

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 [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
Contact person	Tsuyoshi Osawa, Senior General Manager, Group Business Planning Division Tel : +81-3-3491-6575
Date of the ordinary general shareholders' meeting (scheduled)	June 29, 2016
Payment date of fiscal year-end dividend (scheduled)	June 14, 2016
Filing date of the Annual Securities Report (scheduled)	June 29, 2016

(Millions of yen rounded down)

1. Consolidated results for the fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(1) Consolidated operating results

% of change from previous year

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2015	288,684	2.9	6,487	16.3	5,448	Δ12.6	3,200	Δ20.7
Fiscal 2014	280,672	Δ11.5	5,578	Δ19.5	6,233	Δ13.9	4,037	Δ8.2

(Note) Comprehensive income

FY2015: 2,075 million yen (Δ68.3%) FY2014: 6,548 million yen (8.8%)

	Net income per share	Net income per share after dilution	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2015	203.88	—	5.7	4.2	2.2
Fiscal 2014	257.21	—	7.6	5.0	2.0

(Reference) Equity in earnings (losses) of non-consolidated subsidiaries and affiliates:

FY2015 — million yen FY2014 — million yen

(2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2015	126,408	57,728	45.3	3,651.57
Fiscal 2014	131,784	56,370	42.5	3,565.03

(Reference) Shareholders equity:

March 31, 2016: 57,319 million yen March 31, 2015: 55,962 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2015	Δ6,889	Δ368	3,410	21,905
Fiscal 2014	10,242	Δ249	Δ1,130	26,141

2. Dividends

	Dividends per share (Yen)					Dividends (Full fiscal year)	Payout ratio (consolidated) %	Dividends to net assets ratio (consolidated) %
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total			
Fiscal 2014	—	20.00	—	20.00	40.00	627	15.6	1.2
Fiscal 2015	—	25.00	—	25.00	50.00	784	24.5	1.4
Fiscal 2016 (Forecast)	—	30.00	—	30.00	60.00		20.9	

3. Forecast of results for the fiscal year ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% of change from FY2015 or 1st Half of FY2015)

	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
1st Half	144,000	0.7	3,000	Δ10.7	2,900	Δ8.7	2,000	Δ13.0	127.41
Full Year	300,000	3.9	7,000	7.9	6,800	24.8	4,500	40.6	286.68

4. Other

(1) Transfer of major subsidiaries during term

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

(2) 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

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

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

March 31, 2016	15,700,021 shares	March 31, 2015	15,700,021 shares
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2. Total number of treasury stock as of the period-end

March 31, 2016	2,907 shares	March 31, 2015	2,491 shares
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3. Average number of shares outstanding during the period

March 31, 2016	15,697,270 shares	March 31, 2015	15,697,979 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.

1. Business Results

(1) Analysis of Business Results

1) Overview

Japan's economy for the fiscal year ended March 31, 2016 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, 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 288,684 million yen (up 2.9% year on year) and consolidated operating income of 6,487 million yen (up 16.3% year on year). Meanwhile, consolidated ordinary income was 5,448 million yen (down 12.6% year on year) due to a mounting foreign exchange loss led by yen's sharp appreciation during the fourth quarter. Consolidated net income attributable to owners of parent was 3,200 million yen (down 20.7% year on year) partly owing to an impairment loss of some investment securities.

[Business Segment Information]

a. Semiconductors and electronic components

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).

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

c. System equipment

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).

2) Forecasts for the Fiscal Year Ending March 31, 2017

Although Japan's economy is expected to continuously be on a gradual recovery path thanks to improvements in corporate earnings, employment and personal income, there are downturn risks on account of economic slowdowns in Asian emerging nations including China and nations with natural resources. In addition, there is a concern of impacts of the Kumamoto Earthquake occurred in April, 2016.

Although the electronics industry 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, strives to develop new products and promote a shift to solution-oriented business.

In consideration of the above, UKC forecasts consolidated net sales of 300,000 million yen (up 3.9% year on year), consolidated operating income of 7,000 million yen (up 7.9% year on year), consolidated ordinary income of 6,800 million yen (up 24.8% year on year), and consolidated net income attributable to owners of parent of 4,500 million yen (up 40.6% year on year).

The impact of the Kumamoto Earthquake is currently under scrutiny. The impact on the business results will be appropriately disclosed once it is estimated with a certain accuracy.

