

## UMC JAPAN Reports FY2009 Full Year Results

### For the Twelve Months Ended December 31, 2009 (Non-Consolidated)

Company Name : UMC JAPAN (URL : <http://www.umcj.com>)  
 Code Number : 6939  
 Stock Exchange Listed : JASDAQ  
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(Figures are rounded down to the nearest million yen)

#### 1. Financial Results for the Fiscal 2009 Full Year (January 1, 2009 – December 31, 2009)

##### (1) Operating Results

(Percentages represent year on year changes over the same period last year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ Million)	%	(¥ Million)	%	(¥ Million)	%	(¥ Million)	%
12 months FY2009	7,495	(52.2)	(4,086)	-	(3,744)	-	(13,185)	-
12 months FY2008	15,686	(43.7)	(4,898)	-	(4,693)	-	(4,411)	-

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
12 months FY2009	(14,011.47)	-
12 months FY2008	(4,503.46)	-

##### (2) Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	(¥ Million)	(¥ Million)	%	¥
December 31, 2009	30,380	27,583	90.4	28,967.33
December 31, 2008	43,802	40,744	92.6	43,072.97

(Reference) Shareholders' Equity December 31, 2009: ¥27,474 million      December 31, 2008: ¥40,553 million

#### 2. Dividends

	Dividend Per Share				
	March 31	June 30	September 30	Year – End	Annual
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2008	-	-	-	-	-
FY 2009	-	-	-	-	-
FY 2010 (Forecast)	-	-	-	-	-

(Note) Revision of dividend forecasts: No

#### 3. Financial Forecasts for the Fiscal year Ending December 31, 2010 (January 1, 2010 – December 31, 2010)

(Percentages represent year on year changes over the same period last year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	(¥ Million)	%	(¥ Million)	%	(¥ Million)	%	(¥ Million)	%	(¥)
January 1 to June 30, 2010	3,595	35.8	(1,762)	-	(1,718)	-	(1,829)	-	(1,832.90)
Fiscal year ended Dec.2010	8,921	19.0	(2,955)	-	(2,899)	-	(3,013)	-	(3,018.34)

**4. Others**

- (1) Changes in accounting principles, procedures, disclosure methods, etc., pertaining to preparation of financial statements
  1. Changes associated with changes in accounting standards: Yes
  2. Other changes: No
- (2) Numbers of shares outstanding (Ordinary shares)
  1. Number of shares outstanding at the end of term (including treasury stocks)  
December 31, 2009: 998,140 shares      For the year ended December 31, 2008: 989,544 shares
  2. Number of treasury stocks at the end of term  
December 31, 2009: 49,696 shares      For the year ended December 31, 2008: 48,043 shares

**\*Appropriate Use of Financial Forecasts**

This document contains financial forecasts and other forward-looking statements. These forward-looking statements are based on information available to the Company at the time of preparation and certain assumptions that management believes to be reasonable. Actual result and other outcomes may differ materially from those expressed or implied by such forward-looking statements due to various factors.

## 1. Operating Results and Financial Conditions

### (1) Analysis of Operating Results

In FY2009 (January 1, 2009 to December 31, 2009), Japan left behind the worst of the economic downturn. Visible signs of a partial economic recovery can be detected, from a recovery in China-bound exports to rising individual consumption as a result of the government's economic stimulus policy. Meanwhile, economic uncertainty continues with reduced equipment investment due to oversupply, a worsening employment situation, and declining household income due to businesses' lackluster performance.

Unpredictability also prevails in the semiconductor industry as businesses adjust their production plans. However, some improvement in market conditions can be seen as economic stimulus policies in various countries stir demand for digital consumer electronics.

Under these market conditions, UMCJ strived to achieve earnings recovery by focusing on reducing cost, improving product mix, and winning manufacturing orders for high value-added products like CMOS image sensors and power management ICs. In addition, UMCJ implemented thorough fab quality management practices to reduce cycle time (the period from development to production) and improve yield rates to enhance customer satisfaction.

Nevertheless, as new foundries entered the industry and competition with major overseas foundries intensified in recent years, the foundry sector faced a situation of excessive supply. Furthermore, demand declined due to the global economic downturn.

