

August 14, 2017

Consolidated Financial Results for the First Quarter Ended June 30, 2017 [Japanese Standards]

This is a summary in English from the original financial report in Japanese.

In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

Company name	UKC Holdings Corporation
Stock exchanges on which the shares are listed	Tokyo Stock Exchange, First Section
Code number	3156
URL	http://www.ukcgroup.com/english/index.html
Representative	Yukio Fukuju, President
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Filing date of the Quarterly Securities Report (scheduled) August 14, 2017

(Millions of yen rounded down)

1. Consolidated results for the first quarter ended June 30, 2017 (April 1, 2017 to June 30, 2017)

(1) Consolidated operating results

% of change from previous year

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2017 1Q	76,317	22.0	1,096	429.6	1,064	—	630	—
FY2016 1Q	62,558	△6.4	207	—	△275	—	△330	—

(Note) Comprehensive income

FY2017 1Q: 267 million yen (—%) FY2016 1Q: △471 million yen (—%)

	Net income per share	Net income per share after dilution
	Yen	Yen
FY2017 1Q	40.14	—
FY2016 1Q	△ 21.06	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2017 1Q	125,473	37,401	29.5	2,360.09
Fiscal 2016	124,237	37,154	29.6	2,340.69

(Reference) Shareholders equity:

June 30, 2017: 37,045 million yen March 31, 2017: 36,741 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
Fiscal 2016	—	30.00	—	0.00	30.00
Fiscal 2017	—				
Fiscal 2017 (Forecast)		30.00	—	30.00	60.00

(Note 1)

The Company is yet to settle its financial statements for the fiscal year ended March 31, 2017 and thus is unable to begin proceedings regarding the payment of year-end dividend for the record date of March 31, 2017 scheduled on June 14, 2017.

Therefore, the Company has decided to pay no year-end dividend for the record date of March 31, 2017.

The Company set a new record date of July 31, 2017 and has no plan to change the latest year-end dividend forecast

(30 yen per share announced on May 10, 2016) even for the new record date. Details will be promptly announced once decided.

(Note 2) Revisions to forecast of dividends in this quarter; No

3. Forecast of results for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% of change from FY2016 or 1st Half of FY2016)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half	156,000	18.3	2,500	—	2,400	—	1,600	—	101.93
Full Year	300,000	9.6	5,500	—	5,100	—	3,400	—	216.60

Note: Revisions to forecast of financial results in this quarter; No

4. Other

(1) Transfer of major subsidiaries during term

(transfer of specified subsidiaries in line with changes in the consolidated range): No

(2) Application of accounting procedures specific to preparation of quarterly consolidated financial statements: No

(3) Changes to principles, procedures and display methods for accounting procedures

1. Changes in accordance with revisions to accounting standards and related practices: No

2. Changes in items other than 1. above: No

3. Changes in accounting estimates: No

4. Retrospective restatement: No

(4) Number of shares issued and outstanding (Common stock)

1. Total number of shares issued and outstanding (including treasury stock) as of the period-end

June 30, 2017	15,700,021 shares	March 31, 2017	15,700,021 shares
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2. Total number of treasury stock as of the period-end

June 30, 2017	3,281 shares	March 31, 2017	3,142 shares
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3. Average number of shares outstanding during the period

FY2017 1Q	15,696,820 shares	FY2016 1Q	15,697,077 shares
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Note :

The original financial report in Japanese is not subject to the audit procedures based on the Financial Instruments and Exchange Act.

Note :

Financial forecasts are based on judgments made in accordance with information available at the time this material was prepared. Actual results may differ significantly from these forecasts for a number of factors.

[Business Results]

1. Business Results

(1) Overview

Japan's economy during this first quarter has been on a gradual recovery path thanks to improvements in corporate earnings, employment and capital spending. Global economy on the whole has also been on a gradual recovery path although uncertainties such as geopolitical risks remain.

In the electronics industry to which UKC group belongs, automobile- and industry-related market is expected to grow with evolutions of car electronics and automation, and IoT (Internet of Things).

Under these circumstances, UKC group, with sales of semiconductors and electronic components manufactured by Sony as its core business, continuously focused on expanding high value-added businesses such as EMS (Electronic Manufacturing Service), extending product lines, and creating new businesses.

