

For the Fiscal Year Ended March 31, 2015

2015 Report

UKC Holdings Corporation

1-11-2 Osaki, Shinagawa-ku, Tokyo

(Securities Code: 3156)

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Corporate Profile

The electronics industry continues to go through extraordinary development and transformation on the back of ceaseless technological innovation, and the resulting competition and structural reform. In order to carry on growing in this rapidly evolving and ever-changing industry, electronics trading companies must strive to build competitive and strong business structures while expanding and creating further corporate value. On the basis of this idea, UKC Holdings was established through a management integration between USC and Kyoshin Technosonic.

With “United Knowledge Company” as the keywords of its management principle, UKC Holdings will make maximum use of hard resources such as its business base and management resources, as well as soft resources such as its collective knowledge, experience and abilities, all of which have been expanded and enhanced by the management integration. By doing so, in the electronics field, UKC Holdings intends to realize its management vision of offering the highest quality with the optimum cost, evolving and growing with customers, and creating new markets and new values, thus achieving sustainable development and growth as well as improving corporate value.

I. Summary of Selected Financial Data (Consolidated)

Fiscal years ended March 31,	2 nd fiscal year	3 rd fiscal year	4 th fiscal year	5 th fiscal year	6 st fiscal year
	2011	2012	2013	2014	2015
Net sales (Millions of yen)	303,585	257,088	284,508	317,042	280,672
Ordinary income (Millions of yen)	3,861	5,008	8,162	7,237	6,233
Net income (Millions of yen)	2,314	2,722	5,025	4,398	4,037
Comprehensive income (Millions of yen)	1,940	2,276	6,346	6,019	6,548
Net assets (Millions of yen)	38,694	39,671	45,402	50,425	56,370
Total assets (Millions of yen)	113,912	104,385	114,223	118,436	131,784
Net assets per share (Yen)	2,392.59	2,505.07	2,869.23	3186.08	3565.03
Net income per share (Yen)	155.20	173.43	320.14	280.21	257.21
Net income per share after dilution (Yen)	–	–	–	–	–
Net assets to total assets (%)	33.0	37.7	39.4	42.2	42.5
Return on equity (%)	6.4	7.1	11.9	9.3	7.6
Price earnings ratio (Times)	6.83	7.03	6.71	6.36	8.10
Cash flows from operating activities (Millions of yen)	△7,662	2,385	△8,416	11,628	10,242
Cash flows from investing activities (Millions of yen)	746	5,027	△1,592	△1,026	△249
Cash flows from financing activities (Millions of yen)	10,968	△3,980	2,958	△7,245	△1,130
Cash and cash equivalents at the end of the period (Millions of yen)	13,653	16,765	10,561	15,829	26,141
Number of employees [Separately, average number of temporary employees] (Persons)	1,083 [47]	1,107 [82]	1,058 [247]	1,402 [187]	1,264 [25]

- Notes: 1. Net sales does not include consumption taxes.
2. Net income per share after dilution is not provided since there are no potential shares.

II. Message from the President



Yukio Fukuju
President

In the fiscal year 2014 ended March 31, 2015, net sales and income dropped year on year due to a temporary slowdown in sales for foreign smartphones. Although we expect a recovery in share for foreign smartphones in the fiscal year 2015, the business climate seems to remain severe. We will continuously conduct business operations in an effective and efficient manner based on prompt management judgments.

The electronics industry to which the UKC Group belongs is one of the fastest globalized industries. In order to cope with ever-changing and -evolving market/business environment, UKC Holdings succeeded the semiconductor and electronic component business from UKC Electronics Corporation by absorption-type company split method in April 2015. UKC Holdings, as an operating holding company, will ensure medium- and long-term growth through prompt decision-making, earlier creation of business synergies in the Group, and more efficient operations. Meanwhile, UKC Electronics, a splitting company changed its name to UKC Technosolution Corporation and started to conduct the system equipment business.