Due to the impact of these factors, UMCJ's FY2009 revenue dropped 52% YoY to ¥7,495 million. Operating loss declined from ¥4,898 million in FY2008 to ¥4,086 million in FY2009. Loss before extraordinary items decreased to ¥3,744 million from ¥4,693 million in FY2008 as a result of cost reduction efforts. Net loss for FY2009 was ¥13,185 million compared with ¥4,411 million in FY2008 due to the impairment losses of ¥9,593 million in relation to property, plants and equipment, as described in the press release "Notice of First Half/Full Year Financial Forecast Revision and Details Regarding Impairment Losses in Fiscal 2009" disclosed on July 9, 2009.

### (2) Analysis of Financial Conditions

Please see financial statements for details.

### (3) Basic Dividend Policy

UMCJ prefers to use profits to reinvest into company operations and extend shareholder value, but when unfavorable profit performance or a degree of market maturity exists, we examine alternative ways to return value to shareholders. In FY2009, our business did not recover as expected; therefore, no dividend payment was issued. These ongoing business circumstances will prevent dividend payment for FY2010 as well.

### (4) Business and Other Kinds of Risk

Listed below are several major risks that may affect UMCJ's business results, share price or financial conditions. It should be noted, however, that this list does not necessarily constitute all the business risks facing UMCJ.

1. UMCJ is just one company within the UMC Group. Consequently, any changes in the Group's overall management policies may have an effect on us.
2. Our top three customers were responsible for approximately 62.1% of our sales, which indicates a heavy reliance on a small number of customers. Any changes in business operating conditions from these customers could affect our own financial results.
3. The balance of supply and demand in the semiconductor market can experience significant volatility. In the event of a build-up of excess supply capacity in the market, we may experience difficulty in securing sufficient orders to match our production capacity.
4. Although we outsource advanced technology products to UMC, UMCJ only has one fab located in Tateyama. In the event the Tateyama fab experiences a suspension in operation for any reason, UMCJ production capabilities may be affected significantly.

### (5) Outlook for FY 2010

In 2009, the semiconductor market was characterized by production decline as a result of a decrease in orders due to significantly reduced demand (excluding for digital consumer electronics) as part of the global economic downturn.

Under these market conditions, UMCJ announced expression of opinion for Tender Offer to be a wholly-owned subsidiary of United Microelectronics Corporation ("UMC"), our parent company, as described in the press release "Announcement Concerning Expression of Opinion for Tender Offer by Alpha Wisdom Limited for Shares of UMC Japan" disclosed on October 28, 2009. With this action,

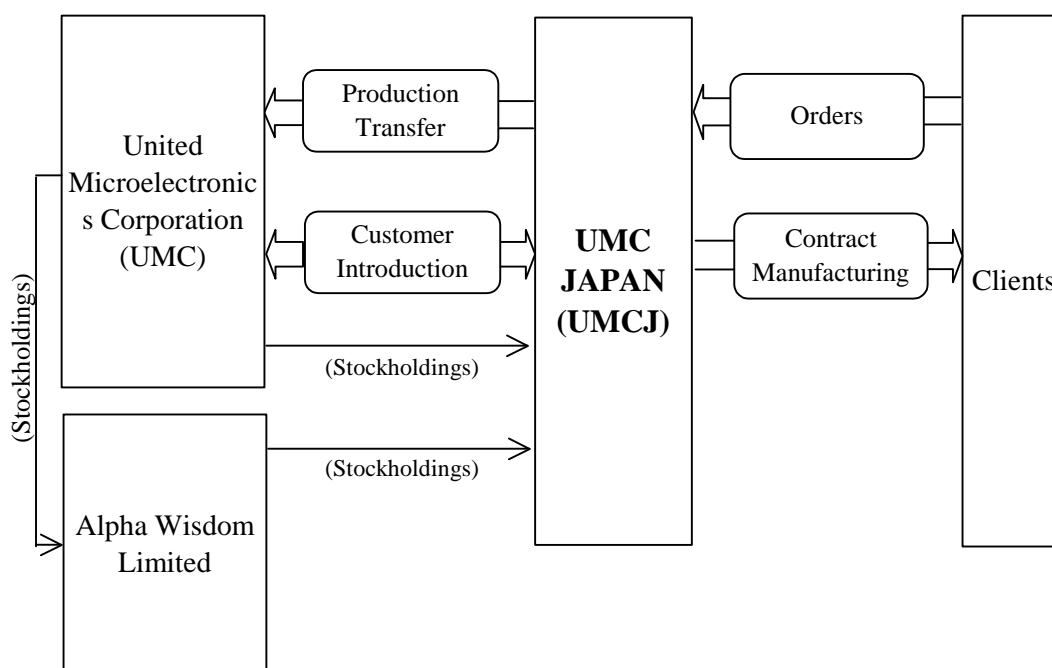
UMCJ aims to expand our customer base and enhance services to build strong competitiveness for future growth. In addition, the results of the Tender Offer is 403,368 shares, as described in the press release “Announcement Concerning Results of Tender Offer for Shares and so forth in UMC Japan and a Change in Majority Shareholders and other related companies” disclosed on December 15, 2009.