As a result, UKC group recorded consolidated net sales of 76,317 million yen (up 22.0% year on year), consolidated operating income of 1,096 million yen (up 429.6% year on year), consolidated ordinary income of 1,064 million yen (loss of 275 million yen same period last year), and consolidated net income attributable to owners of parent of 630 million yen (loss of 330 million yen same period last year).

(2) Business Segment Information

a. Semiconductors and electronic components

Net sales grew due to good sales to foreign smartphones and a strip of impacts of the Kumamoto Earthquake last year. Segment income grew due to an increase in sales and improved profitability.

As a result, net sales grew to 73,257 million yen (up 23.1% year on year) and segment income grew to 1,314 million yen (up 179.0% year on year).

b. Electronic equipment

Net sales grew due to a strip of impact of the Kumamoto Earthquake last year i.e. difficulty in procuring some products as well as 4K demand.

As a result, net sales grew to 3,092 million yen (up 7.3% year on year) and segment loss was 161 million yen (improved 83 million yen year on year).

c. System equipment

Although e-money applications are expanding in the contactless IC card business and automobile-related inquiries are active in the contracted reliability test and environmental

material analysis service business, both businesses experienced a downturn in demand for this quarter.

As a result, net sales dropped to 446 million yen (down 22.4% year on year) and segment loss was 16 million yen (income of 24 million yen same period last year).

2. Financial Condition

Total assets at the end of the first quarter amounted to 125,473 million yen, up 1,236 million yen from the end of fiscal 2016 mainly attributable to increases in electronically recorded monetary claims-operating (up 1,258 million yen), inventories (up 4,721 million yen) and investment securities (up 138 million yen), and decreases in cash and deposit (down 973 million yen), notes and accounts receivable-trade (down 2,951 million yen) and other current assets (down 639 million yen).

Total liabilities at the end of the first quarter amounted to 88,071 million yen, up 988 million yen from the end of fiscal 2016 mainly attributable to increases in notes and accounts payable-trade (up 660 million yen), short-term borrowings (up 2,091 million yen) and other current liabilities (up 155 million yen), and decreases in current portion of long-term debt (down 1,184 million yen) and income taxes payable (down 575 million).

Net assets were 37,401 million yen, up 247 million yen from the end of fiscal 2016 mainly attributable to net income attributable to owners of parent of 630 million yen and a decrease in accumulated other comprehensive income of 325 million yen mainly due to a decrease in foreign currency translation adjustments of 421 million yen.

3. Forecast of Consolidated Financial Results

The forecast of financial results for the first half and full fiscal year remains unchanged from the original disclosed on July 31, 2017.

[Consolidated Balance Sheets]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	First Quarter Ended June 30, 2017 (As of June 30, 2017)
(Assets)		
Current assets		
Cash and deposit	20,076	19,103
Notes and accounts receivable-trade	73,655	70,703
Electronically recorded monetary claims-operating	2,678	3,936
Merchandise and finished goods	19,219	23,089
Work in process	653	1,345
Raw materials and supplies	784	946
Advance payments	6,435	6,316
Other	4,872	4,232
Allowance for doubtful accounts	△11,950	△12,262
Total current assets	<u>116,426</u>	<u>117,409</u>
Noncurrent assets		
Property, plant and equipment	3,079	3,165
Intangible assets	425	413
Investments and other assets		
Investment securities	3,388	3,527
Other	2,445	2,481
Allowance for doubtful accounts	△1,528	△1,524
Total investments and other assets	<u>4,306</u>	<u>4,484</u>
Total noncurrent assets	<u>7,811</u>	<u>8,063</u>
Total assets	<u>124,237</u>	<u>125,473</u>

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2017 (As of March 31, 2017)	First Quarter Ended June 30, 2017 (As of June 30, 2017)
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	45,562	46,222
Short-term borrowings	32,926	35,017
Current portion of long-term debt	1,325	140
Income taxes payable	1,094	518
Reserve for bonuses	422	202
Other	2,491	2,647
Total current liabilities	<u>83,823</u>	<u>84,749</u>
Noncurrent liabilities		
Long-term borrowings	2,300	2,300
Reserve for directors' retirement benefits	40	41
Net defined benefit liability	301	294
Other	617	686
Total noncurrent liabilities	<u>3,260</u>	<u>3,322</u>
Total liabilities	<u>87,083</u>	<u>88,071</u>
(Net assets)		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	23,010	23,640
Treasury stock	△5	△5
Total shareholders' equity	<u>33,731</u>	<u>34,360</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	765	861
Foreign currency translation adjustments	2,289	1,868
Remeasurements of defined benefit plans	△44	△44
Total valuation and translation adjustments	<u>3,010</u>	<u>2,684</u>
Non-controlling interests	412	356
Total net assets	<u>37,154</u>	<u>37,401</u>
Total liabilities and net assets	<u>124,237</u>	<u>125,473</u>

