

January 29, 2016

Consolidated Financial Results for the Nine Months Ended Dec. 31, 2015 [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	<a href="http://www.ukcgroup.com/english/index.html">http://www.ukcgroup.com/english/index.html</a>
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Filing date of the Quarterly Securities Report (scheduled) February 8, 2016

(Millions of yen rounded down)

1. Consolidated results for the nine months ended Dec. 31, 2015 (April 1, 2015 to December 31, 2015)

(1) Consolidated operating results (Cumulative)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2015 3Q	221,128	9.1	4,882	21.9	4,508	Δ7.3	3,133	Δ2.9
FY2014 3Q	202,710	Δ17.4	4,003	Δ26.3	4,863	Δ16.8	3,227	Δ8.6

(Note) Comprehensive income

FY2015 3Q: 2,876 million yen (Δ37.2%) FY2014 3Q: 4,582 million yen (Δ7.7%)

	Net income per share	Net income per share after dilution
	Yen	Yen
FY2015 3Q	199.59	—
FY2014 3Q	205.61	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2015 3Q	137,613	58,529	42.3	3,706.01
Fiscal 2014	131,784	56,370	42.5	3,565.03

(Reference) Shareholders equity:

December 31, 2015: 58,173 million yen March 31, 2015: 55,962 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
Fiscal 2014	—	20.00	—	20.00	40.00
Fiscal 2015	—	25.00	—	—	—
Fiscal 2015 (Forecast)	—	—	—	25.00	50.00

Note: Revisions to forecast of dividends in this quarter: No

3. Forecast of results for the fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(% of change from FY2014)

	Net Sales		Operating Income		Ordinary Income		Net Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	300,000	6.9	6,500	16.5	6,300	1.1	4,200	4.0	267.55

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: Yes

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			
December 31, 2015	15,700,021 shares	March 31, 2015	15,700,021 shares
2. Total number of treasury stock as of the period-end			
December 31, 2015	2,838 shares	March 31, 2015	2,491 shares
3. Average number of shares outstanding during the period			
FY2015 9 months	15,697,302 shares	FY2014 9 months	15,698,070 shares

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 for the nine months ended December 31, 2015 has been on a gradual recovery path thanks to improvements in corporate earnings, employment and capital spending. On the other hand, global and Japan's economy is facing increased downturn risks on account of economic slowdowns in Asian emerging nations including China, weak oil prices, and geopolitical factors such as refugee issue and terrorism.

The electronics industry to which UKC group belongs still depends on smartphones for its growth although market growth of smartphone in China is currently slowing. Meanwhile in the automotive area, informatization and automation by electronics technology are progressing so significantly that the market is expected to grow.

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 by utilizing business and capital alliances with other corporations.

As a result, UKC group recorded consolidated net sales of 221,128 million yen (up 9.1% year on year), consolidated operating income of 4,882 million yen (up 21.9% year on year), consolidated ordinary income of 4,508 million yen (down 7.3% year on year), and consolidated net income attributable to owners of parent of 3,133 million yen (down 2.9% year on year).

#### (2) Business Segment Information

##### a. Semiconductors and electronic components

Net sales grew mainly due to a recovery in sales of products for foreign smartphones. Segment income grew because of an absence of the negative impact of the allowance for doubtful accounts pertaining to Wintek last year in addition to the rise in net sales.

As a result, net sales grew to 209,295 million yen (up 9.1% year on year) and segment income grew to 5,074 million yen (up 21.1% year on year).

##### b. Electronic equipment

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

As a result, net sales grew to 11,236 million yen (up 15.4% year on year) and segment loss was 102 million yen (improved 64 million yen year on year).

##### c. System equipment

Net sales of contactless IC card business slightly dropped on account of a delay in sales realization

of some portion of businesses to the fourth quarter and 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 slightly 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 dropped to 2,012 million yen (down 0.5% year on year) and segment income dropped to 67 million yen (down 54.9% year on year).

## 2. Financial Condition

Total assets at the end of the third quarter amounted to 137,613 million yen, up 5,829 million yen from the end of fiscal 2014 mainly attributable to increases in notes and accounts receivable-trade (up 9,252 million yen), inventories (up 1,554 million yen), other current assets (up 1,311 million yen) and investment securities (down 360 million yen), and a decrease in cash and deposit (down 6,305 million yen).

Total liabilities at the end of the third quarter amounted to 79,083 million yen, up 3,670 million yen from the end of fiscal 2014 mainly attributable to increases in short-term borrowings (up 9,122 million yen) and current portion of long-term debt (up 2,013 million yen), and decreases in accounts payable-trade (down 3,674 million yen), long-term borrowings (down 3,251 million yen), notes and income taxes payable (down 225 million) and other current liabilities (down 136 million yen).

Net assets were 58,529 million yen, up 2,159 million yen from the end of fiscal 2014 mainly attributable to net income attributable to owners of parent of 3,133 million yen, dividends from retained earnings of 706 million yen and a change in accumulated other comprehensive income of 214 million yen mainly due to a decrease in foreign currency translation adjustments of 271 million yen.