(2) Analysis of Financial Condition

1) Assets, Liabilities and Net Assets

Total assets at the end of the current consolidated fiscal year amounted to 126,408 million yen, down 5,376 million yen from the end of fiscal 2014 mainly attributable to increases in electronically recorded monetary claims-operating (up 1,806 million yen) and other current assets (up 308 million yen), and decreases in cash and deposit (down 4,836 million yen), notes and accounts receivable-trade (down 1,439 million yen), investment securities (down 832 million yen) and inventories (down 39 million yen).

Total liabilities at the end of the current consolidated fiscal year amounted to 68,679 million yen,

down 6,733 million yen from the end of fiscal 2014 mainly attributable to increases in short-term borrowings (up 3,904 million yen), current portion of long-term borrowings (up 1,854 million yen) and income taxes payable (up 14 million yen), and decreases in notes and accounts payable-trade (down 8,617 million yen), long-term borrowings (down 3,468 million yen) and other current liabilities (down 478 million yen).

Net assets were 57,728 million yen, up 1,357 million yen from the end of fiscal 2014 mainly attributable to net income of 3,200 million yen, dividends from retained earnings of 706 million yen, and change in accumulated other comprehensive income of 1,135 million yen mainly due to a decrease in foreign currency translation adjustments of 740 million yen.

2) Cash Flows

Cash flows from various business activities during the current consolidated fiscal year and relevant factors are as follows.

[Cash flows from operating activities]

Net cash used by operating activities was 6,889 million yen (10,242 million yen provided in the previous fiscal year) mainly due to income before income taxes (4,809 million yen), increases in notes and accounts receivable (2,909 million yen) and inventories (392 million yen), and decreases in notes and accounts payable (7,029 million yen), as well as income taxes paid (1,591 million yen).

[Cash flows from investing activities]

Net cash used in investing activities was 368 million yen (249 million yen used in the previous fiscal year) mainly due to purchase of property, plant and equipment (369 million yen), proceeds from sales of investment securities (203 million yen), proceeds from withdrawal of time deposits (1,816 million yen) and payments into time deposits (1,200 million yen).

[Cash flows from financing activities]

Net cash provided in financing activities was 3,410 million yen (1,130 million yen used in the previous fiscal year) mainly due to net increase in short-term borrowings (5,617 million yen), repayments of long-term borrowings (1,479 million yen), and cash dividends paid (706 million yen).

[Trends in cash flow indicators]

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Net assets to total assets (%)	37.7%	39.4%	42.2%	42.5%	45.3%
Net assets to total assets (%) (Market capitalization basis)	18.3%	29.5%	23.6%	24.8%	27.7%

Net assets to total assets: Net assets / Total assets

Net assets to total assets (Market capitalization basis): Market capitalization / Total assets

*Each indicator is calculated from consolidated financial figures.

*Market capitalization is calculated by:

Closing price of UKC's common share on the Tokyo Stock Exchange at fiscal year-end multiplied by number of shares issued and outstanding less treasury stock

(3) Basic Policy for Profit Distribution and Dividends for the Current and the Next Fiscal Year

UKC regards a profit distribution to its shareholders as one of the highest priority issues, and sets a basic policy to pay dividends according to its earnings position.

UKC strives to establish its group management system that ensures improvement of middle- and long-term corporate value by investing to growing business domains and for rationalization, and consequently maintain stable dividends and improve dividends level.

Internal reserves are prepared for an increase in working capital accompanied by business expansion in addition to the above-mentioned investments.

Considering the basic policy above, UKC aims for consolidated payout ratio at about 20% to 25% in the short term and 25% to 30% in the medium term (within three years).

UKC plans to pay a year-end dividend of 25 yen per common share for the current consolidated fiscal year.

Regarding the dividends for the next fiscal year, UKC plans to pay a dividend of 60 yen per common share (end of second quarter 30 yen, year-end 30 yen).

(4) Risk Factors

As of the end of the current consolidated fiscal year, UKC recognizes that its group is exposed to risks which may affect operating results and financial position of UKC group, including, without limitation, the following.

1) Customers' demands and business seasonality

Customers of UKC group include manufacturers of AV products, PCs, cameras, and communication devices, broadcasters, and other enterprises.

Semiconductors and electronic parts that UKC group handles are integrated into finished goods manufactured by our customers. Also, equipment that UKC group handles is incorporated in operating processes of customers. Therefore, demands to and functions of finished goods manufactured by customers, and capital expenditure trend of customers may affect operating results of UKC group. In addition, sales of Electronic equipment business are concentrated in September and March when primary customers such as broadcasters, enterprises, schools, and governments execute capital expenditure budgets. Overestimating sales forecast in those periods may affect earnings forecast of UKC group.

