

Consolidated Financial Results for the First Quarter Ended June 30, 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, Group Executive Officer, Senior General Manager, Group Business Planning Division
	Tel : +81-3-3491-6575

Filing date of the Quarterly Securities Report (scheduled) August 15, 2016

(Millions of yen rounded down)

1. Consolidated results for the first quarter ended June 30, 2016 (April 1, 2016 to June 30, 2016)

(1) Consolidated operating results

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2016 1Q	65,117	△6.8	715	△50.1	233	△84.8	163	△85.7
FY2015 1Q	69,889	8.6	1,434	△7.2	1,535	9.2	1,147	24.5

(Note) Comprehensive income

FY2016 1Q: △921 million yen (—) FY2015 1Q: 1,246 million yen (56.7%)

	Net income per share	Net income per share after dilution
	Yen	Yen
FY2016 1Q	10.43	—
FY2015 1Q	73.09	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2016 1Q	126,305	56,384	44.4	3,569.88
Fiscal 2015	126,408	57,728	45.3	3,651.57

(Reference) Shareholders equity:

June 30, 2016: 56,036 million yen March 31, 2016: 57,319 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
Fiscal 2015	—	25.00	—	25.00	50.00
Fiscal 2016	—				
Fiscal 2016 (Forecast)		30.00	—	30.00	60.00

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

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

(% of change from FY2014 or 1st Half of FY2014)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half	144,000	0.7	3,000	△10.7	2,900	△8.7	2,000	△13.0	127.41
Full Year	300,000	3.9	7,000	7.9	6,800	24.8	4,500	40.6	286.68

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
 - June 30, 2016 15,700,021 shares March 31, 2016 15,700,021 shares
 - 2. Total number of treasury stock as of the period-end
 - June 30, 2016 2,957 shares March 31, 2016 2,907 shares
 - 3. Average number of shares outstanding during the period
 - FY2016 1Q 15,697,077 shares FY2015 1Q 15,697,443 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 during this first quarter has been on a gradual recovery path thanks to improvements in corporate earnings, employment and capital spending. On the other hand, economic downturn risks have become obvious caused by negative impacts of the Kumamoto Earthquake in April and the Brexit decision in late June.

The electronics industry to which UKC group belongs still depends on smartphones for its growth although the growth rate of smartphone is slowing. On the other hand, 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, continuously focused on expanding high value-added businesses such as EMS (Electronic Manufacturing Service), extending product lines, and creating new businesses.

As a result, UKC group recorded consolidated net sales of 65,117 million yen (down 6.8% year on year), consolidated operating income of 715 million yen (down 50.1% year on year), consolidated ordinary income of 233 million yen (down 84.8% year on year), and consolidated net income attributable to owners of parent of 163 million yen (down 85.7% year on year). Net sales dropped due to a negative impact of the Kumamoto Earthquake in addition to the strong yen. Incomes significantly dropped with the yen's sharp appreciation.

(2) Business Segment Information

a. Semiconductors and electronic components

Net sales dropped due to a sales opportunity loss caused by the Kumamoto Earthquake in addition to a negative impact of the strong yen. Segment income significantly dropped due to negative impacts from the sales of foreign products purchased when the yen was weaker and the sales of products purchased by the yen and sold by the dollar.

As a result, net sales dropped to 62,092 million yen (down 6.9% year on year) and segment income dropped to 979 million yen (down 40.7% year on year).

b. Electronic equipment

Net sales dropped due to a difficulty in procuring surveillance cameras caused by the Kumamoto Earthquake despite a good result of the broadcast-related business propelled by the approaching Olympics.

As a result, net sales dropped to 2,881 million yen (down 4.4% year on year) and segment loss was 245 million yen (deteriorated 70 million yen year on year).

c. System equipment

Net sales of contactless IC card business dropped due to a demand concentration of some customer to the second quarter, 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 grew with the improved margin. As a result, net sales dropped to 575 million yen (down 26.0% year on year) and segment income grew to 24 million yen (up 94.0% year on year).

2. Financial Condition

Total assets at the end of the first quarter amounted to 126,305 million yen, down 102 million yen from the end of fiscal 2015 mainly attributable to decreases in cash and deposit (down 1,413 million yen), notes and accounts receivable-trade (down 1,453 million yen), inventories (down 100 million yen) and investment securities (451 million yen), and increases in electronically recorded monetary claims-operating (up 464 million yen) and other current assets (up 2,520 million yen).

Total liabilities at the end of the first quarter amounted to 69,920 million yen, up 1,241 million yen from the end of fiscal 2015 mainly attributable to increases in notes and accounts payable-trade (up 1,534 million yen), short-term borrowings (up 1,409 million yen) and current portion of long-term debt (up 754 million yen), and decreases in income taxes payable (down 574 million), long-term borrowings (down 1,194 million yen) and other current liabilities (down 364 million yen).

