

For the Fiscal Year Ended March 31, 2016

2016 Report

UKC Holdings Corporation

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

(Securities Code: 3156)

+81-3-3491-6575

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,	3 rd fiscal year 2012	4 th fiscal year 2013	5 th fiscal year 2014	6 th fiscal year 2015	7 th fiscal year 2016
Net sales (Millions of yen)	257,088	284,508	317,042	280,672	288,684
Ordinary income (Millions of yen)	5,008	8,162	7,237	6,233	5,448
Net income attributable to owners of the parent (Millions of yen)	2,722	5,025	4,398	4,037	3,200
Comprehensive income (Millions of yen)	2,276	6,346	6,019	6,548	2,075
Net assets (Millions of yen)	39,671	45,402	50,425	56,370	57,728
Total assets (Millions of yen)	104,385	114,223	118,436	131,784	126,408
Net assets per share (Yen)	2,505.07	2,869.23	3,186.08	3,565.03	3,651.57
Net income per share (Yen)	173.43	320.14	280.21	257.21	203.88
Net income per share after dilution (Yen)	–	–	–	–	–
Net assets to total assets (%)	37.7	39.4	42.2	42.5	45.3
Return on equity (%)	7.1	11.9	9.3	7.6	5.7
Price earnings ratio (Times)	7.03	6.71	6.36	8.10	10.95
Cash flows from operating activities (Millions of yen)	2,385	△8,416	11,628	10,242	△6,889
Cash flows from investing activities (Millions of yen)	5,027	△1,592	△1,026	△249	△368
Cash flows from financing activities (Millions of yen)	△3,980	2,958	△7,245	△1,130	3,410
Cash and cash equivalents at the end of the period (Millions of yen)	16,765	10,561	15,829	26,141	21,905
Number of employees [Separately, average number of temporary employees] (Persons)	1,107 [82]	1,058 [247]	1,402 [187]	1,264 [25]	1,375 [30]

- 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 2015 ended March 31, 2016, consolidated net sales and operating income grew year on year mainly due to an increasing demand for smartphones including EMS business. Meanwhile, consolidated ordinary income dropped year on year due to amounting foreign exchange loss led by yen's sharp appreciation during the fourth quarter. Consolidated net income attributable to owners of parent also dropped year on year partly owing to an impairment loss of some investment securities. Although the business climate seems to remain severe, we will continuously conduct business operations in an effective and efficient manner based on prompt management judgments.

Although the electronics industry to which UKC group belongs allows no optimism as a slowdown of the semiconductor market is expected led by the slowing smartphone market, new market opportunities are being established as car electronics and IoT (Internet of Things) evolve.

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

As for EMS business with the business volume close to 30 billion yen a year, a factory in Ha Nam Province near Hanoi, Vietnam started operation in April 2016. By entering into Vietnam with intense production demands of smartphones and LCD panels, we aim to further expand EMS business.

As you know, UKC Holdings and Kaga Electronics Co., Ltd. concluded the MOU concerning Management Integration on November 18, 2015. Since then, both companies had earnestly continued talks aiming to realize the Management Integration. However, both companies could not reach an agreement on terms and conditions and agreed to suspend talks on the Management Integration.

UKC, as a distributor trusted by suppliers and customers in the ever-changing electronics industry, aims to achieve its continuous growth and the enhancement of its corporate value by extending its field of business in all aspects, including customers, applications and functions.

We look forward to your continuing understanding and 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 grew mainly due to an increasing demand for smartphones including EMS business. Segment income grew thanks to the rise in net sales.

As a result, net sales grew to 270,388 million yen (up 2.7% year on year) and segment income grew to 6,376 million yen (up 17.0% year on year).

Net sales (Millions of yen)

■ first half of the year ■ second half of the 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.



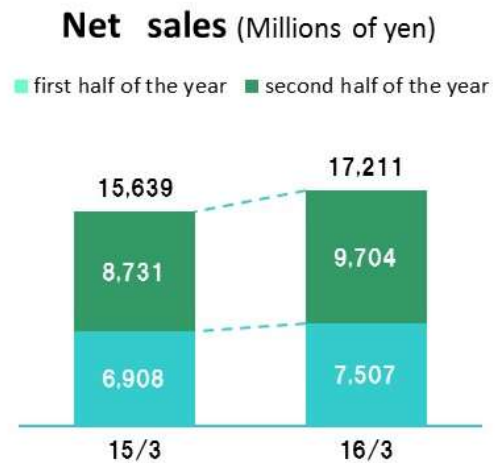
■ Image sensing solutions

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 grew mainly due to a recovery of customers' demand for professional-use electronic equipment.

