

(This is a translation in English from the original in Japanese. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.)

March 30, 2017

To whom it may concern:

Company name: UKC Holdings Corporation  
(Security Code: 3156 Tokyo Stock Exchange 1st Section)  
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## **Announcement of the Subscription of Convertible Bonds of Hong Kong based Quatius Limited by a Subsidiary of UKC Holdings Corporation**

UKC Holdings Corporation ("the Company"; "UKC Group" including its subsidiaries) passed a resolution on a subscription of convertible bonds of Hong Kong based Quatius Limited ("Quatius") (Representative: Zeng Wu Jiang) by UKC ELECTRONICS (H.K.) CO., LTD. ("UKC HK"), a 100% subsidiary of the Company at the meeting of the board of directors on March 30, 2017.

### 1. Objectives

In order to achieve the midterm target of consolidated operating margin of 3% and ROE of 10%, UKC Group, with sales of semiconductors and electronic components manufactured by Sony as its core business, focuses on expanding high value-added businesses such as EMS (Electronic Manufacturing Service), extending product lines, and creating new businesses.

Quatius develops, manufactures, and sells LCD TVs and digital signage systems, and is a pioneer of smart TV with added values such as Internet connection. Especially in Australia, it has gained a large market share through its unique product strategy, positioning, and robust relation with a major mass merchant with the SONIQ brand TV. In addition, Quatius deploys after-sale services such as Internet connection and contents distribution. Through two core businesses - product business and service business, it aims to further increase sales in the Oceanian region and expand business in China and the US.

Quatius's major products and services are as follows.

#### a) Multi-media compatible Smart TV

There has been a rapid switch worldwide from conventional TVs to smart TVs in which Quatius has deployed a unique video distribution service, Cinavision with world's top level multimedia correspondence and an in-house developed smart platform based on the most updated Android OS since 2011. Cinavision offers unique contents through a collaboration with one of the major contents suppliers in China and a connectivity with the latest contents services such as Netflix and YouTube as well as Google Chromecast with an easy connection with mobile devices to which it is among the first to correspond.

#### b) Cybercast

Digital signage enables cost-effective marketing by combining highly visible and appealing PID (Public Information Display) with Internet. Thus, its market is marking a rapid growth worldwide. Quatius's innovative digital signage system (Cybercast) with a variety of previously prepared content templates enables customers to freely make and edit their original contents (advertisements and notices in different formats including

moving and still images, and documents) and to distribute them freely in terms of methods and schedules. In addition, it corresponds to touch panels and bilateral communication system, and is thus used not only for advertisements at office buildings, baseball/soccer stadiums and major travel agencies, but also for automated ordering system and in-store customer services at major fast food chains; therefore, the unlimited potentials in the product demands are anticipated. The internet products with these smart functions are standard in all hardware/software platforms, and hardware prices and internet subscriptions are reasonable.

UKC Group has built a strategic partnership with Quatius in sales of LCD panels and support of product planning and development. This time, UKC Group agreed to subscribe convertible bonds issued by Quatius as a powerful alternative for expanding its high value added business and achieving the midterm target. The Company believes that subscribing convertible bonds issued by Quatius enables it to benefit from the fruit of growth of Quatius as follows.

a) Increasing sales to Quatius

Strengthening Quatius's financial base secures a realization of its growth strategy, which leads to a sales increase of UKC Group to Quatius.

b) Enabling the Company to exercise the conversion right and make Quatius a consolidated subsidiary

- Making Quatius a subsidiary of the Company through converting bonds and incorporating performance growth

- Adding product and service business of Quatius to the business portfolio of the Company as a high value-added solution business beyond mere purchase and sales of products