2) High dependence on specific supplier

As UKC group primarily handles semiconductors and electronic parts manufactured by Sony, one of UKC's major shareholders, dependence on Sony and its subsidiaries is high. Therefore,

changes in management policies of Sony may affect operating results of UKC group.

3) Relations with suppliers

UKC group procures products from various suppliers inside and outside Japan.

Losses and shrinks in sales channels resulting from business restructuring such as M&A of suppliers and suppliers' strategy changes in sales channels may affect operating results and financial position of UKC group.

4) Foreign currency fluctuations

UKC group has global business operations in Japan and Asia, and is vulnerable to risks associated with fluctuations in foreign currency exchange rates. Therefore, it tries to offset the risk with foreign exchange contracts. However, significant fluctuations may affect operating results.

5) Competition

As there are a number of competitions handling the same product categories as UKC group, severe price competition and product obsolescence accompanied by technology innovation may affect operating results.

6) Securing and developing human resources

UKC group recognizes that hiring and developing human resources with excellent skills and know-how is important for its business expansion and sustainable growth. Failure to hire and develop those resources may affect business deployment and operating results of UKC group.

7) Overseas business

UKC group regards expanding overseas business as its critical goal and has business operations outside Japan. Therefore, changes in political and economic situations, regulations and tax systems, debt collecting risk, workforce shortages and labor cost elevations in related foreign countries may affect operating results of UKC group.

8) Investment on new business

UKC group recognizes that promoting new businesses such as finding and selling new products, and moving into new areas, is important in order to sustainably grow. Before launching new businesses, decisions are made after thoroughly examining marketability and profitability. However, in case of failure in establishing the original business plan due to a drastic change in market and a contingency, investment burden of human resources, facilities, and R&D may affect operating results of UKC group.

9) Investment on technology

UKC group as an electronics trade company strives to strengthen technological capabilities in

order to differentiate itself from competitions and offer added value to customers. It also focuses in investing in human resources for the purpose of establishing a close cooperative relationship with suppliers and enhancing its raison d'être. However, scale of investment to respond to fast-evolving technology of semiconductors is steadily increasing. Failure to get a fair return on investment as the result of a setback of business may affect operating results and financial position of UKC group.

10) Natural disasters

UKC group is a trading company in a supply chain of the electronics industry. Natural disasters such as earthquakes, floods, and typhoons and accidents like fires could result in a breakdown of group-owned facilities as well as mill shutdown of suppliers and customers, and interrupt business operations of UKC group.

2. Management Policies

(1) Fundamental Management Policies

UKC group with "United Knowledge Company" as a key word of its management principle tries to make the most of hard elements such as business infrastructures and management resources, and soft elements such as knowledge, experiences, and abilities expanded and enriched by the management integration. Its fundamental management policy is to sustainably grow and improve corporate value by realizing its management vision, "offer the highest quality with the optimum cost", "evolve and grow with customers", and "create new markets and new values" in the field of electronics.

(2) Targeted Management Indicators

Targeted management indicators of UKC group include operating (ordinary) income margin and ROE (Return on Equity). UKC group tries to sustainably grow and increase corporate value through improving profitability accompanied by productivity and capital efficiency. Medium-term (within three to five years) goals are 3% for operating income margin and over 10% for ROE.

(3) Medium- and Long-Term Management Strategies

The electronics industry to which UKC group belongs is one of the most globalized industries along with the automotive industry. As technologies evolve day and night, a shift in market and rises and declines of manufacturers occur globally. Especially these days, a consumer market expansion and rises of manufacturers in emerging nations such as China and India are significant while markets of industrial nations which have been leading the market so far get mature and sluggish. This trend seems to irreversibly continue despite temporary economic standstills which economic structural reforms in emerging nations may trigger.

Under these business circumstances, UKC continuously strives to improve its corporate value by extending its business to growth markets in addition to its core business in the imaging field.

(4) Issues to Address

Key issues of UKC group to address in line with the medium- and long-term strategies are as follows.

1) Extend product lines

UKC group tries to find and promote new products for high growth application markets such as environment & energy, automobile, medical and other industrial equipment as well as those for growth areas such as China and ASEAN nations in addition to products to help strengthen and expand the imaging business as its competitive advantage.

2) Extend sales channel

In order to cope with the business shift to Asia centered on China and ASEAN nations, UKC group tries to strengthen sales to such area by efficiently deploying its own business resources and promoting business partnerships including M&A.

