

July 31, 2017

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [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
Contact person	Tsuyoshi Osawa, Group Executive Officer, Senior General Manager, Group Business Planning Division
	Tel : +81-3-3491-6575
Date of the ordinary general shareholders' meeting (scheduled)	September 15, 2017
Filing date of the Annual Securities Report (scheduled)	July 31, 2017

(Millions of yen rounded down)

1. Consolidated results for the fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2016	273,752	Δ1.1	Δ6,603	—	Δ7,385	—	Δ8,688	—
Fiscal 2015	276,709	9.0	Δ2,897	—	Δ3,937	—	Δ6,227	—

(Note) Comprehensive income

FY2016: Δ9,029 million yen (—%) FY2015: 6,649 million yen (—%)

	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 2016	Δ553.49	—	Δ20.8	Δ6.2	Δ2.4
Fiscal 2015	Δ396.71	—	Δ12.4	Δ3.2	Δ1.0

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

FY2016 — million yen FY2015 — 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 2016	124,237	37,154	29.6	2,340.69
Fiscal 2015	115,758	47,078	40.3	2,973.11

(Reference) Shareholders equity:

March 31, 2017: 36,741 million yen March 31, 2016: 46,669 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 2016	Δ8,140	Δ1,070	6,293	19,276
Fiscal 2015	Δ6,889	Δ368	3,410	21,905

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 2015	—	25.00	—	25.00	50.00	784	—	1.6
Fiscal 2016	—	30.00	—	0.00	30.00	470	—	1.1
Fiscal 2017 (Forecast)	—	30.00	—	30.00	60.00		27.7	

The Company is yet to settle its financial statements for the fiscal year ended March 31, 2017 and thus is unable to begin proceedings regarding the payment of year-end dividend for the record date of March 31, 2017 scheduled on June 14, 2017.

Therefore, the Company has decided to pay no year-end dividend for the record date of March 31, 2017.

The Company set a new record date of July 31, 2017 and has no plan to change the latest year-end dividend forecast

(30 yen per share announced on May 10, 2016) even for the new record date. Details will be promptly announced once decided.

3. Forecast of results for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% of change from FY2016 or 1st Half of FY2016)

	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	156,000	18.3	2,500	—	2,400	—	1,600	—	101.93
Full Year	300,000	9.6	5,500	—	5,100	—	3,400	—	216.60

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, 2017	15,700,021 shares	March 31, 2016	15,700,021 shares
----------------	-------------------	----------------	-------------------

2. Total number of treasury stock as of the period-end

March 31, 2017	3,142 shares	March 31, 2016	2,907 shares
----------------	--------------	----------------	--------------

3. Average number of shares outstanding during the period

March 31, 2017	15,697,009 shares	March 31, 2016	15,697,270 shares
----------------	-------------------	----------------	-------------------

Note :

The original financial report in Japanese is not subject to the audit procedures.

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) Overview of Business Results

Japan's economy for the fiscal year ended March 31, 2017 witnessed a standstill of the gradual recovery in the first half caused by negative impacts of the Kumamoto Earthquake and the yen's sharp appreciation triggered by the Brexit decision in late June. However, 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. Although the overall economy is currently on a gradual recovery path, uncertainties lie ahead with concerns about a rise of protectionism including in the U.S. and geopolitical risks.

The electronics industry to which UKC group belongs still depends on smartphones for its growth although the market growth rate of smartphone is slowing. On the other hand, growth of new markets is expected with evolutions of car electronics and automation, and IoT (Internet of Things).

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.

Net sales dropped due to negative impacts of the strong yen and the Kumamoto Earthquake.

Incomes dropped due to the impact of allowance for doubtful accounts recorded at UKC ELECTRONICS (H. K.) CO., LTD. (hereinafter referred to as "UKCHK") and UKC SINGAPORE (S) PTE, LTD. (hereinafter referred to as "UKCSP").