Also in April 2015, UKC acquired the Dust Detection System (DDS) business from Tokyo Electron Taiwan Ltd, a subsidiary of Tokyo Electron Ltd. DDS business consists of developing, designing, manufacturing, and selling equipment incorporating sensors that monitor energy loss resulting from dust on and temperature rise of solar panels, and data providing service on power generation efficiency. We will deploy the DDS business at home and overseas as the first example of service/solution-providing business and embody synergistic effects with the current environmental business of selling solar panels and inverters.

We will continuously explore opportunities of alliances with other corporations which complement business resources of our Group.

We look forward to your continuing support for the years to come.

III. Lines and Results of Business

1. Semiconductors and electronic components

■Semiconductors/Electronic components

To meet the diverse needs of customers, we deal in state-of-the-art semiconductors, high-function electronic components, and energy- and environment-related products made by SONY and other manufacturers in Japan and abroad. Through our global network, we propose optimum solutions backed by a variety of products and sophisticated technical support.



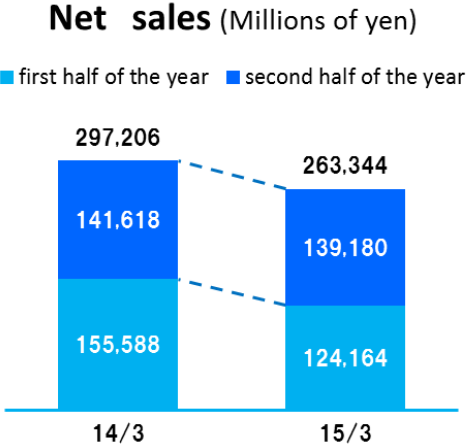
■EMS (Electronic Manufacturing Service)

By mainly utilizing our own factory in Dongguan, China, with cutting-edge surface mount technology and comprehensive purchase, production control and quality assurance functions, we offer high-quality electronic manufacturing services that suit customers' needs.



Results by Business Segment

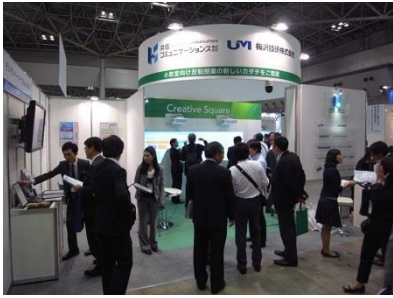
Net sales and segment income dropped mainly due to a slowdown in sales of products for foreign smartphones. As a result, net sales dropped to 263,344 million yen (down 11.4% year on year) and segment income dropped to 5,393 million yen (down 16.4% year on year).



2. Electronic equipment

■ Broadcast solutions

We offer a wide variety of system integration services from production equipment and facilities for shooting, relaying, editing, and MA (Multi-Audio) to contents management, archiving, transmission, and distribution.



■ Digital network solutions

We materialize and offer highly customized digital network solutions such as video contents production/distribution systems and video conferencing systems to every field of business, education, medicine, and public service.



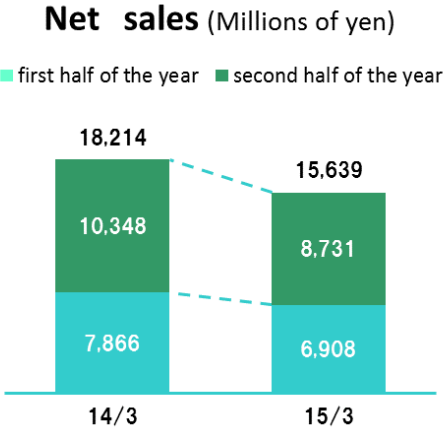
■ Image sensing solutions

We offer total coordination service for cameras, their peripherals, and image analysis systems for FA (factory automation), surveillance, and security applications in order to provide optimum solutions for our customers' needs.