3) Extend business fields

Semiconductors and electronic components business which consists of more than 90% of UKC's sales mainly includes products sales with related engineering supports, and EMS. Considering conveniences of customers, UKC considers 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, UKC will proactively introduce hardware and software technologies and services from the outside which complement its own business resources.

3. Basic Approach to Selection of Accounting Standards

UKC group adopts the Japanese Standards in order to ensure comparisons with other companies and its financial results in the past. Regarding the future, UKC will proceed examination on the adoption of the International Standards in view of circumstances such as the trend of adopting the International Standards in the same industry as it belongs to.

[Consolidated Balance Sheets]

(Millions of yen rounded down)

	Fiscal Year Ended March 31, 2015 (As of March 31, 2015)	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)
(Assets)		
Current assets		
Cash and deposit	27,542	22,705
Notes and accounts receivable-trade	71,219	69,780
Electronically recorded monetary claims-operating	638	2,444
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 tangible assets	2,395	2,285
Accumulated depreciation	△1,097	△1,217
Other tangible assets (net)	1,298	1,067
Total property, plant and equipment	2,441	2,310
Intangible assets	385	338
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 rounded down)

	Fiscal Year Ended March 31, 2015 (As of March 31, 2015)	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	43,563	34,945
Short-term borrowings	18,617	22,522
Current portion of long-term debt	970	2,825
Lease obligations	62	89
Income taxes payable	1,035	1,050
Reserve for bonuses	387	530
Other	2,685	2,206
Total current liabilities	67,322	64,169
Noncurrent liabilities		
Long-term borrowings	7,104	3,635
Lease obligations	120	135
Deferred tax liabilities	377	192
Reserve 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		
Common 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 adjustments	3,045	2,304
Remeasurements of defined benefit plans	25	△62
Total valuation and translation adjustments	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

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	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 discount	7	7
Foreign exchange profit	707	—
Commission income	0	5
Other	162	82
Total non-operating income	994	207
Non-operating expenses		
Interest payable	285	316
Foreign exchange loss	—	840
Other	53	89
Total non-operating expenses	339	1,246
Ordinary profit	6,233	5,448
Extraordinary income		
Gain on sale of fixed assets	2	—
Gain on sale of investment securities	—	153
Total extraordinary income	2	153
Extraordinary loss		
Loss on sale of fixed assets	1	—
Loss on disposal of fixed assets	3	—
Loss on sale 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 parent	4,037	3,200

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2015	Fiscal Year Ended March 31, 2016
Net income	4,056	3,210
Other comprehensive income		
Net unrealized gain on other marketable securities	640	Δ 306
Foreign currency translation adjustments	1,783	Δ 740
Pension liability adjustments	68	Δ 88
Total other comprehensive income	<u>2,492</u>	<u>Δ 1,135</u>
Comprehensive income	<u>6,548</u>	<u>2,075</u>
(Details)		
Comprehensive income relating to owners of parent	6,529	2,064
Comprehensive income relating to non-controlling interests	18	10

[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				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
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

[Consolidated Statements of Cash Flows]

(Millions of yen rounded down)

	Fiscal Year Ended March 31, 2015	Fiscal Year Ended March 31, 2016
I Net cash provided by (used in) operating activities		
Income before income taxes	6,208	4,809
Depreciation and amortization	593	563
Loss (gain) on sale of fixed assets	Δ0	—
Loss (gain) on disposal of fixed assets	3	—
Loss (gain) on sale of investment securities	—	Δ153
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 reserve for directors' retirement benefits	Δ5	2
Increase (decrease) in net defined benefit liability	Δ218	Δ58
Foreign exchange losses (gains), net	645	Δ629
Interest and dividends income	Δ116	Δ111
Interest expenses	285	316
Decrease (increase) in notes and accounts receivable-trade	2,813	Δ2,909
Increase (decrease) in notes and accounts payable-trade	1,828	Δ7,029
Decrease (increase) in inventories	471	Δ392
Other, net	350	Δ280
Sub-total	12,981	Δ5,078
Interest and dividends income received	116	110
Interest expenses paid	Δ277	Δ329
Income taxes paid	Δ2,578	Δ1,591
Net cash provided by (used in) operating activities	10,242	Δ6,889
II Net cash provided by (used in) investing activities		
Purchase of investment securities	Δ360	Δ6
Proceeds from sales of investment securities	—	203
Purchase of property, plant and equipment	Δ346	Δ369
Income on sales of property, plant and equipment	20	69
Payments into time deposits	Δ1,781	Δ1,200
Proceeds from withdrawal of time deposits	2,382	1,816
Purchase of stocks of subsidiaries and affiliates	—	Δ506
Other, net	Δ164	Δ374
Net cash provided by (used in) investing activities	Δ249	Δ368
III Net cash provided by (used in) financing activities		
Increase (decrease) in short-term borrowings	Δ58	5,617
Proceeds from issuance of long-term borrowings	1,732	—
Repayments of long-term borrowings	Δ2,069	Δ1,479
Purchase of treasury stock	Δ1	Δ0
Cash dividends paid	Δ627	Δ706
Dividends distributions to minority interests	Δ20	Δ10
Other, net	Δ86	Δ9
Net cash provided by (used in) financing activities	Δ1,130	3,410
IV Effective of exchange rate change on cash and cash equivalents	1,450	Δ387
V Net increase (decrease) in cash and cash equivalents	10,312	Δ4,235
VI Cash and cash equivalents at beginning of period	15,829	26,141
VII Cash and cash equivalents at end of period	26,141	21,905