As a result, UKC group recorded consolidated net sales of 273,752 million yen (down 1.1% year on year), consolidated operating loss of 6,603 million yen (loss of 2,897 million yen last year), consolidated ordinary loss of 7,385 million yen (loss of 3,937 million yen last year) and consolidated net loss attributable to owners of parent of 8,688 million yen (loss of 6,227 million yen last year).

#### [Business Segment Information]

##### a. Semiconductors and electronic components

Although sales for foreign smartphones went well in the second half, net sales dropped due to a sales opportunity loss caused by the Kumamoto Earthquake in April in addition to a negative impact of the strong yen from the first half through early November. Segment income also dropped due to the impact of allowance for doubtful accounts recorded at UKCHK and UKCSP.

As a result, net sales dropped to 255,567 million yen (down 1.1% year on year) and segment loss was 6,880 million yen (loss of 3,009 million yen last year).

#### b. Electronic equipment

Although the business performance in the fourth quarter improved year on year, full year sales slightly dropped. Segment income grew with the improved margin.

As a result, net sales dropped to 16,988 million yen (down 1.3% year on year) and segment income grew to 250 million yen (up 39.2% year on year).

#### c. System equipment

Net sales of contactless IC card business slightly dropped although e-money and access control related business has been still active. On the other hand, 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 2,891 million yen (up 0.3% year on year) and segment income grew to 204 million yen (up 48.6% year on year).

### (2) Financial Condition

Total assets at the end of the current consolidated fiscal year amounted to 124,237 million yen, up 8,479 million yen from the end of fiscal 2015 mainly attributable to increases in notes and accounts receivable-trade (up 3,874 million yen), electronically recorded monetary claims-operating (up 233 million yen), inventories (up 1,715 million yen), advance payments (up 4,946 million yen), allowance for doubtful accounts (up 1,312 million yen), investment securities (up 133 million yen), and other current assets (up 512 million yen), and a decrease in cash and deposit (down 2,629 million yen).

Total liabilities at the end of the current consolidated fiscal year amounted to 87,083 million yen, up 18,403 million yen from the end of fiscal 2015 mainly attributable to increases in notes and accounts payable-trade (up 10,617 million yen), short-term borrowings (up 10,404 million yen), income taxes payable (up 43 million yen), and other current liabilities (up 205 million yen), and decreases in current portion of long-term borrowings (down 1,499 million yen) and long-term borrowings (down 1,335 million yen).

Net assets were 37,154 million yen, down 9,924 million yen from the end of fiscal 2015 mainly attributable to net loss attributable to owners of parent of 8,688 million yen, dividends from retained earnings of 863 million yen, and a change in accumulated other comprehensive income of 358 million yen mainly due to an increase in valuation difference on available-for-sale securities of 177 million yen and a decrease in foreign currency translation adjustments of 553 million yen.

### (3) 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 8,140 million yen (6,889 million yen used in the previous fiscal year) mainly due to loss before income taxes (7,154 million yen), increases in notes and accounts receivable (15,325 million yen), inventories (2,025 million yen), advance payments (4,796 million yen), notes and accounts payable (10,420 million yen) and allowance for doubtful accounts (11,728 million yen) as well as income taxes paid (1,402 million yen).

[Cash flows from investing activities]

Net cash used in investing activities was 1,070 million yen (368 million yen used in the previous fiscal year) mainly due to purchase of property, plant and equipment (1,290 million yen) and proceeds from sales of investment securities (314 million yen).

[Cash flows from financing activities]

Net cash provided in financing activities was 6,293 million yen (3,410 million yen provided in the previous fiscal year) mainly due to a net increase in short-term borrowings (9,818 million yen), repayments of long-term borrowings (2,655 million yen) and cash dividends paid (863 million yen).

[Trends in cash flow indicators]

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Net assets to total assets (%)	39.4%	42.2%	41.6%	40.3%	29.6%
Net assets to total assets (%) (Market capitalization basis)	29.5%	23.6%	25.2%	30.3%	25.8%

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

(4) Forecasts for the Fiscal Year Ending March 31, 2018

Although Japan's economy is expected to continuously be on a gradual recovery path thanks to improvements in corporate earnings, employment and personal income, Uncertainties lie ahead with concerns of policies in the U.S., economic slowdowns in Asian emerging nations including China, a rise in protectionism and geographical risks.

