

Consolidated Financial Results for the Nine Months Ended Dec. 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, Group Executive Officer, Senior General Manager, Group Business Planning Division
	Tel : +81-3-3491-6575

Filing date of the Quarterly Securities Report (scheduled) February 6, 2017

(Millions of yen rounded down)

1. Consolidated results for the nine months ended Dec. 31, 2016 (April 1, 2016 to December 31, 2016)

(1) Consolidated operating results (Cumulative)

	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 3Q	209,106	Δ5.4	2,609	Δ46.6	2,421	Δ46.3	1,575	Δ49.7
FY2015 3Q	221,128	9.1	4,882	21.9	4,508	Δ7.3	3,133	Δ2.9

(Note) Comprehensive income

FY2016 3Q: 560 million yen (Δ80.5%) FY2015 3Q: 2,876 million yen (Δ37.2%)

	Net income per share	Net income per share after dilution
	Yen	Yen
FY2016 3Q	100.37	—
FY2015 3Q	199.59	—

(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 3Q	142,165	57,396	40.1	3,634.79
Fiscal 2015	126,408	57,728	45.3	3,651.57

(Reference) Shareholders equity:

December 31, 2016: 57,055 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
December 31, 2016 15,700,021 shares March 31, 2016 15,700,021 shares
 2. Total number of treasury stock as of the period-end
December 31, 2016 3,103 shares March 31, 2016 2,907 shares
 3. Average number of shares outstanding during the period
FY2016 9 months 15,697,044 shares FY2015 9 months 15,697,302 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 nine months witnessed a standstill of a gradual recovery caused by negative impacts of the Kumamoto Earthquake in April and the yen's sharp appreciation triggered by the Brexit decision in late June. Although a risk of recession was alleviated thanks to strong dollar and weak yen triggered by Trump's win in the U.S. presidential election in early November, uncertainties lie ahead with concerns about a backlash of the Trump rally and a rise of protectionism.

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 209,106 million yen (down 5.4% year on year), consolidated operating income of 2,609 million yen (down 46.6% year on year), consolidated ordinary income of 2,421 million yen (down 46.3% year on year), and consolidated net income attributable to owners of parent of 1,575 million yen (down 49.7% 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 in the first half.

(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 197,920 million yen (down 5.4% year on year) and segment income dropped to 2,836 million yen (down 44.1% year on year).

b. Electronic equipment

Although sales were almost as planned in the third quarter, net sales dropped compared with the same period last year in which large projects were concentrated in the third quarter. Segment loss deteriorated due to lower sales. Both net sales and income are planned to recover in the fourth quarter.

As a result, net sales dropped to 10,440 million yen (down 7.1% year on year) and segment loss was 218 million yen (102 million yen loss last year).

c. System equipment

Net sales of contactless IC card business dropped although e-money and access control related business have 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 2,019 million yen (up 0.4% year on year) and segment income grew to 131 million yen (up 95.1% year on year).

2. Financial Condition

Total assets at the end of the third quarter amounted to 142,165 million yen, up 15,757 million yen from the end of fiscal 2015 mainly attributable to increases in notes and accounts receivable-trade (up 8,862 million yen), cash and deposit (up 1,566 million yen), electronically recorded monetary claims-operating (up 1,440 million yen) and other current assets (up 6,244 million yen), and decreases in inventories (down 2,313 million yen) and investment securities (down 291 million yen).

Total liabilities at the end of the third quarter amounted to 84,769 million yen, up 16,089 million yen from the end of fiscal 2015 mainly attributable to increases in short-term borrowings (up 18,104 million yen), notes and accounts payable-trade (up 1,330 million yen) and decreases in current portion of long-term debt (down 1,394 million yen), long-term borrowings (down 1,310 million yen), other current liabilities (down 225 million yen) and income taxes payable (down 176 million).

Net assets were 57,396 million yen, down 332 million yen from the end of fiscal 2015 mainly attributable to net income attributable to owners of parent of 1,575 million yen, dividends from retained earnings of 863 million yen and a change in accumulated other comprehensive income of 959 million yen mainly due to a decrease in foreign currency translation adjustments of 1,140 million yen.

3. Forecast of Consolidated Financial Results

Forecast of financial results for the full fiscal year remains unchanged from the revision disclosed on October 28, 2016 as UKC foresees an increase in net sales mainly for foreign smartphones and a realization of positive impacts of the weak yen since November mainly in the fourth quarter.