Forecasts for FY2010 revenue, operating income, income before extraordinary items and net income exceed those for FY2009, due to an anticipated increase in orders through effective use of UMC Group resources.

Net Operating Revenue	¥ 8,921 million	(FY2009 results: ¥7,495 million)
Operating Income (Loss)	(¥2,955) million	(FY2009 results: Loss ¥4,086 million)
Income (Loss) before extraordinary items	(¥2,899) million	(FY2009 results: Loss ¥3,744 million)
Net Income (Loss)	(¥3,013) million	(FY2009 results: Loss ¥13,185 million)

## 2. Structure of the Corporate Group

The UMC Group, which consists of UMC JAPAN (UMCJ), our parent company and an affiliated company, primarily undertakes front-end wafer processing for contract customers. An overview of the group structure appears below.



- United Microelectronics Corporation (UMC) is our parent company.
- Alpha Wisdom Limited is our affiliated company, a wholly-owned subsidiary of UMC.

### 3. Management Policy

#### (1) UMCJ's Basic Management Policy

UMCJ's goal is to win customer recognition as "the foundry of choice." To accomplish this, we are enlisting the full strength of the UMC Group to pursue new development and new growth. We also believe we can win the confidence of our customers, shareholders and the public by moving forward with measures to streamline management in order to boost corporate value, provide superior foundry services and focus on building a strong profit structure.

#### (2) Performance Index Targets

At the same time that maximizing profitability and shareholder value are important objectives, sales performance has a major impact on our various benchmarks. Accordingly, with regard to our in-house manufacturing portion, our goal is a cost structure that can deliver a 10% gross profit margin based on 100% operating capacity.

#### (3) Medium and Long-Term Business Strategy

Unlike other semiconductor manufacturing companies which have their own products, UMCJ is a dedicated silicon foundry company that can provide advanced service and capacity to all fabless and Integrated Device Manufacturer (IDM) companies. Also, we develop partnerships with customers and improve our product portfolios based on customer needs.

We will continuously focus on expanding our customer base, improving average selling price (ASP), strengthening the outsourcing business to UMC, cutting costs, and improving customer satisfaction to be profitable.

#### (4) Issues to be Resolved

The following are important company resolutions to realize the vision of "Being a High-Performance Solution Provider in Japan".

1. Diversification of Customer Base

UMCJ enhances its partnerships with current customers and attracts potential customers by delivering world-class foundry solutions and services.

2. Improvement of Profit Margin

UMCJ works on high-value added businesses to improve average selling price (ASP), thus increasing profit margin.

3. Maintenance & Management of Quality

UMCJ continues to maintain its fab environment, stress quality management, and improve yield ratio.

4. Thoroughness in Cost Management

UMCJ strengthens the performance of its business by reducing waste and closely monitoring its cost management.

#### (5) Status of Preparing and Applying Internal Management Systems

1. Status of UMCJ's internal supervision structure and the arrangement of business and administrative operations, internal rules and other internal management practices:

UMCJ will continue to locate our internal auditing office in the office of the company president.

Since UMCJ is a specialist foundry, we have no specific business department to otherwise handle these activities. Instead, the functions of various administrative sections are concentrated in our head office. A process of mutual supervision is achieved by separating these sections from the chain of corporate command. Internal company rules are created as necessary, and self-assessment and internal auditing procedures are periodically revised.