Although the electronics industry allows no optimism with the slowing smartphone market, new market opportunities are being established with evolutions of car electronics and automation, and IoT.

Under these circumstances, UKC group, with sales of semiconductors and electronic components manufactured by Sony as its core business, strives to proactively develop and market 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, consolidated operating income of 5,500 million yen, consolidated ordinary income of 5,100 million yen and consolidated net income attributable to owners of parent of 3,400 million yen.

#### (5) 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 sets a target for consolidated payout ratio at about 25% to 30%.

Regarding the year-end dividend for this fiscal year, UKC set a new record date of July 31, 2017 since UKC could not settle its financial statements in time for the original deadline to proceed dividend payment.

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).

#### (6) 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. 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, 2016 (As of March 31, 2016)	Fiscal Year Ended March 31, 2017 (As of March 31, 2017)
(Assets)		
Current assets		
Cash and deposit	22,705	20,076
Notes and accounts receivable-trade	69,780	73,655
Electronically recorded monetary claims-operating	2,444	2,678
Merchandise and finished goods	17,849	19,219
Work in process	460	653
Raw materials and supplies	632	784
Advance payments	1,488	6,435
Deferred tax assets	417	466
Other	3,893	4,406
Allowance for doubtful accounts	Δ10,954	Δ11,950
Total current assets	<u>108,720</u>	<u>116,426</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,688	2,132
Accumulated depreciation	Δ910	Δ992
Buildings and structures (net)	<u>778</u>	<u>1,139</u>
Machinery and equipment	2,162	2,577
Accumulated depreciation	Δ1,217	Δ1,301
Machinery and equipment (net)	<u>944</u>	<u>1,276</u>
Tools, furniture and fixtures	1,597	1,748
Accumulated depreciation	Δ1,354	Δ1,425
Tools, furniture and fixtures (net)	<u>243</u>	<u>323</u>
Lease assets	510	418
Accumulated depreciation	Δ288	Δ190
Lease assets (net)	<u>221</u>	<u>227</u>
Other	122	112
Total property, plant and equipment	<u>2,310</u>	<u>3,079</u>
Intangible assets	<u>338</u>	<u>425</u>
Investments and other assets		
Investment securities	3,255	3,388
Deferred tax assets	29	41
Other	2,315	2,404
Allowance for doubtful accounts	Δ1,211	Δ1,528
Total investments and other assets	<u>4,388</u>	<u>4,306</u>
Total noncurrent assets	<u>7,037</u>	<u>7,811</u>
Total assets	<u>115,758</u>	<u>124,237</u>

(Millions of yen rounded down)

	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	Fiscal Year Ended March 31, 2017 (As of March 31, 2017)
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable-trade	34,945	45,562
Short-term borrowings	22,522	32,926
Current portion of long-term debt	2,825	1,325
Lease obligations	89	79
Income taxes payable	1,050	1,094
Reserve for bonuses	530	422
Other	2,206	2,412
Total current liabilities	64,169	83,823
Noncurrent liabilities		
Long-term borrowings	3,635	2,300
Lease obligations	135	151
Deferred tax liabilities	192	283
Reserve for directors' retirement benefits	38	40
Net defined benefit liability	368	301
Other	139	182
Total noncurrent liabilities	4,509	3,260
Total liabilities	68,679	87,083
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	32,579	23,010
Treasury stock	△4	△5
Total shareholders' equity	43,300	33,731
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	588	765
Foreign currency translation adjustments	2,843	2,289
Remeasurements of defined benefit plans	△62	△44
Total valuation and translation adjustments	3,368	3,010
Non-controlling interests	409	412
Total net assets	47,078	37,154
Total liabilities and net assets	115,758	124,237