Results by Business Segment

Net sales dropped on account of the prolonged backlash of the increase in customer demand last fiscal year triggered by economic stimulus policies. The drop in net sales led to a significant drop in segment income despite a reduction in fixed cost.

As a result, net sales dropped to 15,639 million yen (down 14.1% year on year) and segment income dropped to 130 million yen (down 71.7% year on year).



3. System equipment

■System equipment/Contactless IC card (FeliCa)

Using the digital communication technology and other essential technologies we have accumulated since our foundation, we have fused NFC(Near Field Communication) technologies such as SONY's contactless IC card (FeliCa) with techniques of our own to develop a new lineup of applied products based on our "Security and Safety" motto. Through the development of these originally planned products, we propose safe and comfortable lifestyles. We are also focusing on various types of entrusted development with digital technologies related to communication, control, and imaging to quickly respond to customers' needs in a world of ever-more diverse and sophisticated electronics products.



■Quality inspection (Reliability test/environmental material analysis services)

Our reliable expertise backed by years of experience will meet the demand for various reliability tests and analysis of environmental material from different angles with respect to semiconductors, electronic components, electric / electronic products, etc.
To remain a dependable partner for customers who develop and sell semiconductors, electronic components, and electric / electronic products, we are making every effort to improve our technologies and services, day and night.



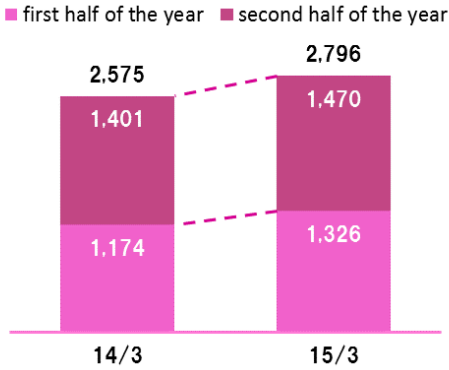
Results by Business Segment

Contactless IC card business expanded its sales attributable to the continuously strong e-money related business.

Contracted reliability test and environmental material analysis service business showed improved gross margin with a slight decline in net sales year on year.

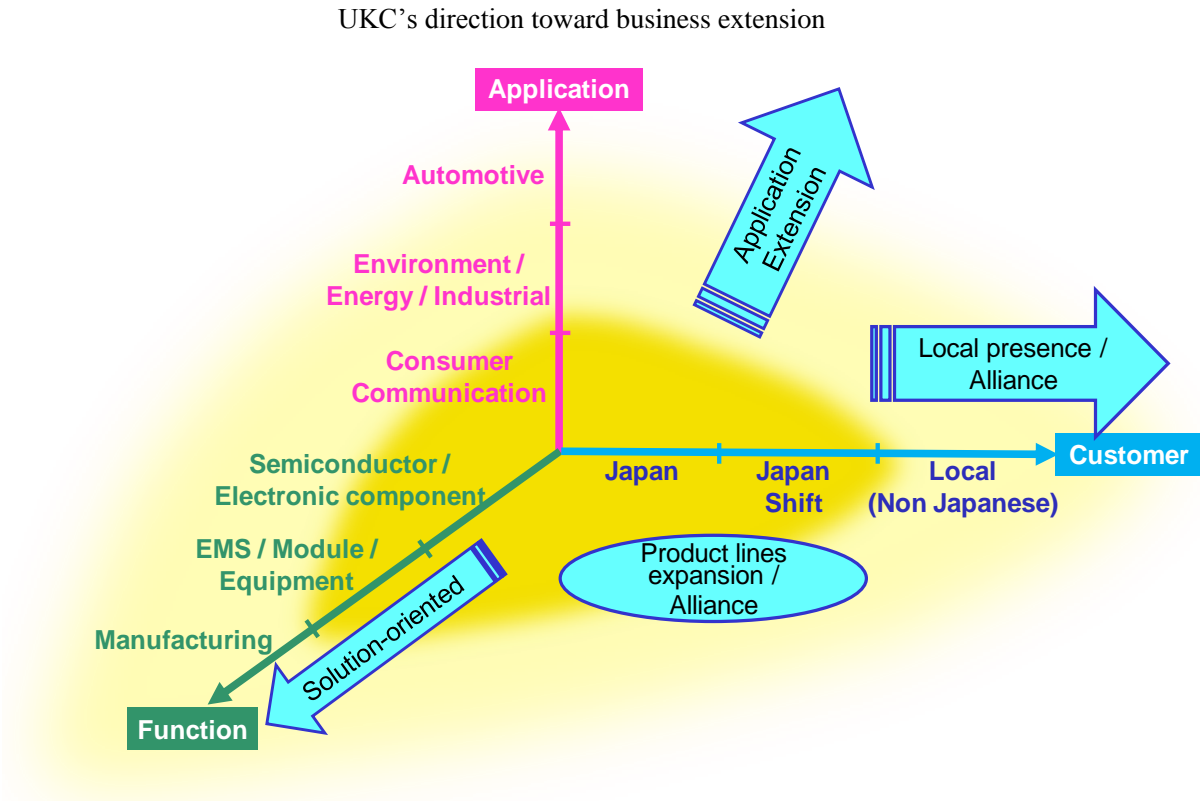
As a result, net sales grew to 2,796 million yen (up 8.6% year on year) and segment income grew to 219 million yen (up 14.3% year on year).