2. Overview of Quatius (as of March 1, 2017)

(1) Company name	Quatius Limited		
(2) Head office	Unit 2605, 26/F Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong		
(3) Representative	Chairman Zeng Wu Jiang		
(4) Business	Development, manufacturing and sales of LCD TV		
(5) Capital	20,000 thousand HK dollars		
(6) Establishment date	December 27, 2002		
(7) Major shareholders and Shareholdings	Zeng Wu Jiang 100% After full conversion (Planned): UKC HK 51%, Zeng Wu Jiang 49%		
(8) Relationship with the Company	Capital relationship	None	
	Personal relationship	None	
	Trading relationship	UKC HK, a subsidiary of the Company, sells LCD panel to Quatius.	
	Relevant circumstances for related parties	None	
(9) Operating performance and financial position for the past three years	(unit: thousand HK dollar)		
	December 2014 (Audited)	December 2015 (Audited)	December 2016 (Unaudited)
Total assets	825,291	558,178	959,699
Net assets	48,160	▲ 141,365	▲ 129,781
Net sales	708,688	504,504	711,073
Operating income	▲ 10,612	▲ 157,331	49,617
Net income	▲ 50,423	▲ 189,525	11,583

In the fiscal year ended December 2015, a decline in sales and a foreign exchange loss mainly attributable to the currency volatility temporarily resulted in poor business performance and net asset deficiency. In order to avoid the similar outcome, Quatius has undertaken measures to improve its corporate quality, and achieved further price competitiveness of its products as well as low-cost operations. Thus, in the fiscal year ended

December 2016, Quatius has marked a remarkable improvement in operation capacity and business performance. Furthermore in 2017, Quatius's even better business performance compared to the previous year is predicted due to the fact that a considerable amount of supply contracts has been concluded in Australia. In the medium term, Quatius is expected to further expand its business results by the fact that digital signage business in China other regions would be very likely to expand in addition to a shift to more value-added model as well as improving market share of the Oceanian TV market supported by customers' M&A execution.

The subscription of the convertible bonds enables UKC Group to involve in Quatius's TV business management in various aspects such as product planning and strategy, inventory and balance control. Those supports not limited to financial one provided by UKC Group enable Quatius to build its management structure based on its strength and would result in a high probability of realizing Quatius's midterm growth strategy.

### 3. Overview of UKC HK

(1) Company name	UKC ELECTRONICS (H.K.) CO., LTD.
(2) Head office	Room 804B, 8/F, Tower 1, Cheung Sha Wan Plaza, No.833 Cheung Sha Wan Road, Kowloon, Hong Kong
(3) Representative	Keiichi Kawabata, Chairperson and President
(4) Business	Semiconductor and electronic component business
(5) Capital	25,262 thousand US dollars
(6) Establishment date	January 5, 1993
(7) Major shareholders	The Company (UKC Holdings Corporation) 100%

### 4. Overview of the convertible bond

(1) Issue value	100 million US dollars
(2) Interest rate	Zero
(3) Maturity	Five years
(4) Redemption period	At the maturity date or in case Quatius breaches the agreement
(5) Secured mortgage	Properties (land, buildings, equipment etc.) in China and Australia
(6) Conversion period	From the date of issuance up to the maturity date
(7) Conversion price	4.8039215 US dollars per share (planned)
(8) Number of shares after full conversion	20,816,327 (planned)
(9) Shareholding after full conversion	51% (Planned)

Regarding the value of the convertible bonds, UKC Group refers to corporate and shareholder value calculated by a third-party institution based on appropriate due diligence, including midterm business plan.

There is no actual payment for the subscription of the convertible bonds as UKC HK offsets its accounts receivable to Quatius to support the Quatius's financial base and enable Quatius to utilize its cash flow for its growth strategy.

### 5. Schedule

Resolution at the meeting of the board of directors of the Company	March 30, 2017
Conclusion of the convertible bond subscription agreement, etc. between UKC HK and Quatius	March 30, 2017 (planned)
Acquisition of convertible bonds of Quatius by UKC HK	March 31, 2017 (planned)

## 6. Future prospect

UKC Group intends to strengthen its involvement in Quatius's TV business management, confirm a robust corporate governance and a progress of the business plan, and eyes the possibility of converting the convertible bonds at an appropriate timing ,making Quatius its consolidate subsidiary, and gain the advantages as mentioned above.

The impact of this matter on the consolidated financial results for the fiscal year ending March 31, 2017 is insignificant. The impact on the consolidated financial results for the fiscal year ending March 31, 2018 will be announced as soon as it is reasonably estimated. In addition, the general progress of this matter will be disclosed in a timely and appropriate manner.