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2017
Net sales	276,709	273,752
Cost of sales	258,579	257,739
Gross profit	18,129	16,012
Selling, general, and administrative expenses	21,027	22,615
Operating income	Δ2,897	Δ6,603
Non-operating income		
Interest income	78	32
Dividends income	32	35
Cash discount	7	9
Commission income	5	—
Other	82	76
Total non-operating income	207	153
Non-operating expenses		
Interest payable	316	407
Foreign exchange loss	840	384
Other	89	144
Total non-operating expenses	1,246	936
Ordinary profit	Δ3,937	Δ7,385
Extraordinary income		
Gain on sale of investment securities	153	230
Total extraordinary income	153	230
Extraordinary loss		
Loss on valuation of investment securities	834	—
Total extraordinary losses	834	—
Income before income taxes	Δ4,618	Δ7,154
Income taxes-current	1,467	1,496
Income taxes-deferred	130	20
Total income taxes	1,598	1,516
Net income	Δ6,216	Δ8,671
Net income attributable to non-controlling interests	10	16
Net income attributable to owners of parent	Δ6,227	Δ8,688

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2017
Net income	Δ6,216	Δ8,671
Other comprehensive income		
Net unrealized gain on other marketable securities	Δ306	177
Foreign currency translation adjustments	Δ38	Δ553
Pension liability adjustments	Δ88	18
Total other comprehensive income	Δ433	Δ358
Comprehensive income	Δ6,649	Δ9,029
(Details)		
Comprehensive income relating to owners of parent	Δ6,660	Δ9,046
Comprehensive income relating to non-controlling interests	10	16

[Consolidated Statements of Changes in Net Assets]

Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of the beginning of the period	4,383	6,342	39,513	Δ3	50,235
Change during the period					
Cash dividends from retained earnings			Δ706		Δ706
Net income attributable to owners of parent			Δ6,227		Δ6,227
Acquisition of treasury stock				Δ0	Δ0
Change of items other than shareholders' equity (net)					
Total change during the period	—	—	Δ6,933	Δ0	Δ6,934
Balance as of the end of the period	4,383	6,342	32,579	Δ4	43,300

	Other accumulated comprehensive income				Non-controlling 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	2,881	25	3,801	408	54,445
Change during the period						
Cash dividends from retained earnings						Δ706
Net income attributable to owners of parent						Δ6,227
Acquisition of treasury stock						Δ0
Change of items other than shareholders' equity (net)	Δ306	Δ38	Δ88	Δ433	0	Δ432
Total change during the period	Δ306	Δ38	Δ88	Δ433	0	Δ7,367
Balance as of the end of the period	588	2,843	Δ62	3,368	409	47,078

Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(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	32,579	Δ4	43,300
Change during the period					
Cash dividends from retained earnings			Δ863		Δ863
Net income attributable to owners of parent			Δ8,688		Δ8,688
Acquisition of treasury stock				Δ0	Δ0
Change of scope of consolidation			Δ17		Δ17
Change of items other than shareholders' equity (net)					
Total change during the period	—	—	Δ9,569	Δ0	Δ9,569
Balance as of the end of the period	4,383	6,342	23,010	Δ5	33,731

	Other accumulated comprehensive income				Non-controlling 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	588	2,843	Δ62	3,368	409	47,078
Change during the period						
Cash dividends from retained earnings						Δ863
Net income attributable to owners of parent						Δ8,688
Acquisition of treasury stock						Δ0
Change of scope of consolidation						Δ17
Change of items other than shareholders' equity (net)	177	Δ553	18	Δ358	3	Δ354
Total change during the period	177	Δ553	18	Δ358	3	Δ9,924
Balance as of the end of the period	765	2,289	Δ44	3,010	412	37,154

[Consolidated Statements of Cash Flows]

(Millions of yen rounded down)

	Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	△4,618	△7,154
Depreciation and amortization	563	598
Loss (gain) on sale of investment securities	△153	△230
Loss (gain) on valuation of investment securities	834	—
Increase (decrease) in allowance for doubtful accounts	9,387	11,728
Increase (decrease) in reserve for directors' retirement benefits	2	2
Increase (decrease) in net defined benefit liability	△58	△38
Foreign exchange losses (gains), net	△629	649
Interest and dividends income	△111	△67
Interest expenses	316	407
Decrease (increase) in notes and accounts receivable-trade	△2,909	△15,325
Increase (decrease) in notes and accounts payable-trade	△7,029	10,420
Decrease (increase) in inventories	△392	△2,025
Decrease (increase) in advance payments	△1,229	△4,796
Other, net	949	△565
Sub-total	△5,078	△6,397
Interest and dividends income received	110	68
Interest expenses paid	△329	△408
Income taxes paid	△1,591	△1,402
Net cash provided by (used in) operating activities	△6,889	△8,140
Net cash provided by (used in) investing activities		
Purchase of investment securities	△6	△65
Proceeds from sales of investment securities	203	314
Purchase of property, plant and equipment	△369	△1,290
Income on sales of property, plant and equipment	69	0
Payments into time deposits	△1,200	△1,200
Proceeds from withdrawal of time deposits	1,816	1,200
Purchase of stocks of subsidiaries and affiliates	△506	—
Other, net	△374	△30
Net cash provided by (used in) investing activities	△368	△1,070
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term borrowings	5,617	9,818
Repayments of long-term borrowings	△1,479	△2,655
Purchase of treasury stock	△0	△0
Cash dividends paid	△706	△863
Dividends distributions to minority interests	△10	△13
Other, net	△9	6
Net cash provided by (used in) financing activities	3,410	6,293
Effect of exchange rate change on cash and cash equivalents	△387	106
Net increase (decrease) in cash and cash equivalents	△4,235	△2,811
Cash and cash equivalents at beginning of period	26,141	21,905
Increase in cash and cash equivalents from newly consolidated subsidiary	—	181
Cash and cash equivalents at end of period	21,905	19,276

[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, 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	258,312	15,830	2,566	276,709	—	276,709
Internal sales or transfers between segments	100	1,380	316	1,797	△1,797	—
Total	258,412	17,211	2,882	278,506	△1,797	276,709
Operating income	△3,009	180	137	△2,691	△206	△2,897
Assets	106,916	8,341	3,253	118,511	△2,753	115,758
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.

For the consolidated fiscal year ended March 31, 2017

(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	255,467	15,621	2,663	273,752	—	273,752
Internal sales or transfers between segments	100	1,366	228	1,695	Δ1,695	—
Total	255,567	16,988	2,891	275,447	Δ1,695	273,752
Operating income	Δ6,880	250	204	Δ6,425	Δ177	Δ6,603
Assets	114,477	9,617	3,547	127,641	Δ3,403	124,237
Depreciation	389	136	72	598	—	598
Capital expenditure	1,066	235	110	1,411	—	1,411

(Note)

a) An adjustment of Δ177 million yen for segment income includes an elimination of inter-segment transactions of 0 million yen and corporate expenses of Δ178 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 Δ3,403 million yen for segment assets includes an elimination of inter-segment transactions of Δ3,428 million yen and corporate assets of 24 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.

[Geographical Information]

For the consolidated fiscal year ended March 31, 2016

(Millions of yen rounded down)

	Japan	China	South Korea	Vietnam	Others	Total
Net sales	106,630	79,473	46,720	12,616	31,267	276,709
Property, plant and equipment	859	1,034	407	—	8	2,310

For the consolidated fiscal year ended March 31, 2017

(Millions of yen rounded down)

	Japan	China	South Korea	Vietnam	Others	Total
Net sales	106,216	74,855	28,276	35,029	29,374	273,752
Property, plant and equipment	1,050	824	358	838	6	3,079

(Note) From this fiscal year, China, South Korea and Vietnam included in Asia last fiscal year are independently described in terms of importance. Also, from this fiscal year, sales information is based on the geographical location of head office of customers and is classified by country or region. Those changes are retrospectively applied to the figures of the same period last year.