

February 9, 2018

Consolidated Financial Results for the Nine Months Ended Dec. 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	http://www.ukcgroup.com/english/index.html
Representative	Nobuki Kurita, President
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Filing date of the Quarterly Securities Report (scheduled) February 13, 2018

(Millions of yen rounded down)

1. Consolidated results for the nine months ended Dec. 31, 2017 (April 1, 2017 to December 31, 2017)

(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	%
FY2017 3Q	236,164	18.1	3,860	-	3,589	-	2,378	-
FY2016 3Q	199,926	Δ5.2	Δ2,306	-	Δ2,493	-	Δ3,263	-

(Note) Comprehensive income

FY2017 3Q: 4,725 million yen (-%) FY2016 3Q: Δ5,122 million yen (-%)

	Net income per share	Net income per share after dilution
	Yen	Yen
FY2017 3Q	151.53	-
FY2016 3Q	Δ207.89	-

(2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2017 3Q	126,485	40,917	32.1	2,583.50
Fiscal 2016	124,237	37,154	29.6	2,340.69

(Reference) Shareholders equity:

December 31, 2017: 40,552 million yen March 31, 2017: 36,741 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
Fiscal 2016	-	30.00	-	0.00	30.00
Fiscal 2017	-	30.00	-	-	-
Fiscal 2017 (Forecast)	-	-	-	30.00	60.00

(Note 1) Revisions to forecast of dividends in this quarter: No

(Note 2)

The Company was yet to settle its financial statements for the fiscal year ended March 31, 2017 and thus was unable to begin proceedings regarding the payment of year-end dividend for the record date of March 31, 2017 scheduled on June 14, 2017. In addition, based on the resolution of the board of directors meeting on August 28, 2017, the Company paid a dividend of 30 yen per share for the new record date of July 31, 2017. Regarding the dividend at the record date, the dividend source was capital surplus. For details, please refer to "Dividend of surplus for the extraordinary record date" and "Breakdown of dividend from capital surplus" below.

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

(% of change from FY2016)

	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	300,000	9.6	5,500	-	5,100	-	3,400	-	216.60

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: No

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

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

December 31, 2017 3,358 shares March 31, 2017 3,142 shares

3. Average number of shares outstanding during the period

FY2017 9 months 15,696,736 shares FY2016 9 months 15,697,044 shares

Note :

The original financial report in Japanese is not subject to the quarterly review.

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.

(Reference)

- Dividend of surplus for the extraordinary record date

Based on the resolution of the board of directors meeting on August 28, 2017, the Company paid a dividend of 30 yen per share for the extraordinary record date of July 31, 2017 only for this fiscal year.

Dividends situation including the above dividend is as follows.

	Dividends per share (Yen)					
	End of 1Q (June 30)	Extraordinary (July 31)	End of 2Q (Sep. 30)	End of 3Q (Dec. 31)	End of 4Q (March 31)	Total
Fiscal 2017	—	30.00	30.00	—		
Fiscal 2017 (Forecast)					30.00	90.00

- Breakdown of dividend from capital surplus

Record date	Extraordinary (July 31)
Dividend per share	30.00 yen
Total dividend	470 mil. yen

Note: Net assets decrease ratio 0.011

[Business Results]

1. Business Results

(1) Overview

Japan's economy during this nine months has been on a gradual recovery path thanks to improvements in corporate earnings, employment and capital spending. Global economy on the whole has also been on a gradual recovery path although uncertainties such as geopolitical risks remain.

In the electronics industry to which UKC group belongs, automobile- and industry-related market is expected to grow with evolutions of car electronics and automation, IoT (Internet of Things) and AI (Artificial Intelligence).

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 236,164 million yen (up 18.1% year on year), consolidated operating income of 3,860 million yen (loss of 2,306 million yen same period last year), consolidated ordinary income of 3,589 million yen (loss of 2,493 million yen same period last year), and consolidated net income attributable to owners of parent of 2,378 million yen (loss of 3,263 million yen same period last year). Consolidated operating loss, consolidated ordinary loss, and consolidated net loss attributable to owners of parent were recorded in the same period last year on account of the provision of allowance for doubtful accounts recorded at the subsidiary in Hong Kong.

(2) Business Segment Information

a. Semiconductors and electronic components

Net sales grew due to good sales to foreign smartphones and a strip of impacts of the Kumamoto Earthquake last year. Segment income grew due to a strip of the impact of the provision of allowance for doubtful accounts recorded at the subsidiary in Hong Kong in the same period last year in addition to an increase in net sales.

As a result, net sales grew to 223,917 million yen (up 18.6% year on year) and segment income was 3,910 million yen (loss of 2,078 million yen same period last year).

b. Electronic equipment

Net sales grew due to an increase in demands of 4K and surveillance cameras. Segment loss was greatly improved due to an increase in net sales and profitability.