As a result, net sales grew to 17,211 million yen (up 10.0% year on year) and segment income grew to 180 million yen (up 37.1% 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.

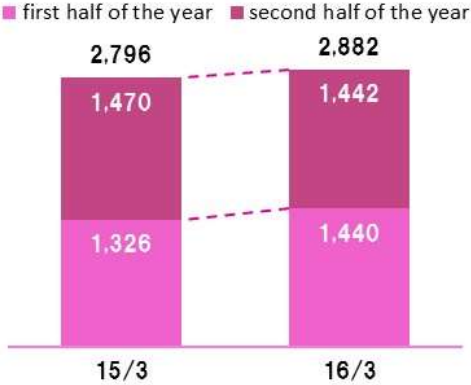


Results by Business Segment

Net sales of contactless IC card business slightly dropped on account of an inventory adjustment of some customer, although e-money related business has been still active. Net sales of contracted reliability test and environmental material analysis service grew thanks to an increase in orders related to automobiles. Segment income dropped as selling and general administrative expenses increased with prior investment and the like.

As a result, net sales grew to 2,882 million yen (up 3.1% year on year) and segment income dropped to 137 million yen (down 37.1% year on year).

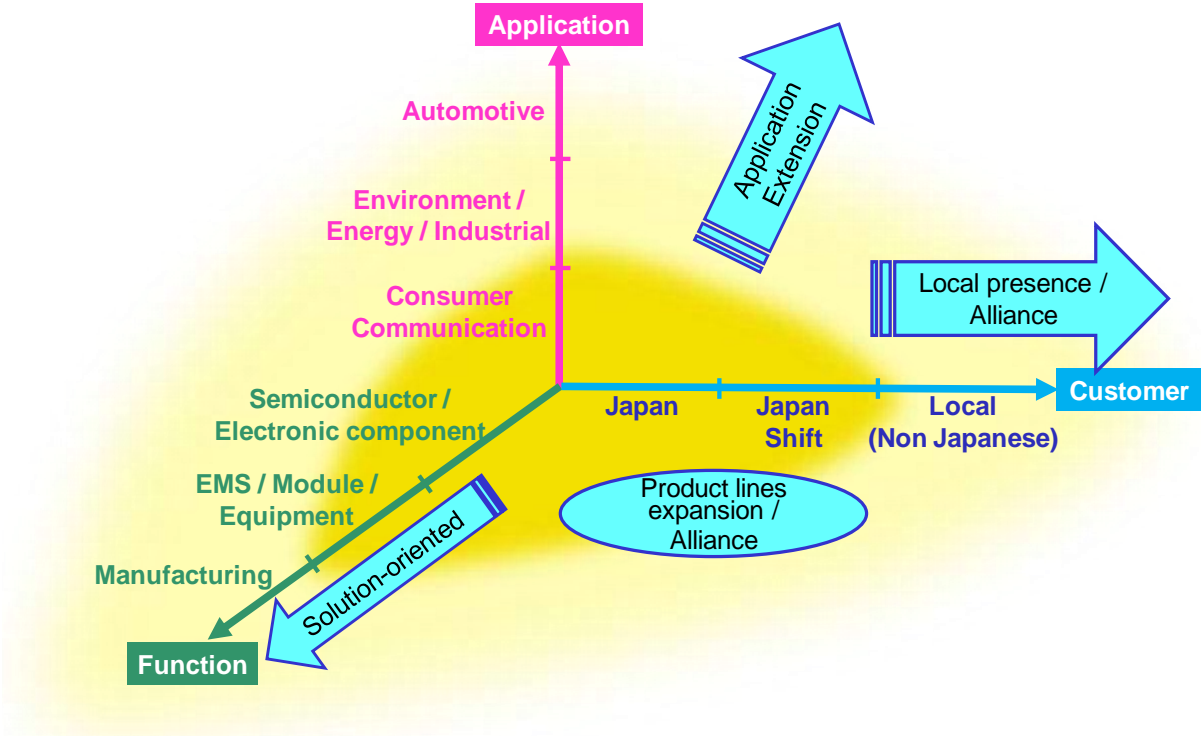
Net sales (Millions of yen)



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.

UKC’s direction toward business extension



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 India, we are promoting alliance with local companies on set top box business for cable TV with high market growth potential.

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 closed a large-scale deal in FY2017 and beyond in Japan. The business is expanding to rear, around-view, and in-car use. We also energetically develop products for automotive-use other than image sensors and had a progress in power management area. For industrial and data communications market, we added optical components and lasers in our product line and expect a business contribution in FY2016 and beyond.