2. Status of implementing measures to enhance internal management systems in FY2009:

As the debate over internal management intensifies in light of the recent increase in corporate fraud, UMCJ reviewed its basic policy on internal management. In addition, UMCJ conducted education to employees regarding corporate ethics, personal information protection and information securities.

Also, internal auditing has been extended over a broad range of workplace issues and work locations to now cover such matters as external service agreements, production management and the growing concern in recent years with safeguarding personal information. The growth in auditing has contributed to improvements in internal management systems.

Moreover, since UMC has been a listed member of the New York Stock Exchange since 2000, UMCJ has conducted auditing activities under United States law regularly in accordance with Article 404 of Sarbanes-Oxley Act (SOX).

## Balance Sheet

Millions of JPY

	12 Month Period Ended December 31, 2008	12 Month Period Ended December 31, 2009
<b>Assets</b>		
Current assets		
Cash and deposits	16,653	15,317
Accounts receivable-trade	3,456	2,827
Finished goods	254	235
Raw materials	29	16
Work in process	55	188
Supplies	623	619
Prepaid expenses	184	164
Other	196	130
Allowance for doubtful accounts	(287)	(217)
Current assets total	<u>21,163</u>	<u>19,279</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	19,962	15,068
Accumulated depreciation	(10,013)	(10,403)
Buildings, net	<u>9,949</u>	<u>4,665</u>
Structures	3,986	3,515
Accumulated depreciation	(2,916)	(2,982)
Structures, net	<u>1,070</u>	<u>533</u>
Machinery and equipment	66,292	63,662
Accumulated depreciation	(58,686)	(60,024)
Machinery and equipment, net	<u>7,606</u>	<u>3,638</u>
Vehicles	4	4
Accumulated depreciation	(4)	(4)
Vehicles, net	<u>1</u>	<u>0</u>
Tools, furniture and fixtures	1,465	1,387
Accumulated depreciation	(1,303)	(1,307)
Tools, furniture and fixtures, net	<u>162</u>	<u>80</u>
Land	3,143	1,691
Lease assets	-	24
Accumulated depreciation	-	(9)
Lease assets, net	<u>-</u>	<u>14</u>
Construction in progress	3	-
Property, plant and equipment total	<u>21,932</u>	<u>10,621</u>
Intangible assets		
Leasehold right	295	159
Software	53	17
Other	32	12
Total intangible assets	<u>380</u>	<u>187</u>
Investments and other assets		
Other	327	293
Allowance for doubtful accounts	(0)	(0)
Investments and other assets total	<u>327</u>	<u>293</u>
Noncurrent assets total	<u>22,639</u>	<u>11,102</u>
Assets total	<u>43,802</u>	<u>30,380</u>

**Balance Sheet (Continued)**

Millions of JPY

	12 Month Period Ended December 31, 2008	12 Month Period Ended December 31, 2009
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	1,495	1,384
Short-term loans payable	363	368
Lease obligations	-	6
Accounts payable-other	528	371
Accrued expenses	302	297
Income taxes payable	38	38
Advances received	9	4
Deposits received	45	11
Provision for bonuses	48	45
Provision for repairs	155	-
Provision for loss on order received	-	0
Current liabilities total	<u>2,982</u>	<u>2,525</u>
Noncurrent liabilities		
Provision for retirement benefits	49	164
Provision for directors' retirement benefits	26	26
Provision for repairs	-	74
Other	-	8
Noncurrent liabilities total	<u>75</u>	<u>273</u>
Liabilities total	<u>3,057</u>	<u>2,798</u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	27,140	27,199
Capital surplus		
Legal capital surplus	10,218	5,277
Other capital surplus	7,940	8,529
Total capital surplus	<u>18,158</u>	<u>13,806</u>
Retained earnings		
Legal retained earnings	57	57
Other retained earnings		
Retained earnings brought forward	(4,411)	(13,185)
Total retained earnings	<u>(4,354)</u>	<u>(13,128)</u>
Treasury stock	(391)	(403)
Shareholders' equity	<u>40,553</u>	<u>27,474</u>
Subscription rights to shares	191	109
Net assets total	<u>40,744</u>	<u>27,583</u>
Liabilities and net assets	<u>43,802</u>	<u>30,380</u>

