Other EMS	686	459
Share	2.2%	1.3%
YoY	-36.5%	-33.1%
Other business	139	165
Share	0.4%	0.5%
YoY	29.7%	19.2%
Total	31,066	34,527
YoY	4.8%	11.1%