Net sales (Millions of yen)



IV. Medium- and long-term business strategy

Our main businesses have been sales of semiconductors and electronic components for consumer- and communication-use to customers in Japan and South Korea including shifts in production sites, sales of electronic equipment, and EMS (Electronic Manufacturing Service). In the medium-term, we aim to realize a growth with profitability by extending our business domain in customer, application, and function perspectives. This time, we report concrete efforts and progresses of the business extension so far.



Customer perspective

The major approach is to extend customers from Japanese customers in the consumer area and South Korean customers in the smartphone area to local customers (manufacturers) in the growth region such as China and ASEAN.

We continuously seek partnerships for building sales channels to foreign local customers. In addition, we are accelerating a group-wide promotion of products developed in each location with the business promoting function (technology / marketability analyses) in Japan at the core.

Application perspective

The major approach is to extend applications from digital still camera with interchangeable lenses and smartphone to environment, energy, automobile, and industry with growth

potential in addition to smart devices such as wearable-type. In terms of Sony image sensor for ADAS (Advanced Driving Assistance System), we are under business negotiations with Tier 1 / 2 manufacturers in Japan and South Korea in expectation of a business contribution from fiscal 2016. We also energetically develop products for automotive-use other than image sensors. Furthermore, we are under business negotiations on wearable business for sports- and business-use in expectation of a business contribution from fiscal 2016.

Regarding GaN power semiconductors manufactured by Transphorm, we have a record of sales for power conditioners and are introducing and promoting them for inverters, servers, TVs, and white goods in Japan and Asia.

■ Function perspective

Considering conveniences of customers, we think it important to realize a solution-oriented systematization which totally satisfies customers' needs rather than just to handle each product or its combination. In order to realize the goal, we are proactively introducing hardware and software technologies and services from the outside which complement our own business resources. We are approaching customers in the amusement market on sales of SoC and modules with Digital Media Professionals, Inc. with which we concluded business and capital partnership agreement in May, 2014. We also have continuous talks with DMP on penetrations to automotive and IoT* markets. Regarding DDS (Dust Detection System) business acquired from Tokyo Electron Taiwan in April, 2015, we regard it as the first example of solution-providing and IoT business and expect a revenue of ¥200 million from customers in Japan and Asia in Fiscal 2015.

