

## Consolidated Financial Results for the Six Months Ended Sep. 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	<a href="http://www.ukcgroup.com/english/index.html">http://www.ukcgroup.com/english/index.html</a>
Representative	Yukio Fukuju, President
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Dividend Payment Date December 5, 2016

(Millions of yen rounded down)

## 1. Consolidated results for the six months ended Sep. 30, 2016 (April 1, 2016 to September 30, 2016)

## (1) Consolidated operating results (Cumulative)

% 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	%
FY2016 2Q	137,947	Δ3.5	1,854	Δ44.8	1,276	Δ59.8	1,015	Δ55.8
FY2015 2Q	142,949	8.4	3,357	35.5	3,176	12.0	2,297	29.3

(Note) Comprehensive income

FY2016 2Q: Δ870 million yen –% FY2015 2Q: 1,875 million yen (Δ9.0%)

	Net income per share	Net income per share after dilution
	Yen	Yen
FY2016 2Q	64.69	–
FY2015 2Q	146.39	–

## (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 2Q	128,517	56,436	43.6	3,570.89
Fiscal 2015	126,408	57,728	45.3	3,651.57

(Reference) Shareholders equity:

September 30, 2016: 56,052 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	–	30.00			
Fiscal 2016 (Forecast)			–	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 FY2015)

	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
Full Year	282,000	Δ2.3	5,000	Δ22.9	4,300	Δ21.1	3,000	Δ6.3	191.12

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  
September 30, 2016 15,700,021 shares      March 31, 2016 15,700,021 shares

2. Total number of treasury stock as of the period-end  
September 30, 2016 2,984 shares      March 31, 2016 2,907 shares

3. Average number of shares outstanding during the period (Cumulative)  
FY2016 2Q 15,697,064 shares      FY2015 2Q 15,697,348 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 six months witnessed a standstill of a gradual recovery illustrated by downward risks of earnings of companies, especially exporting ones caused by the yen's sharp appreciation triggered by the Brexit decision in late June and negative impacts of the Kumamoto Earthquake in April in addition to the economic stagnation of emerging nations.

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 137,947 million yen (down 3.5% year on year), consolidated operating income of 1,854 million yen (down 44.8% year on year), consolidated ordinary income of 1,276 million yen (down 59.8% year on year), and consolidated net income attributable to owners of parent of 1,015 million yen (down 55.8% 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 a rise in the sales cost ratio caused by a timing difference of foreign exchange rate between purchases and sales for dollar-based transactions and a fierce market competition.

As a result, net sales dropped to 130,023 million yen (down 3.7% year on year) and segment income dropped to 1,880 million yen (down 45.7% year on year).

##### b. Electronic equipment

Net sales dropped due to a difficulty in procuring surveillance cameras caused by the Kumamoto Earthquake despite good results of the Olympics and medical-related business.

As a result, net sales dropped to 7,328 million yen (down 2.4% year on year) and segment loss was 30 million yen (31 million yen loss last year).

### c. System equipment

Net sales of contactless IC card business dropped due to a delay of some business until the second half, 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 grew to 1,442 million yen (up 0.2% year on year) and segment income grew to 93 million yen (up 186.5% year on year).

## 2. Financial Condition

### (1) Total Assets, Liabilities and Net assets

Total assets at the end of the second quarter amounted to 128,517 million yen, up 2,109 million yen from the end of fiscal 2015 mainly attributable to increases in cash and deposit (up 2,084 million yen), electronically recorded monetary claims-operating (up 728 million yen) and other current assets (up 3,934 million yen), and decreases in notes and accounts receivable-trade (down 2,763 million yen), inventories (down 1,743 million yen) and investment securities (529 million yen).

Total liabilities at the end of the second quarter amounted to 72,081 million yen, up 3,402 million yen from the end of fiscal 2015 mainly attributable to increases in notes and accounts payable-trade (up 3,941 million yen) and short-term borrowings (up 2,943 million yen), and decreases in current portion of long-term debt (down 1,462 million yen), income taxes payable (down 521 million), long-term borrowings (down 1,258 million yen) and other current liabilities (down 65 million yen).