## Statements of Income

Millions of JPY

	12 Month Period Ended December 31, 2008	12 Month Period Ended December 31, 2009
Net sales		
Net sales of finished goods	9,895	4,848
Net sales of goods	5,791	2,648
Gross sales	15,686	7,495
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	193	254
Transfer from other account	383	66
Cost of products manufactured	13,365	8,163
Ending finished goods	254	235
Cost of finished goods sold	13,686	8,248
Cost of goods sold		
Cost of purchased goods	5,451	2,502
Cost of goods sold	5,451	2,502
Total cost of sales	19,137	10,750
Gross loss	(3,451)	(3,254)
Selling, general and administrative expenses		
Salaries	473	338
Retirement payments	-	44
Legal welfare expenses	-	47
Enterprise tax	82	75
Depreciation	28	20
Business consignment expenses	89	95
Rent expenses	-	50
Provision of allowance for doubtful accounts	287	7
Other	488	156
Total selling, general and administrative expenses	1,447	832
Operating loss	(4,898)	(4,086)
Non-operating income		
Interest income	64	50
Technical support fee	64	65
Subsidy income	-	203
Gain on sales of scraps	106	-
Other	68	39
Non-operating income total	301	356

**Statements of Income (Continued)**

Millions of JPY

	12 Month Period Ended December 31, 2008	12 Month Period Ended December 31, 2009
Non-operating expenses		
Interest expenses	29	5
Foreign exchange losses	29	9
Compensation expenses	31	-
Other	8	1
Non-operating expenses total	<u>96</u>	<u>14</u>
Ordinary loss	<u>(4,693)</u>	<u>(3,744)</u>
Extraordinary income		
Gain on prior periods adjustment	85	111
Gain on sales of noncurrent assets	117	-
Reversal of allowance for doubtful accounts	-	78
Gain on reversal of subscription rights to shares	-	64
Gain on redemption of investment securities	114	-
Other	38	-
Extraordinary income total	<u>355</u>	<u>253</u>
Extraordinary loss		
Loss on sales of noncurrent assets	18	-
Impairment loss	-	9,593
Loss on retirement of noncurrent assets	49	5
Other	-	90
Extraordinary loss total	<u>67</u>	<u>9,689</u>
Loss before income taxes	<u>(4,406)</u>	<u>(13,180)</u>
Income taxes-current	<u>5</u>	<u>5</u>
Income taxes-current total	<u>5</u>	<u>5</u>
Net Loss	<u>(4,411)</u>	<u>(13,185)</u>

## Statements of Changes in Net assets

Millions of JPY

	12 Month Period Ended December 31, 2008	12 Month Period Ended December 31, 2009
<b>Shareholders' equity</b>		
<b>Capital stock</b>		
Balance at the end of previous period	27,140	27,140
Changes of items during the period		
Issuance of new shares	-	59
Total changes of items during the period	-	59
Balance at the end of current period	27,140	27,199
<b>Capital surplus</b>		
<b>Legal capital surplus</b>		
Balance at the end of previous period	20,218	10,218
Changes of items during the period		
Issuance of new shares	-	59
Transfer to other capital surplus from legal capital surplus	(10,000)	(5,000)
Total changes of items during the period	(10,000)	(4,941)
Balance at the end of current period	10,218	5,277
<b>Other capital surplus</b>		
Balance at the end of previous period	-	7,940
Changes of items during the period		
Transfer to other capital surplus from legal capital surplus	10,000	5,000
Deficit disposition	(2,060)	(4,411)
Total changes of items during the period	7,940	589
Balance at the end of current period	7,940	8,529
<b>Total capital surplus</b>		
Balance at the end of previous period	20,218	18,158
Changes of items during the period		
Issuance of new shares	-	59
Deficit disposition	(2,060)	(4,411)
Total changes of items during the period	(2,060)	(4,352)
Balance at the end of current period	18,158	13,806
<b>Retained earnings</b>		
<b>Legal retained earnings</b>		
Balance at the end of previous period	57	57
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	57	57
<b>Other retained earnings</b>		
<b>Retained earnings brought forward</b>		
Balance at the end of previous period	(2,060)	(4,411)
Changes of items during the period		
Deficit disposition	2,060	4,411
Net Loss	(4,411)	(13,185)
Total changes of items during the period	(2,351)	(8,774)
Balance at the end of current period	(4,411)	(13,185)