Net assets were 56,384 million yen, down 1,343 million yen from the end of fiscal 2015 mainly attributable to net income attributable to owners of parent of 163 million yen, dividends from retained earnings of 392 million yen and a change in accumulated other comprehensive income of 1,036 million yen mainly due to a decrease in foreign currency translation adjustments of 1,121 million yen.

3. Forecast of Consolidated Financial Results

Business results especially in incomes of the first quarter significantly dropped year on year due to yen's sharp appreciation. The forecast of financial results for the first half and full fiscal year remains unchanged from the original disclosed on May 10, 2016 as profitability is expected to improve in the second quarter and later. UKC intends to promptly disclose if the forecast requires any revisions according to a close examination of the business environment and progresses in business performance.

[Consolidated Balance Sheets]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	First Quarter Ended June 30, 2016 (As of June 30, 2016)
(Assets)		
Current assets		
Cash and deposit	22,705	21,292
Notes and accounts receivable-trade	69,780	68,326
Electronically recorded monetary claims-operating	2,444	2,909
Merchandise and finished goods	17,849	17,066
Work in process	460	882
Raw materials and supplies	632	893
Other	5,800	8,320
Allowance for doubtful accounts	△345	△309
Total current assets	<u>119,328</u>	<u>119,380</u>
Noncurrent assets		
Property, plant and equipment	2,310	2,720
Intangible assets	338	476
Investments and other assets		
Investment securities	3,296	2,845
Other	2,345	1,998
Allowance for doubtful accounts	△1,211	△1,115
Total investments and other assets	<u>4,430</u>	<u>3,728</u>
Total noncurrent assets	<u>7,079</u>	<u>6,925</u>
Total assets	<u>126,408</u>	<u>126,305</u>

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	First Quarter Ended June 30, 2016 (As of June 30, 2016)
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	34,945	36,480
Short-term borrowings	22,522	23,932
Current portion of long-term debt	2,825	3,579
Income taxes payable	1,050	475
Reserve for bonuses	530	200
Other	2,295	1,931
Total current liabilities	<u>64,169</u>	<u>66,599</u>
Noncurrent liabilities		
Long-term borrowings	3,635	2,440
Reserve for directors' retirement benefits	38	38
Net defined benefit liability	368	358
Other	467	484
Total noncurrent liabilities	<u>4,509</u>	<u>3,321</u>
Total liabilities	<u>68,679</u>	<u>69,920</u>

(Net assets)		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	43,767	43,522
Treasury stock	△4	△5
Total shareholders' equity	<u>54,489</u>	<u>54,243</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	588	671
Foreign currency translation adjustments	2,304	1,182
Remeasurements of defined benefit plans	△62	△60
Total valuation and translation adjustments	<u>2,829</u>	<u>1,793</u>
Non-controlling interests	409	348
Total net assets	<u>57,728</u>	<u>56,384</u>
Total liabilities and net assets	<u>126,408</u>	<u>126,305</u>

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	First Quarter Ended June 30, 2015	First Quarter Ended June 30, 2016
Net sales	69,889	65,117
Cost of sales	65,556	61,759
Gross profit	4,333	3,357
Selling, general, and administrative expenses	2,898	2,641
Operating income	1,434	715
Non-operating income		
Interest income	21	9
Dividends income	15	17
Foreign exchange profit	116	—
Other	36	34
Total non-operating income	189	61
Non-operating expenses		
Interest payable	71	85
Foreign exchange losses	—	402
Other	17	55
Total non-operating expenses	88	543
Ordinary income	1,535	233
Income before income taxes	1,535	233
Total income taxes	427	117
Net income	1,108	115
Net income attributable to non-controlling interests	△38	△48
Net income attributable to owners of parent	1,147	163

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down)	
	First Quarter Ended June 30, 2015	First Quarter Ended June 30, 2016
Net income	1,108	115
Other comprehensive income		
Net unrealized gain on other marketable securities	92	82
Foreign currency translation adjustments	45	△1,121
Pension liability adjustments	△0	1
Total other comprehensive income	137	△1,036
Comprehensive income	1,246	△921
(Details)		
Comprehensive income relating to owners of parent	1,285	△873
Comprehensive income relating to non-controlling interests	△38	△48

[Segment Information]

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

For the first quarter ended June 30, 2015 (April 1, 2015 to June 30, 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	66,639	2,564	685	69,889	—	69,889
Internal sales or transfers between segments	24	448	92	565	△565	—
Total	66,663	3,013	777	70,445	△565	69,889
Operating income	1,652	△175	12	1,489	△55	1,434

(Note)

An adjustment of △55 million yen for segment income includes an elimination of inter-segment transactions of △3 million yen and corporate expenses of △52 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 first quarter ended June 30, 2016 (April 1, 2016 to June 30, 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	62,069	2,532	515	65,117	—	65,117
Internal sales or transfers between segments	22	349	59	432	△432	—
Total	62,092	2,881	575	65,549	△432	65,117
Operating income	979	△245	24	758	△42	715

(Note)

An adjustment of △42 million yen for segment income includes an elimination of inter-segment transactions of 0 million yen and corporate expenses of △43 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.