



UMC Electronics Co., Ltd.

Fiscal 2019 3Q Performance in Focus (April 1, 2019 – December 31, 2019)

1. Overview of Quarterly Results

(1) Overview of Operating Results

In the first three quarters of the fiscal year under review, there was a suspicion improper accounting was being conducted at the consolidated subsidiary in China. As a result, UMC Electronics Co., Ltd (hereinafter "the Company") established an External Investigation Committee consisting of only outside experts on August 7, 2019 in order to receive a thorough investigation of the facts, investigation of their causes, and recommendations for prevention of future recurrence. Based on the results of this survey, the Company submitted the corrected securities report and the corrected quarterly report from the fiscal year ended March 31, 2014 to the fiscal year ended March 31, 2019 to the Kanto Finance Bureau. The Company has been designated by the Tokyo Stock Exchange, Inc. as a Security on Alert on December 18, 2019, and has received a listing penalty of 48 million yen.

The Company took this situation very seriously, established a Committee for Policy Planning on Governance System consisting of an independent third party, and received recommendations from the committee on an appropriate governance system. Based on this recommendation, the Company will seriously implement recurrence prevention measures.

The economic environment during the third quarter of the current consolidated cumulative period (April 1, 2019 to December 31, 2019) is subject to geopolitical risks such as the full-scale impact of the US-China trade friction issue and the intensifying conflict between the United States and Iran. Due to the increase, the deceleration trend continued. In the electronics industry to which our company belongs, the trend toward computerization of Automotive equipment continues with the support of CASE (Connected, Autonomous, Shared & Services, Electric). On the other hand, not only in China, which is the largest market, but also in emerging countries such as India, automobile sales remained sluggish, resulting in a difficult situation as a whole. Industrial equipment related market; machine tool orders continued to decline. In Japan, business sentiment deteriorated due to the slowdown of overseas economies.

In this business environment, UMC Electronics and its consolidated subsidiaries (hereinafter collectively referred to "UMC Group") flexibly responds to our customers' growing needs for optimal production due to US-China trade friction by providing the same quality of manufacturing services globally.

As a result, consolidated net sales for the first three quarters of the fiscal year under review were 109,796 million yen (up 5.0% year on year). In terms of profit and loss, operating loss was 1,450 million yen, a decrease of 1,222 million yen compared to the same period of the previous year. Ordinary loss was 2,092 million yen, a decrease of 689 million yen compared to the same period of the previous year. As for

extraordinary profit and loss items, extraordinary income of 1,142 million yen from profit on transfer of retirement benefit system, fixed asset impairment loss of 516 million yen, and retirement benefit expenses related to transfer of retirement benefit system of ¥848 million and expenses related to revised related costs for the annual accounts of ¥2,650 million were recorded. As a result, loss attributable to owners of parent was ¥5,222 million, a decrease of ¥3,421 million compared to the same period of the previous year.

UMC Group operates two segments: the EMS business and the Other business. Segment information is not provided in this document because the EMS business accounts for an overwhelming majority of the Group's operations.

Consolidated net sales for the EMS business by product category and consolidated net sales for the Other business are as follows. Consolidated net sales shown below are the figures after the elimination of inter-company transactions.

(i) EMS business

Consolidated net sales for the EMS business, which is the UMC Electronics Group's core business, climbed to 109,289 million yen, up 5.0% from the same period in the previous year. The results by product category are outlined below.

(Automotive equipment)

Consolidated net sales were 53,578 million yen (up 16.9% from the previous fiscal year) due to the expansion of exterior products accompanying the use of LEDs for lights and the strong performance of critical safety parts such as body/powertrain systems and power control products for electric vehicles.

(Industrial equipment)

Consolidated net sales of 26,479 million yen due to the slowdown of FA equipment-related products, mainly in the Chinese market, despite sales of server, storage and network equipment of UMC H Electronics, which became a consolidated subsidiary from the second quarter of the previous year. It was yen (down 3.0% from the previous fiscal year).

(Office automation equipment)

Consolidated net sales were 21,194 million yen (down 6.5% from the previous fiscal year) due to a decrease in demand in the printer market.

(Consumer equipment)

Consolidated net sales were ¥3,760 million (up 25.1% from the previous fiscal year) due to new orders from Chinese customers and expansion of orders from existing Japanese customers.

(Information equipment)

The main products are optical pickups, and consolidated net sales were 2,621 million yen (down 24.3% from the previous fiscal year).

(Others)

Amusement machines are the main products, and consolidated net sales were 1,655 million yen (down 8.5% from the previous fiscal year).

(ii) Other business

The staffing business performed well, and consolidated net sales were 507 million yen (up 11.8% from the previous fiscal year).

(2) Overview of Financial Position

Total assets at the end of the third quarter of the fiscal year under review were 79,108 million yen (up 6.5% from the end of the previous fiscal year). This was mainly due to an increase in accounts receivable. Liabilities were 68,265 million yen (up 19.9% from the end of the previous fiscal year). This was mainly due to an increase in accounts payable and short-term loans.

Net assets were 10,843 million yen (down 37.6% from the end of the previous fiscal year). This was mainly due to a decrease in retained earnings.

(3) Explanation of Forward-looking Information Including Forecast of Consolidated Results

As announced on October 28, 2019, the Company will develop a new business plan in response to the improper accounting treatment problem. There are many uncertain factors affecting the consolidated business forecasts that currently affect our business performance, and we will scrutinize them and disclose.

(4) Notes on Going Concern Assumption

Due to the discovery of fraud in previous years, the Group's credit attitude toward financial institutions has become uncertain, which is different from the past. On the other hand, due to the decline in stock prices and other factors, new financing is forced to rely on indirect financing. Due to these circumstances, there are situations that raise significant doubts about going concern assumptions.

In order to eliminate this situation, the Group is working internally to improve the balance of liquidity funds by reducing inventories and securitizing held receivables. In addition, the Company strives to maintain good relationships with the financial institutions that deal with them in a timely manner and to maintain good relationships by gaining their understanding, and to stabilize funding and cash flow. We are also discussing additional borrowing. At the same time, we are proceeding with discussions with some trading financial institutions regarding diversification of financing methods.

However, these countermeasures are still in the process of being implemented, and the final agreement with the parties concerned has not been obtained. Therefore, at this point, there is significant uncertainty

regarding the going concern assumption.

The quarterly consolidated financial statements have been prepared on the premise of a going concern, and the effects of significant uncertainty regarding the going concern assumption are not reflected in the quarterly consolidated financial statements.

Net Sales by Product Category

(Millions of yen)

	FY2018/3Q	FY2019/3Q
EMS business		
Automotive equipment	45,847	53,578
Share	43.9%	48.8%
YoY	18.0%	16.9%
Industrial equipment	27,285	26,479
Share	26.1%	24.1%
YoY	14.6%	-3.0%
Office automation equipment	22,677	21,194
Share	21.7%	19.3%
YoY	14.6%	-6.5%
Consumer equipment	3,006	3,760
Share	2.9%	3.4%
YoY	-47.0%	25.1%
Information equipment	3,464	2,621
Share	3.3%	2.4%
YoY	-1.3%	-24.3%
Other EMS	1,809	1,655
Share	1.7%	1.5%
YoY	-33.3%	-8.5%
Other business	454	507
Share	0.4%	0.5%
YoY	53.2%	11.8%
Total	104,545	109,796
YoY	10.4%	5.0%