**Statements of Changes in Net assets (Continued)**

Millions of JPY

	12 Month Period Ended December 31, 2008	12 Month Period Ended December 31, 2009
<b>Total retained earnings</b>		
Balance at the end of previous period	(2,003)	(4,354)
Changes of items during the period		
Deficit disposition	2,060	4,411
Net Loss	(4,411)	(13,185)
Total changes of items during the period	(2,351)	(8,774)
Balance at the end of current period	(4,354)	(13,128)
<b>Treasury stock</b>		
Balance at the end of previous period	-	(391)
Changes of items during the period		
Purchase of treasury stock	(391)	(12)
Total changes of items during the period	(391)	(12)
Balance at the end of current period	(391)	(403)
<b>Total shareholders' equity</b>		
Balance at the end of previous period	45,355	40,553
Changes of items during the period		
Issuance of new shares	-	117
Net Loss	(4,411)	(13,185)
Purchase of treasury stock	(391)	(12)
changes of items during the period	(4,802)	(13,079)
Balance at the end of current period	40,553	27,474
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(99)	-
Changes of items during the period		
Net changes of items other than shareholders' equity	99	-
Total changes of items during the period	99	-
Balance at the end of current period	-	-
<b>Total valuation and translation adjustments</b>		
Balance at the end of previous period	(99)	-
Changes of items during the period		
Net changes of items other than shareholders' equity	99	-
Total changes of items during the period	99	-
Balance at the end of current period	-	-
<b>Subscription rights to shares</b>		
Balance at the end of previous period	90	191
Changes of items during the period		
Net changes of items other than shareholders' equity	101	(82)
Total changes of items during the period	101	(82)
Balance at the end of current period	191	109

**Statements of Changes in Net assets (Continued)**

Millions of JPY

	12 Month Period Ended December 31, 2008	12 Month Period Ended December 31, 2009
Net assets		
Balance at the end of previous period	45,347	40,744
Changes of items during the period		
Issuance of new shares	-	117
Net Loss	(4,411)	(13,185)
Purchase of treasury stock	(391)	(12)
Net changes of items other than shareholders' equity	200	(82)
Total changes of items during the period	(4,602)	(13,162)
Balance at the end of current period	40,744	27,583

## Statements of Cash Flows

Millions of JPY

	12 Month Period Ended December 31, 2008	12 Month Period Ended December 31, 2009
Net cash provided by (used in) operating activities		
Loss before income taxes	(4,406)	(13,180)
Depreciation and amortization	3,450	1,939
Impairment loss	-	9,593
Share-based compensation expenses	106	11
Increase (decrease) in provision	316	(38)
Proceeds from redemption of securities	(114)	-
Interest income and Dividends income	(64)	(50)
Interest expenses	29	5
Foreign exchange losses (gains)	140	187
Loss on retirement of inventories	99	20
Loss on valuation of inventories	564	150
Loss (gain) on sales of noncurrent assets	(117)	-
Loss on retirement of noncurrent assets	67	5
Gain on reversal of subscription rights to shares	(5)	(64)
Decrease (increase) in notes and accounts receivable-trade	3,602	629
Decrease (increase) in inventories	221	(265)
Increase (decrease) in notes and accounts payable-trade	(1,720)	(111)
Increase (decrease) in accounts payable-other and accrued expenses	(726)	(152)
Other	(86)	81
Subtotal	1,357	(1,239)
Interest and dividends income received	58	51
Interest expenses paid	(29)	(6)
Income taxes paid	(5)	(5)
Net cash provided by (used in) operating activities	1,381	(1,199)
Net cash provided by (used in) investing activities		
Purchase of noncurrent assets	(271)	(20)
Proceeds from sales of noncurrent assets	256	-
Other	7	(1)
Net cash provided by (used in) investing activities	(8)	(21)
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	(681)	(24)
Repayments of lease obligation	-	(9)
Purchase of treasury stock	(391)	(12)
Proceeds from exercise of stock option	-	88
Net cash provided by (used in) financing activities	(1,072)	43
Effect of exchange rate change on cash and cash equivalents	(176)	(158)
Net increase (decrease) in cash and cash equivalents	126	(1,335)
Cash and cash equivalents at beginning of period	16,527	16,653
Cash and cash equivalents at end of period	16,653	15,317