[Segment Information]

1. Reporting Segments

Reporting segments of UKC group are business units from which UKC is able to obtain separate financial information in order for the board of directors to regularly evaluate their business results and determine distribution of management resources.

UKC has three reporting segments based on similarities in characteristics and markets of products and services.

Semiconductors and electronic components business handles products such as image sensors, memories, and LCDs. Electronic equipment business handles various AV products for broadcasting and enterprise market. System equipment business develops, manufactures, and sells industrial electronic equipment and transmission terminal equipment, and offers contracted quality inspection service and contracted analysis service.

2. Net sales, operating income (loss), assets and other indicators of reporting segments

For the consolidated fiscal year ended March 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	263,314	14,562	2,796	280,672	—	280,672
Internal sales or transfers between segments	46	1,076	—	1,123	△1,123	—
Total	263,360	15,639	2,796	281,796	△1,123	280,672
Operating income	5,448	130	219	5,799	△220	5,578
Assets	124,313	8,120	1,569	134,003	△2,218	131,784
Depreciation	360	162	70	593	—	593
Capital expenditure	265	157	27	450	—	450

(Note)

a) An adjustment of △220 million yen for segment income includes an elimination of inter-segment transactions of △1 million yen and corporate expenses of △219 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.

b) An adjustment of 2,218 million yen for segment assets includes an elimination of inter-segment transactions of △2,337 million yen and corporate assets of 119 million yen that are not allocated to each segment. Corporate assets includes goodwill that does not belong to any reporting segments.

c) Operating income (loss) by reporting segment is adjusted to correspond to operating income of the consolidated income statements.

d) Depreciation includes amortization of long-term prepaid expenses.

For the consolidated fiscal year ended March 31, 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	270,287	15,830	2,566	288,684	—	288,684
Internal sales or transfers between segments	100	1,380	316	1,797	△1,797	—
Total	270,388	17,211	2,882	290,482	△1,797	288,684
Operating income	6,376	180	137	6,694	△206	6,487
Assets	117,566	8,341	3,253	129,161	△2,753	126,408
Depreciation	367	125	71	563	—	563
Capital expenditure	172	249	56	478	57	535

(Note)

- a) An adjustment of △206 million yen for segment income includes an elimination of inter-segment transactions of △2 million yen and corporate expenses of △204 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.
- b) An adjustment of △2,753 million yen for segment assets includes an elimination of inter-segment transactions of △2,853 million yen and corporate assets of 100 million yen that are not allocated to each segment. Corporate assets includes goodwill that does not belong to any reporting segments.
- c) Operating income (loss) by reporting segment is adjusted to correspond to operating income of the consolidated income statements.
- d) Depreciation includes amortization of long-term prepaid expenses.

3. 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 fiscal year. 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]

• Suspension of Talks on the Management Integration

UKC Holdings Corporation (“the Company”) resolved to execute a Memorandum of Understanding in connection with its intention to achieve a management integration with the spirit of equal partnership with Kaga Electronics Co., Ltd. (Collectively “Both Companies”) (the “Management Integration”) (the “MOU”) at the meeting of the board of directors held on November 18, 2015, and executed the MOU on the same day.

Since then, Both Companies have earnestly continued talks aiming to realize the Management Integration. However, Both Companies could not reach an agreement on terms and conditions in connection with the Management Integration and agreed to cancel the MOU and suspend talks on the Management Integration. The Company passed a resolution on this matter at the meeting of the board of directors on April 22, 2016.