## 3. Forecast of Consolidated Financial Results

Forecast of financial results for the full fiscal year remains unchanged from the original disclosed on May 8, 2015.

[Consolidated Balance Sheets]

(Millions of yen rounded down)

	Fiscal Year Ended March 31, 2015 (As of March 31, 2015)	Thrid Quarter Ended December 31, 2015 (As of Dec. 31, 2015)
<b>(Assets)</b>		
Current assets		
Cash and deposit	27,542	21,236
Notes and accounts receivable-trade	71,857	81,110
Merchandise and finished goods	17,716	18,564
Work in process	479	1,050
Raw materials and supplies	786	921
Other	5,609	6,920
Allowance for doubtful accounts	△263	△417
Total current assets	123,728	129,387
Noncurrent assets		
Total property, plant and equipment	2,441	2,461
Total intangible assets	385	353
Investments and other assets		
Investment securities	4,159	4,520
Other	2,456	2,157
Allowance for doubtful accounts	△1,387	△1,266
Total investments and other assets	5,229	5,410
Total noncurrent assets	8,055	8,226
Total assets	131,784	137,613
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable-trade	43,563	39,888
Short-term borrowings	18,617	27,740
Current portion of long-term debt	970	2,984
Income taxes payable	1,035	810
Reserve for bonuses	387	199
Other	2,747	2,611
Total current liabilities	67,322	74,233
Noncurrent liabilities		
Long-term borrowings	7,104	3,852
Net defined benefit liability	299	274
Reserve for directors' retirement benefits	35	37
Other	651	684
Total noncurrent liabilities	8,091	4,849
Total liabilities	75,413	79,083
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	41,273	43,700
Treasury stock	△3	△4
Total shareholders' equity	51,996	54,422
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	894	952
Foreign currency translation adjustments	3,045	2,774
Pension liability adjustments	25	24
Total accumulated other comprehensive income	3,965	3,751
Non-controlling interests	408	356
Total net assets	56,370	58,529
Total liabilities and net assets	131,784	137,613

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2015
Net sales	202,710	221,128
Cost of sales	189,915	207,488
Gross profit	12,795	13,640
Selling, general, and administrative expenses	8,791	8,758
Operating income	4,003	4,882
Non-operating income		
Interest income	63	61
Dividends income	32	32
Cash discount	5	5
Foreign exchange profit	864	—
Other	125	50
Total non-operating income	1,092	148
Non-operating expenses		
Interest payable	213	226
Loss on sales of accounts receivable	1	4
Foreign exchange losses	—	257
Other	17	33
Total non-operating expenses	232	522
Ordinary income	4,863	4,508
Extraordinary income		
Gain on sale of fixed assets	0	—
Total extraordinary income	0	—
Extraordinary loss		
Loss on disposal of fixed assets	3	—
Loss on sale of fixed assets	1	—
Loss on valuation of membership	4	—
Loss on sale of membership	7	—
Other	0	—
Total extraordinary losses	17	—
Income before income taxes	4,845	4,508
Total income taxes	1,636	1,417
Net income	3,209	3,090
Net income attributable to non-controlling interests	△18	△42
Net income attributable to owners of parent	3,227	3,133

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down)	
	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2015
Net income	3,209	3,090
Other comprehensive income		
Net unrealized gain on other marketable securities	136	58
Foreign currency translation adjustments	1,189	△271
Pension liability adjustments	47	△0
Total other comprehensive income	1,372	△214
Comprehensive income	4,582	2,876
(Details)		
Comprehensive income relating to owners of parent	4,600	2,918
Comprehensive income relating to non-controlling interests	△18	△42

[Segment Information]

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

For the nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)

(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	191,726	8,960	2,023	202,710	—	202,710
Internal sales or transfers between segments	24	773	—	797	△797	—
Total	191,750	9,734	2,023	203,508	△797	202,710
Operating income	4,191	△167	149	4,172	△168	4,003

(Note)

An adjustment of △168 million yen for segment income includes an elimination of inter-segment transactions of △1 million yen and corporate expenses of △167 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 nine months ended December 31, 2015 (April 1, 2015 to December 31, 2015)

(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	209,225	10,154	1,749	221,128	—	221,128
Internal sales or transfers between segments	70	1,082	263	1,415	△1,415	—
Total	209,295	11,236	2,012	222,544	△1,415	221,128
Operating income	5,074	△102	67	5,038	△156	4,882

(Note)

An adjustment of △156 million yen for segment income includes an elimination of inter-segment transactions of △3 million yen and corporate expenses of △153 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.

2. Changes in reporting segments

UKC Holdings succeeded the semiconductors and electronic components business from UKC Electronics (currently “UKC Technosolution”) on April 1, 2015 through an absorption-type company split. With this move, UKC holdings, which had been a pure holding company with a business purpose of controlling and managing the business activities of its group, belongs to the semiconductors and electronic components business from this first quarter. Accordingly, operations consignment fee income from subsidiaries and a part of corporate expenses previously involved in an adjustment amount are now included in the semiconductors and electronic components business. This change is retrospectively applied to the segment figures of the same period last year.