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	First Quarter Ended June 30, 2016	First Quarter Ended June 30, 2017
Net sales	62,558	76,317
Cost of sales	59,225	72,063
Gross profit	3,333	4,254
Selling, general, and administrative expenses	3,126	3,158
Operating income	207	1,096
Non-operating income		
Interest income	9	8
Dividends income	17	17
Foreign exchange profit	—	100
Other	34	16
Total non-operating income	61	142
Non-operating expenses		
Interest payable	85	144
Foreign exchange losses	402	—
Other	55	29
Total non-operating expenses	543	174
Ordinary income	△275	1,064
Extraordinary loss		
Cost for correcting financial results for past fiscal years	—	182
Total extraordinary losses	—	182
Income before income taxes	△275	881
Total income taxes	103	288
Net income	△378	593
Net income attributable to non-controlling interests	△48	△36
Net income attributable to owners of parent	△330	630

	(Millions of yen rounded down)	
	First Quarter Ended June 30, 2016	First Quarter Ended June 30, 2017
Net income	△378	593
Other comprehensive income		
Net unrealized gain on other marketable securities	82	96
Foreign currency translation adjustments	△177	△421
Pension liability adjustments	1	△0
Total other comprehensive income	△93	△325
Comprehensive income	△471	267
(Details)		
Comprehensive income relating to owners of parent	△423	304
Comprehensive income relating to non-controlling interests	△48	△36

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down)	
	First Quarter Ended June 30, 2016	First Quarter Ended June 30, 2017
Net income	△378	593
Other comprehensive income		
Net unrealized gain on other marketable securities	82	96
Foreign currency translation adjustments	△177	△421
Pension liability adjustments	1	△0
Total other comprehensive income	△93	△325
Comprehensive income	△471	267
(Details)		
Comprehensive income relating to owners of parent	△423	304
Comprehensive income relating to non-controlling interests	△48	△36

[Segment Information]

1. Net sales and operating income (loss) of reporting segments

For the first quarter ended June 30, 2016 (April 1, 2016 to June 30, 2016)

(Millions of yen rounded down)

	Semiconductors and electronic components	Electronic equipment	System equipment	Total	Eliminations and/or corporate	Consolidated
Net sales						
Sales to external customers	59,511	2,532	515	62,558	—	62,558
Internal sales or transfers between segments	22	349	59	432	△432	—
Total	59,533	2,881	575	62,990	△432	62,558
Operating income	471	△245	24	249	△42	207

(Note)

An adjustment of △42 million yen for segment income includes an elimination of inter-segment transactions of 0 million yen and corporate expenses of △43 million yen that are not allocated to each segment. Corporate expenses mainly include general and administration expenses that do not belong to any reporting segments. Operating income (loss) by reporting segment is adjusted to correspond to operating income of the consolidated quarterly statements of income.

For the first quarter ended June 30, 2017 (April 1, 2017 to June 30, 2017)

(Millions of yen rounded down)

	Semiconductors and electronic components	Electronic equipment	System equipment	Total	Eliminations and/or corporate	Consolidated
Net sales						
Sales to external customers	73,245	2,655	415	76,317	—	76,317
Internal sales or transfers between segments	11	436	30	478	△478	—
Total	73,257	3,092	446	76,795	△478	76,317
Operating income	1,314	△161	△16	1,136	△40	1,096

(Note)

An adjustment of △40 million yen for segment income includes an elimination of inter-segment transactions of 0 million yen and corporate expenses of △40 million yen that are not allocated to each segment. Corporate expenses mainly include general and administration expenses that do not belong to any reporting segments. Operating income (loss) by reporting segment is adjusted to correspond to operating income of the consolidated quarterly statements of income.