■ 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 gaining results 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 2014. Regarding DDS (Dust Detection System) business acquired from Tokyo Electron Taiwan in April, 2015, we focused on establishing a market presence by participating in trade shows in North America and Middle East with market growth potential and increasing new businesses for the first year. We aim for break-even in the second year, FY2016.

V. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Assets		
Current assets		
Cash and deposits	27,542	22,705
Notes and accounts receivable-trade	71,857	72,225
Merchandise and finished goods	17,716	17,849
Work in process	479	460
Raw materials and supplies	786	632
Deferred tax assets	534	417
Other	5,074	5,382
Allowance for doubtful accounts	△263	△345
Total current assets	123,728	119,328
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,468	1,688
Accumulated depreciation	△769	△910
Buildings and structures, net	698	778
Tools, furniture and fixtures	1,578	1,597
Accumulated depreciation	△1,313	△1,354
Tools, furniture and fixtures, net	265	243
Lease assets	514	510
Accumulated depreciation	△336	△288
Lease assets, net	178	221
Other	2,395	2,285
Accumulated depreciation	△1,097	△1,217
32Other, net	1,298	1,065
Total property, plant and equipment	2,441	2,310
Intangible assets		
Lease assets	-	-
Other	385	338
Total intangible assets	385	385
Investments and other assets		
Investment securities	4,159	3,296
Deferred tax assets	24	29
Other	2,432	2,315
Allowance for doubtful accounts	△1,387	△1,211
Total investments and other assets	5,229	4,430
Total noncurrent assets	8,055	7,079
Total assets	131,784	126,408

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	43,563	34,945
Short-term loans payable	18,617	22,522
Current portion of long-term debt	970	2,825
Lease obligations	62	89
Income taxes payable	1,035	1,050
Provision for bonuses	387	530
Other	2,685	2,206
Total current liabilities	67,322	64,169
Noncurrent liabilities		
Long-term loans payable	7,104	3,635
Lease obligations	120	135
Deferred tax liabilities	377	192
Provision for directors' retirement benefits	35	38
Net defined benefit liability	299	368
Other	154	139
Total noncurrent liabilities	8,091	4,509
Total liabilities	75,413	68,679
Net assets		
Shareholders' equity		
Capital stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	41,273	43,767
Treasury stock	△3	△4
Total shareholders' equity	51,996	54,489
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	894	588
Foreign currency translation adjustment	3,045	2,304
Remeasurements of defined benefit plans	25	△62
Total accumulated other comprehensive income	3,965	2,829
Non-controlling interests	408	409
Total net assets	56,370	57,728
Total liabilities and net assets	131,784	126,408

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

(Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	280,672	288,684
Cost of sales	263,640	270,433
Gross profit	17,032	18,250
Selling, general and administrative expenses	11,454	11,763
Operating income	5,578	6,487
Non-operating income		
Interest income	83	78
Dividends income	33	32
Cash discounts	7	7
Foreign exchange profit	707	-
Commission income	0	5
Other	162	82
Total non-operating income	994	207
Non-operating expenses		
Interest expenses	285	316
Foreign exchange loss	-	840
Other	53	89
Total non-operating expenses	339	1,256
Ordinary income	6,233	5,448
Extraordinary income		
Gain on sales of noncurrent assets	2	-
Gain on sales of investment securities	-	153
Total extraordinary income	2	153
Extraordinary loss		
Loss on sales of noncurrent assets	1	-
Loss on disposal of noncurrent assets	3	-
Loss on sales of membership	9	-
Loss on valuation of investment securities	-	793
Loss on valuation of membership	11	-
Other	0	-
Total extraordinary losses	27	793
Income before income taxes	6,208	4,809
Income taxes-current	1,933	1,467
Income taxes-deferred	219	130
Total income taxes	2,152	1,598
Net income	4,056	3,210
Net income attributable to non-controlling interests	18	10
Net income attributable to owners of the parent	4,037	3,200

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net Income	4,056	3,210
Other comprehensive income		
Valuation difference on available-for-sale securities	640	△306
Foreign currency translation adjustment	1,783	△740
Pension liability adjustments	68	△88
Total other comprehensive income	2,492	△1,135
Comprehensive income	6,548	2,075
Comprehensive income relating to owners of the parent	6,529	2,064
Comprehensive income relating to non-controlling interests	18	10