[Consolidated Balance Sheets]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	Nine Months Ended Dec. 31, 2016 (As of Dec. 31, 2016)
(Assets)		
Current assets		
Cash and deposit	22,705	24,271
Notes and accounts receivable-trade	69,780	78,642
Electronically recorded monetary claims-operating	2,444	3,885
Merchandise and finished goods	17,849	14,639
Work in process	460	1,092
Raw materials and supplies	632	896
Other	5,800	12,045
Allowance for doubtful accounts	△345	△578
Total current assets	<u>119,328</u>	<u>134,895</u>
Noncurrent assets		
Property, plant and equipment	2,310	2,847
Intangible assets	338	419
Investments and other assets		
Investment securities	3,296	3,004
Other	2,345	2,345
Allowance for doubtful accounts	△1,211	△1,347
Total investments and other assets	<u>4,430</u>	<u>4,003</u>
Total noncurrent assets	<u>7,079</u>	<u>7,269</u>
Total assets	<u>126,408</u>	<u>142,165</u>

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	Nine Months Ended Dec. 31, 2016 (As of Dec. 31, 2016)
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	34,945	36,275
Short-term borrowings	22,522	40,626
Current portion of long-term debt	2,825	1,430
Income taxes payable	1,050	874
Reserve for bonuses	530	196
Other	2,295	2,069
Total current liabilities	<u>64,169</u>	<u>81,472</u>
Noncurrent liabilities		
Long-term borrowings	3,635	2,325
Reserve for directors' retirement benefits	38	40
Net defined benefit liability	368	343
Other	467	587
Total noncurrent liabilities	<u>4,509</u>	<u>3,296</u>
Total liabilities	<u>68,679</u>	<u>84,769</u>

(Net assets)		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	43,767	44,464
Treasury stock	△4	△5
Total shareholders' equity	<u>54,489</u>	<u>55,185</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	588	762
Foreign currency translation adjustments	2,304	1,164
Remeasurements of defined benefit plans	△62	△56
Total valuation and translation adjustments	<u>2,829</u>	<u>1,870</u>
Non-controlling interests	409	341
Total net assets	<u>57,728</u>	<u>57,396</u>
Total liabilities and net assets	<u>126,408</u>	<u>142,165</u>

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Net sales	221,128	209,106
Cost of sales	207,488	198,063
Gross profit	13,640	11,043
Selling, general, and administrative expenses	8,758	8,434
Operating income	4,882	2,609
Non-operating income		
Interest income	61	22
Dividends income	32	34
Cash discount	5	6
Foreign exchange profit	—	44
Other	50	74
Total non-operating income	148	183
Non-operating expenses		
Interest payable	226	273
Loss on sales of accounts receivable	4	5
Foreign exchange losses	257	—
Other	33	91
Total non-operating expenses	522	370
Ordinary income	4,508	2,421
Extraordinary income		
Gain on sale of investment securities	—	230
Total extraordinary income	—	230
Income before income taxes	4,508	2,651
Total income taxes	1,417	1,131
Net income	3,090	1,520
Net income attributable to non-controlling interests	△42	△55
Net income attributable to owners of parent	3,133	1,575

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down) of yen rounded down)	
	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2015
Net income	3,090	1,520
Other comprehensive income		
Net unrealized gain on other marketable securities	58	174
Foreign currency translation adjustments	△271	△1,140
Pension liability adjustments	△0	5
Total other comprehensive income	△214	△959
Comprehensive income	2,876	560
(Details)		
Comprehensive income relating to owners of parent	2,918	615
Comprehensive income relating to non-controlling interests	△42	△55

[Segment Information]

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

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	Δ1,415	—
Total	209,295	11,236	2,012	222,544	Δ1,415	221,128
Operating income	5,074	Δ102	67	5,038	Δ156	4,882

(Note)

An adjustment of Δ156 million yen for segment income includes an elimination of inter-segment transactions of Δ3 million yen and corporate expenses of Δ153 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, 2016 (April 1, 2016 to December 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	197,844	9,385	1,876	209,106	—	209,106
Internal sales or transfers between segments	75	1,054	143	1,273	Δ1,273	—
Total	197,920	10,440	2,019	210,380	Δ1,273	209,106
Operating income	2,836	Δ218	131	2,749	Δ140	2,609

(Note)

An adjustment of Δ140 million yen for segment income includes an elimination of inter-segment transactions of Δ2 million yen and corporate expenses of Δ137 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.