Net assets were 56,436 million yen, down 1,292 million yen from the end of fiscal 2015 mainly attributable to net income attributable to owners of parent of 1,015 million yen, dividends from retained earnings of 392 million yen and a change in accumulated other comprehensive income of 1,872 million yen mainly due to a decrease in foreign currency translation adjustments of 1,925 million yen.

### (2) Cash Flows

Cash flows from various business activities during this six months and relevant factors are as follows.

#### [Cash flows from operating activities]

Net cash provided by operating activities was 894 million yen (7,163 million yen used for the same period previous year) mainly due to net income before income taxes (1,506 million yen), increases in notes and accounts receivable (2,828 million yen) and notes and accounts payable (7,599 million yen), and a decrease in inventories (665 million yen), as well as income taxes paid (885 million yen).

#### [Cash flows from investing activities]

Net cash used by investing activities was 672 million yen (335 million yen provided for the same period previous year) mainly due to purchase of property, plant and equipment (883 million yen),

proceeds from withdrawal of time deposits (600 million yen), payments into time deposits (600 million yen), and proceeds from sales of investment securities (314 million yen).

[Cash flows from financing activities]

Net cash provided in financing activities was 2,657 million yen (3,189 million yen provided for the same period previous year) mainly due to a net increase in short-term borrowings (5,469 million yen) for operating capital, repayments of long-term borrowings (2,402 million yen), and cash dividends paid (392 million yen).

### 3. Forecast of Consolidated Financial Results

Business results especially in incomes of this six months significantly dropped year on year due to yen's sharp appreciation. UKC foresees an improvement of profitability in the second half since the yen is still strong but a yen-dollar exchange rate is likely to stabilize compared to the first half, and current customers' demand is solid. As for the consolidated financial forecast for the fiscal year ending March 31, 2017, UKC announced a downward revision on October 28, 2016 from the previous forecast disclosed on May 10, 2016 since it revised its assumption of a yen-dollar exchange rate in the second half from 115 yen (the previous forecast) to 105 yen.

[Consolidated Balance Sheets]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	Six Months Ended Sep. 30, 2016 (As of Sep. 30, 2016)
<b>(Assets)</b>		
Current assets		
Cash and deposit	22,705	24,790
Notes and accounts receivable-trade	69,780	67,016
Electronically recorded monetary claims-operating	2,444	3,173
Merchandise and finished goods	17,849	15,755
Work in process	460	717
Raw materials and supplies	632	725
Other	5,800	9,734
Allowance for doubtful accounts	△345	△302
Total current assets	119,328	121,613
Noncurrent assets		
Property, plant and equipment	2,310	2,820
Intangible assets	338	433
Investments and other assets		
Investment securities	3,296	2,767
Other	2,345	2,004
Allowance for doubtful accounts	△1,211	△1,121
Total investments and other assets	4,430	3,651
Total noncurrent assets	7,079	6,904
Total assets	126,408	128,517

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	Six Months Ended Sep. 30, 2016 (As of Sep. 30, 2016)
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable-trade	34,945	38,887
Short-term borrowings	22,522	25,466
Current portion of long-term debt	2,825	1,362
Income taxes payable	1,050	529
Reserve for bonuses	530	366
Other	2,295	2,230
Total current liabilities	64,169	68,841
Noncurrent liabilities		
Long-term borrowings	3,635	2,376
Reserve for directors' retirement benefits	38	39
Net defined benefit liability	368	351
Other	467	473
Total noncurrent liabilities	4,509	3,240
Total liabilities	68,679	72,081

<b>(Net assets)</b>		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	43,767	44,374
Treasury stock	△4	△5
Total shareholders' equity	54,489	55,095
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	588	637
Foreign currency translation adjustments	2,304	378
Remeasurements of defined benefit plans	△62	△58
Total valuation and translation adjustments	2,829	957
Non-controlling interests	409	383
Total net assets	57,728	56,436
Total liabilities and net assets	126,408	128,517