(3) Consolidated Statements of Changes in Net Assets

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

(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	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 attributable to owners of parent			4,037		4,037
Acquisition of treasury stock				Δ1	Δ1
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 attributable to owners of parent						4,037
Acquisition of treasury stock						Δ1
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

Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(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	41,273	Δ3	51,996
Change during the period					
Cash dividends from retained earnings			Δ706		Δ706
Net income attributable to owners of parent			3,200		3,200
Acquisition of treasury stock				Δ0	Δ0
Change of items other than shareholders' equity (net)					
Total change during the period			2,493	Δ0	2,492
Balance as of the end of the period	4,383	6,342	43,767	Δ4	54,489

	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	894	3,045	25	3,965	408	56,370
Change during the period						
Cash dividends from retained earnings						Δ706
Net income attributable to owners of parent						3,200
Acquisition of treasury stock						Δ0
Change of items other than shareholders' equity (net)	Δ306	Δ740	Δ88	Δ1,135	0	Δ1,135
Total change during the period	Δ306	Δ740	Δ88	Δ1,135	0	1,357
Balance as of the end of the period	588	2,304	Δ62	2,829	409	57,728

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	6,208	4,809
Depreciation and amortization	593	563
Loss (gain) on sales of noncurrent assets	△0	-
Loss (gain) on disposal of noncurrent assets	3	-
Loss (gain) on sales of investment securities	-	△153
Loss on valuation of membership	11	-
Loss (gain) on valuation of investment securities	-	793
Increase (decrease) in allowance for doubtful accounts	109	1
Increase (decrease) in provision for directors' retirement benefits	△5	2
Increase (decrease) in net defined liability	△218	△58
Foreign exchange losses (gains)	645	△629
Interest and dividends income	△116	△111
Interest expenses	285	316
Decrease (increase) in notes and accounts receivable-trade	2,813	△2,909
Increase (decrease) in notes and accounts payable-trade	1,828	△7,029
Decrease (increase) in inventories	471	△392
Other, net	350	△280
Subtotal	12,981	△5,078
Interest and dividends income received	116	110
Interest expenses paid	△277	△329
Income taxes paid	△2,578	△1,591
Net cash provided by (used in) operating activities	10,242	△6,889
Net cash provided by (used in) investing activities		
Purchase of investment securities	△360	△6
Proceeds from sales of investment securities	-	203
Purchase of property, plant and equipment	△346	△369
Proceeds from sales of property, plant and equipment	20	69
Payments into time deposits	△1,781	△1,200
Proceeds from withdrawal of time deposits	2,382	1,816
Purchase of stocks of subsidiaries and affiliates	-	△506
Other, net	△164	△374
Net cash provided by (used in) investing activities	△249	△368

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	△58	5,617
Proceeds from long-term loans payable	1,732	-
Repayment of long-term loans payable	△2,069	△1,479
Purchase of treasury stock	△1	△0
Cash dividends paid	△627	△706
Cash dividends paid to non-controlling interests	△20	△10
Other, net	△86	△9
Net cash provided by (used in) financing activities	△1,130	3,410
Effect of exchange rate change on cash and cash equivalents	1,450	△387
Net increase (decrease) in cash and cash equivalents	10,312	△4,235
Cash and cash equivalents at beginning of period	15,829	26,141
Cash and cash equivalents at end of period	26,141	21,905

VI. Company Information

Company Information (as of March 31, 2016)

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:	260 (Holdings), 1,375 (Consolidated)
Head office:	1-11-2 Osaki, Shinagawa-ku, Tokyo
Telephone:	+81-3-3491-6575
Consolidated subsidiaries:	UKC TECHONOSOLUTION 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 29, 2016)

President	Yukio Fukuju
Executive Vice President (Representative Director)	Masaaki Taguchi
Director	Michiharu Inoue
Director*	Nobuyuki Oneda
Director*	Noriaki Shimazaki
Statutory Auditor	Kiyofumi Morita
Statutory Auditor**	Yuji Sakakura
Statutory Auditor**	Yukihiro Matsumura

* Outside Director ** Outside Statutory Auditor

Stock Status (as of March 31, 2016)

Total number of authorized shares:	57,000,000 shares
Total number of shares issued:	15,700,021 shares
Number of shareholders:	3,161

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)	1,414	9.00
Japan Trustee Services Bank, Ltd. (Trust Account)	749	4.77
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
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	496	3.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	473	3.01
Kuniko Nakayama	374	2.38
Mizuho Bank, Ltd.	370	2.35
Meiji Yasuda Life Insurance Company	295	1.88
CBNY DFA Intl Small Cap Value Portfolio	260	1.66

Distribution of Shareholders