[Additional Information]

Execution of a memorandum of understanding concerning management integration with Kaga Electronics Co., Ltd.

UKC Holdings Corporation (“UKC Holdings”) and Kaga Electronics Co., Ltd. (“Kaga Electronics”) resolved to execute a memorandum of understanding in connection with their intentions to achieve a management integration with the spirit of equal partnership (the “Management Integration”) (the “MOU”) at the meetings of the board of directors of the two companies held on November 18, 2015, and executed the MOU on the same day.

On the condition of gaining approvals at the shareholders’ meetings of the two companies and obtaining the approvals of the relevant authorities and the like necessary for carrying out the Management Integration, the companies aim to realize the Management Integration as summarized below.

1. Objectives of the Management Integration

The two companies will ensure industry-leading scale and quality in Japan by accomplishing the following goals. In addition, the two companies will develop into one of the premier electronics trading companies in the world that meet the various needs of their customers, thereby enhancing their corporate value.

(1) Improving the ability to respond to customer needs

The two companies will further strengthen their business and product line-up to be expanded by the management integration, and build a business platform which will enable them to provide a one-stop solution in response to the various needs of their existing and new customers.

(2) Accelerating global strategy

By utilizing their overseas bases, the two companies will enhance complementarity in the group, and increase the ability to deal with overseas expansion by their customers and to deal with their local customers.

(3) Reducing costs through improving business efficiency

The two companies will improve the business efficiency of the group and reduce costs by, for example, establishing efficient and rational shared operations, sharing and rationalizing their distribution networks and other infrastructure in their domestic and overseas bases, and integrating their core systems in the future.

(4) Establishing a strong managerial foundation

The two companies will establish a stronger managerial foundation by, for example, strengthening their financial base and fund-raising ability that enable new investments and mergers and acquisitions by two companies, and energizing the organization by mutually

utilizing their human resources and know-how.

## 2. Outline of the Management Integration

The two companies have selected a holding company system as the organizational structure following the Management Integration in order to take advantage of the strengths of the two companies while preserving their individuality. Specifically, the two companies plan to carry out the Management Integration in the following manner.

### (1) Share Exchange

A share exchange will be carried out between UKC Holdings as the wholly owning parent company in the share exchange and Kaga Electronics as the wholly owned subsidiary company in the share exchange (the "Share Exchange"). As Kaga Electronics will become a wholly owned subsidiary company of UKC Holdings by the Share Exchange, the common shares of Kaga Electronics are scheduled to be delisted, in accordance with the delisting standards of the Tokyo Stock Exchange, before the effective date of the Share Exchange.

### (2) Company Split

Following the completion of the Share Exchange, a company split will be carried out, in which UKC Holdings will be the splitting company and all of UKC Holdings' businesses (excluding certain functions necessary for making UKC Holdings a holding company after the Share Exchange takes effect; the same shall apply hereinafter) will be the businesses subject to the split (the "Company Split"). As a result of the Company Split, all of UKC Holdings' businesses will be taken over by either a new company to be incorporated through the Company Split or a succeeding company to be wholly owned by UKC Holdings, whereby UKC Holdings will become a holding company (UKC Holdings after becoming a holding company; the "Holding Company").

## 3. Schedule

November 18, 2015	Execution of the MOU
by May 2016 (planned)	Execution of the definitive agreement regarding the Management Integration (including the execution of a share exchange agreement regarding the Share Exchange and either the preparation of a plan for the incorporation-type company split or the execution of an agreement on an absorption-type company split regarding the Company Split)
late June 2016 (planned)	Approval of the share exchange agreement regarding the Share Exchange at the annual general meeting of shareholders of Kaga Electronics
late June 2016 (planned)	Approval of the share exchange agreement regarding the Share Exchange and either a plan for an incorporation-type company split or an agreement on an absorption-type company split regarding the Company Split at the annual general meeting of shareholders of UKC Holdings
October 1, 2016 (planned)	Effective date of the Share Exchange and the Company Split

#### 4. Overview of the Holding Company

##### (1) Trade name (tentative)

UKC Kaga Holdings Corporation

##### (2) Location of the Head Office (tentative)

20 Kandamatsunagacho, Chiyoda-ku, Tokyo

(Note)

“Location of the Head Office” indicates the location of the registered head office. The principal place of business of the Holding Company shall be decided upon consultation between the two companies.

##### (3) Management structure (tentative)

The Holding Company is planned to have six directors, including the following four directors.

Chairperson: Isao Tsukamoto (currently Founder & CEO of Kaga Electronics)

Representative Director and President: Yukio Fukuju (currently President of UKC Holdings)

Representative Director and Executive Vice President: Ryoichi Kado (currently President & COO of Kaga Electronics)

Director and Executive Vice President: Masaaki Taguchi (currently Executive Vice President of UKC Holdings)

##### (4) Others

Other details shall be decided on or before the execution of the definitive agreement regarding the Management Integration upon consultation between the two companies.

#### 5. Share Exchange Ratio

The ratio of the Share Exchange shall be decided on or before the execution of the definitive agreement regarding the Management Integration upon consultation between the two companies.