*IoT (Internet of Things):

Smart devices or networks of smart devices equipped with various sensors that can communicate with other equipment and clouds through Internet without human intervention

V. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Assets		
Current assets		
Cash and deposits	17,658	27,542
Notes and accounts receivable-trade	69,633	71,857
Merchandise and finished goods	17,611	17,716
Work in process	434	479
Raw materials and supplies	370	786
Deferred tax assets	677	534
Other	5,297	5,074
Allowance for doubtful accounts	△170	△263
Total current assets	111,512	123,728
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,389	1,468
Accumulated depreciation	△694	△769
Buildings and structures, net	695	698
Tools, furniture and fixtures	1,444	1,578
Accumulated depreciation	△1,139	△1,313
Tools, furniture and fixtures, net	305	265
Lease assets	542	514
Accumulated depreciation	△326	△336
Lease assets, net	215	178
Other	2,079	2,395
Accumulated depreciation	△911	△1,097
32Other, net	1,168	1,298
Total property, plant and equipment	2,384	2,441
Intangible assets		
Lease assets	25	-
Other	449	385
Total intangible assets	475	385
Investments and other assets		
Investment securities	3,011	4,159
Deferred tax assets	104	24
Other	2,109	2,432
Allowance for doubtful accounts	△1,160	△1,387
Total investments and other assets	4,064	5,229
Total noncurrent assets	6,924	8,055
Total assets	118,436	131,784

(Millions of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	37,487	43,563
Short-term loans payable	16,120	18,617
Current portion of long-term debt	2,044	970
Lease obligations	98	62
Income taxes payable	1,636	1,035
Provision for bonuses	454	387
Other	3,198	2,685
Total current liabilities	61,040	67,322
Noncurrent liabilities		
Long-term loans payable	5,893	7,104
Lease obligations	152	120
Deferred tax liabilities	38	377
Provision for directors' retirement benefits	40	35
Net defined benefit liability	692	299
Other	152	154
Total noncurrent liabilities	6,970	8,091
Total liabilities	68,010	75,413
Net assets		
Shareholders' equity		
Capital stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	37,818	41,273
Treasury stock	△2	△3
Total shareholders' equity	48,541	51,996
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	254	894
Foreign currency translation adjustment	1,262	3,045
Remeasurements of defined benefit plans	△43	25
Total accumulated other comprehensive income	1,473	3,965
Minority interests	410	408
Total net assets	50,425	56,370
Total liabilities and net assets	118,436	131,784

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales	317,042	280,672
Cost of sales	297,631	263,640
Gross profit	19,411	17,032
Selling, general and administrative expenses	12,485	11,454
Operating income	6,925	5,578
Non-operating income		
Interest income	56	83
Dividends income	33	33
Cash discounts	9	7
Foreign exchange profit	365	707
Commission income	-	0
Other	237	162
Total non-operating income	701	994
Non-operating expenses		
Interest expenses	278	285
Loss on sales of accounts receivable	10	1
Other	100	51
Total non-operating expenses	389	339
Ordinary income	7,237	6,233
Extraordinary income		
Gain on sales of noncurrent assets	3	2
Gain on sales of investment securities	5	-
Other	2	-
Total extraordinary income	11	2
Extraordinary loss		
Loss on sales of noncurrent assets	4	1
Loss on disposal of noncurrent assets	8	3
Loss on sales of investment securities	1	-
Loss on sales of membership	-	9
Loss on valuation of membership	23	11
Other	-	0
Total extraordinary losses	38	27
Income before income taxes and minority interests	7,210	6,208
Income taxes-current	2,603	1,933
Income taxes-deferred	146	219
Total income taxes	2,750	2,152
Income before minority interests	4,459	4,056
Minority interests in income (loss)	61	18
Net income	4,398	4,037

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Income before minority interests	4,459	4,056
Other comprehensive income		
Valuation difference on available-for-sale securities	△ 109	640
Foreign currency translation adjustment	1,668	1,783
Pension liability adjustments	-	68
Total other comprehensive income	1,559	2,492
Comprehensive income	6,019	6,548
Comprehensive income attributable to owners of the parent	5,958	6,529
Comprehensive income attributable to minority interests	61	18