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	Six Months Ended September 30, 2015	Six Months Ended September 30, 2016
Net sales	142,949	137,947
Cost of sales	133,838	130,751
Gross profit	9,111	7,195
Selling, general, and administrative expenses	5,753	5,340
Operating income	3,357	1,854
Non-operating income		
Interest income	44	16
Dividends income	16	17
Cash discount	3	4
Other	44	45
Total non-operating income	108	84
Non-operating expenses		
Interest payable	147	173
Loss on sales of accounts receivable	1	3
Foreign exchange losses	111	425
Other	29	60
Total non-operating expenses	289	662
Ordinary income	3,176	1,276
Extraordinary income		
Gain on sale of investment securities	—	230
Total extraordinary income	—	230
Net income before income taxes	3,176	3,176
Total income taxes	897	504
Net income	2,278	1,002
Net income attributable to non-controlling interests	△19	△12
Net income attributable to owners of parent	2,297	1,015

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down)	
	Six Months Ended September 30, 2015	Six Months Ended September 30, 2016
Net income	2,278	1,002
Other comprehensive income		
Net unrealized gain on other marketable securities	△197	48
Foreign currency translation adjustments	△205	△1,925
Pension liability adjustments	△0	3
Total other comprehensive income	△403	△1,872
Comprehensive income	1,875	△870
(Details)		
Comprehensive income relating to owners of parent	1,894	△857
Comprehensive income relating to non-controlling interests	△19	△12

[Consolidated Statements of Cash Flows]

(Millions of yen rounded down)

	Six Months Ended Sep. 30, 2015	Six Months Ended Sep. 30, 2016
I Net cash provided by (used in) operating activities		
Net income before income taxes	3,176	1,506
Depreciation and amortization	278	277
Increase (decrease) in net defined benefit liability	△12	△5
Increase (decrease) in allowance for doubtful accounts	△15	14
Decrease (increase) in notes and accounts receivable-trade	△4,403	△2,828
Decrease (increase) in inventories	△279	665
Increase (decrease) in notes and accounts payable-trade	△2,515	7,599
Other, net	△1,973	△5,304
Sub-total	△5,744	1,924
Interest and dividends income received	60	34
Interest expenses paid	△161	△179
Income taxes paid	△1,317	△885
Net cash provided by (used in) operating activities	△7,163	894
II Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	△229	△883
Income on sales of property, plant and equipment	20	—
Purchase of investment securities	△3	△62
Sales of investment securities	—	314
Payments into time deposits	△600	△600
Proceeds from withdrawal of time deposits	1,216	600
Other, net	△68	△40
Net cash provided by (used in) investing activities	335	△672
III Net cash provided by (used in) financing activities		
Increase (decrease) in short-term borrowings	4,576	5,469
Repayments of long-term borrowings	△1,065	△2,402
Cash dividends paid	△313	△392
Dividends distributions to minority interests	△10	△13
Other, net	1	△3
Net cash provided by (used in) financing activities	3,189	2,657
IV Effective of exchange rate change on cash and cash equivalents	△34	△977
V Net increase (decrease) in cash and cash equivalents	△3,673	1,903
VI Cash and cash equivalents at beginning of period	26,141	21,905
VII Increase in cash and cash equivalents from newly consolidated subsidiary	—	181
VIII Cash and cash equivalents at end of period	22,468	23,990

[Segment Information]

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

For the six months ended September 30, 2015 (April 1, 2015 to September 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	134,924	6,755	1,269	142,949	—	142,949
Internal sales or transfers between segments	44	751	170	967	△967	—
Total	134,969	7,507	1,440	143,917	△967	142,949
Operating income	3,460	△31	32	3,462	△104	3,357

(Note)

An adjustment of △104 million yen for segment income includes an elimination of inter-segment transactions of △1 million yen and corporate expenses of △103 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 six months ended September 30, 2016 (April 1, 2016 to September 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	129,961	6,641	1,345	137,947	—	137,947
Internal sales or transfers between segments	62	687	97	847	△847	—
Total	130,023	7,328	1,442	138,795	△847	137,947
Operating income	1,880	△30	93	1,942	△88	1,854

(Note)

An adjustment of △88 million yen for segment income includes an elimination of inter-segment transactions of 1 million yen and corporate expenses of △89 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.