(3) Consolidated Statements of Changes in Net Assets

Fiscal Year Ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of the beginning of the period	4,383	6,342	34,361	Δ1	45,085
Accumulated effect of change of accounting policies					—
Balance as of the beginning of the period reflecting change in accounting policies	4,383	6,342	34,361	Δ1	45,085
Change during the period					
Cash dividends from retained earnings			Δ941		Δ941
Net income for the period			4,398		4,398
Acquisition of treasury stock				Δ0	Δ0
Change of scope of consolidation					—
Change of items other than shareholders' equity (net)					
Total change during the period	—	—	3,456	Δ0	3,455
Balance as of the end of the period	4,383	6,342	37,818	Δ2	48,541

	Other accumulated comprehensive income				Minority interests	Total net assets
	Net unrealized gain on other marketable securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive incomes		
Balance as of the beginning of the period	363	Δ406	—	Δ42	359	45,402
Accumulated effect of change of accounting policies						—
Balance as of the beginning of the period reflecting change in accounting policies	363	Δ406	—	Δ42	359	45,402
Change during the period						
Cash dividends from retained earnings						Δ941
Net income for the period						4,398
Acquisition of treasury stock						Δ0
Change of scope of consolidation						—
Change of items other than shareholders' equity (net)	Δ109	1,668	Δ43	1,516	51	1,567
Total change during the period	Δ109	1,668	Δ43	1,516	51	5,023
Balance as of the end of the period	254	1,262	Δ43	1,473	410	50,425

Fiscal Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of the beginning of the period	4,383	6,342	37,818	Δ2	48,541
Accumulated effect of change of accounting policies			45		45
Balance as of the beginning of the period reflecting change in accounting policies	4,383	6,342	37,864	Δ2	48,587
Change during the period					
Cash dividends from retained earnings			Δ627		Δ627
Net income for the period			4,037		4,037
Acquisition of treasury stock				Δ1	Δ1
Change of scope of consolidation					
Change of items other than shareholders' equity (net)					
Total change during the period	—	—	3,409	Δ1	3,408
Balance as of the end of the period	4,383	6,342	41,273	Δ3	51,996

	Other accumulated comprehensive income				Minority interests	Total net assets
	Net unrealized gain on other marketable securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive incomes		
Balance as of the beginning of the period	254	1,262	Δ43	1,473	410	50,425
Accumulated effect of change of accounting policies						45
Balance as of the beginning of the period reflecting change in accounting policies	254	1,262	Δ43	1,473	410	50,471
Change during the period						
Cash dividends from retained earnings						Δ627
Net income for the period						4,037
Acquisition of treasury stock						Δ1
Change of scope of consolidation						
Change of items other than shareholders' equity (net)	640	1,783	68	2,492	Δ1	2,490
Total change during the period	640	1,783	68	2,492	Δ1	5,899
Balance as of the end of the period	894	3,045	25	3,965	408	56,370

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	7,210	6,208
Depreciation and amortization	607	593
Loss (gain) on sales of noncurrent assets	1	△0
Loss (gain) on disposal of noncurrent assets	8	3
Loss (gain) on sales of investment securities	△3	-
Loss on valuation of membership	23	11
Increase (decrease) in allowance for doubtful accounts	1,060	109
Increase (decrease) in provision for directors' retirement benefits	3	△5
Increase (decrease) in net defined liability	△7	△218
Foreign exchange losses (gains)	651	645
Interest and dividends income	△89	△116
Interest expenses	278	285
Decrease (increase) in notes and accounts receivable-trade	△201	2,813
Increase (decrease) in notes and accounts payable-trade	△2,780	1,828
Decrease (increase) in inventories	6,768	471
Other, net	1,142	350
Subtotal	14,672	12,981
Interest and dividends income received	89	116
Interest expenses paid	△266	△277
Income taxes paid	△2,868	△2,578
Net cash provided by (used in) operating activities	11,628	10,242
Net cash provided by (used in) investing activities		
Purchase of investment securities	△708	△360
Proceeds from sales of investment securities	14	-
Purchase of property, plant and equipment	△450	△346
Proceeds from sales of property, plant and equipment	7	20
Payments into time deposits	△1,200	△1,781
Proceeds from withdrawal of time deposits	1,500	2,382
Other, net	△189	△164
Net cash provided by (used in) investing activities	△1,026	△249

(Millions of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	△6,695	△58
Proceeds from long-term loans payable	5,024	1,732
Repayment of long-term loans payable	△4,498	△2,069
Purchase of treasury stock	△0	△1
Cash dividends paid	△941	△627
Cash dividends paid to minority shareholders	△10	△20
Other, net	△123	△86
Net cash provided by (used in) financing activities	△7,245	△1,130
Effect of exchange rate change on cash and cash equivalents	1,910	1,450
Net increase (decrease) in cash and cash equivalents	5,267	10,312
Cash and cash equivalents at beginning of period	10,561	15,829
Cash and cash equivalents at end of period	15,829	26,141

VI. Company Information

Company Information (as of March 31, 2015)

Trade name:	UKC Holdings Corporation
Date of establishment:	October 1, 2009
Listing date:	October 1, 2009
Business year:	From April 1 to March 31
Paid-in capital:	4,383 million yen
Number of employees:	69 (Holdings), 1,264 (Consolidated)
Head office:	1-11-2 Osaki, Shinagawa-ku, Tokyo
Telephone:	+81-3-3491-6575
Consolidated subsidiaries:	UKC ELECTRONICS CORPORATION UW TECHNOLOGIES CORPORATION UKC ELECTRONICS (S) PTE, LTD. USC ELECTRONICS (KOREA) CO., LTD. KYOSHIN TECHNOSONIC (K) CO., Ltd. UKC ELECTRONICS (H.K.) CO., LTD. UKC ELECTRONICS (SHANGHAI) CO., LTD. UKC EMS SOLUTION (SHANGHAI) CO., LTD. CU TECH CORPORATION DONGGUAN CU TECH ELECTRONICS CORPORATION KYOSHIN COMMUNICATIONS Co., Ltd. INFINITEC Co., Ltd.

Directors and Corporate Auditors (as of June 26, 2015)

President	Yukio Fukuju
Executive Vice President (Representative Director)	Masaaki Taguchi
Executive Vice President	Shigeru Ojima
Director*	Nobuyuki Oneda
Director*	Noriaki Shimazaki
Statutory Auditor	Kiyofumi Morita
Statutory Auditor**	Harukazu Akiyama
Statutory Auditor**	Yukihiro Matsumura

* Outside Director ** Outside Statutory Auditor

Stock Status (as of March 31, 2015)

Total number of authorized shares:	57,000,000 shares
Total number of shares issued:	15,700,021 shares
Number of shareholders:	3,777

Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (%)
Trust & Custody Services Bank, Ltd., as trustee for Mizuho Trust & Banking Co., Ltd. (Retirement Benefits Trust Account Held by Sony Corporation: 003)	2,234	14.23
BBH for Fidelity Low-priced Stock Fund (principal all sector sub-portfolio)	1,497	9.53
Trust & Custody Services Bank, Ltd., as trustee for Mizuho Trust & Banking Co., Ltd. (Retirement Benefits Trust Account Held by The Tokyo Tomin Bank, Limited)	623	3.97
Japan Trustee Services Bank, Ltd. (Trust Account)	567	3.61
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	496	3.16
Kuniko Nakayama	390	2.48
Mizuho Bank, Ltd.	370	2.35
Meiji Yasuda Life Insurance Company	295	1.88
The Master Trust Bank of Japan, Ltd. (Trust Account)	373	1.74
UBS AG London A/C IPB Segregated Client Account	252	1.61

Distribution of Shareholders