As a result, net sales grew to 11,850 million yen (up 13.5% year on year) and segment loss was 21 million yen (loss of 218 million yen same period last year).

c. System equipment

Although e-money applications continues to expand in the contactless IC card business, recent demand slowed down.

Although automobile-related inquiries are active in the contracted reliability test and environmental material analysis service business, heavy rain in Kyushu caused a negative impact.

As a result, net sales dropped to 1,851 million yen (down 8.3% year on year) and segment income dropped to 101 million yen (down 23.1% year on year).

2. Financial Condition

Total assets at the end of the third quarter amounted to 126,485 million yen, up 2,248 million yen from the end of fiscal 2016 mainly attributable to increases in electronically recorded monetary claims-operating (up 1,300 million yen), inventories (up 5,215 million yen), investment securities (up 3,514 million yen) and other fixed assets (up 8,780 million yen), and decreases in cash and deposit (down 3,704 million yen), notes and accounts receivable-trade (down 7,852 million yen), advance payments (down 4,158 million yen) and other current assets (down 778 million yen).

Total liabilities at the end of the third quarter amounted to 85,568 million yen, down 1,514 million yen from the end of fiscal 2016 mainly attributable to increases in short-term borrowings (up 9,669 million yen) and current portion of long-term debt (up 702 million yen), and decreases in notes and accounts payable-trade (down 9,827 million yen), income taxes payable (down 782 million yen), other current liabilities (down 219 million yen) and long-term borrowings (down 2,000 million yen).

Net assets were 40,917 million yen, up 3,763 million yen from the end of fiscal 2016 mainly attributable to net income attributable to owners of parent of 2,378 million yen, dividends from capital surplus and retained earnings of 941 million yen, and an increase in accumulated other comprehensive income of 2,374 million yen mainly due to an increase in valuation difference on available-for-sale securities of 2,461 million yen.

3. Forecast of Consolidated Financial Results

The forecast of financial results for the full fiscal year remains unchanged from the original disclosed on July 31, 2017.

[Consolidated Balance Sheets]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2017	Nine Months Ended December 31, 2017
	(As of March 31, 2017)	(As of Dec. 31, 2017)
(Assets)		
Current assets		
Cash and deposit	20,076	16,372
Notes and accounts receivable-trade	73,655	65,802
Electronically recorded monetary claims-operating	2,678	3,978
Merchandise and finished goods	19,219	23,839
Work in process	653	1,013
Raw materials and supplies	784	1,019
Advance payments	6,435	2,276
Other	4,872	4,093
Allowance for doubtful accounts	<u>Δ11,950</u>	<u>Δ3,244</u>
Total current assets	<u>116,426</u>	<u>115,153</u>
Noncurrent assets		
Property, plant and equipment	3,079	3,097
Intangible assets	425	273
Investments and other assets		
Investment securities	3,388	6,903
Other	2,445	11,225
Allowance for doubtful accounts	<u>Δ1,528</u>	<u>Δ10,167</u>
Total investments and other assets	<u>4,306</u>	<u>7,961</u>
Total noncurrent assets	<u>7,811</u>	<u>11,332</u>
Total assets	<u>124,237</u>	<u>126,485</u>

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2017	Nine Months Ended December 31, 2017
	(As of March 31, 2017)	(As of Dec. 31, 2017)
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	45,562	35,735
Short-term borrowings	32,926	42,596
Current portion of long-term debt	1,325	2,028
Income taxes payable	1,094	311
Reserve for bonuses	422	215
Other	2,491	2,272
Total current liabilities	<u>83,823</u>	<u>83,159</u>
Noncurrent liabilities		
Long-term borrowings	2,300	300
Reserve for directors' retirement benefits	40	42
Net defined benefit liability	301	283
Other	617	1,781
Total noncurrent liabilities	<u>3,260</u>	<u>2,408</u>
Total liabilities	<u>87,083</u>	<u>85,568</u>
(Net assets)		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	5,871
Retained earnings	23,010	24,917
Treasury stock	Δ5	Δ5
Total shareholders' equity	<u>33,731</u>	<u>35,167</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	765	3,227
Foreign currency translation adjustments	2,289	2,204
Remeasurements of defined benefit plans	Δ44	Δ46
Total valuation and translation adjustments	<u>3,010</u>	<u>5,384</u>
Non-controlling interests	412	365
Total net assets	<u>37,154</u>	<u>40,917</u>
Total liabilities and net assets	<u>124,237</u>	<u>126,485</u>

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2017
Net sales	199,926	236,164
Cost of sales	188,962	223,642
Gross profit	10,963	12,521
Selling, general, and administrative expenses	13,269	8,660
Operating income	Δ2,306	3,860
Non-operating income		
Interest income	22	20
Dividends income	24	32
Cash discount	6	6
Foreign exchange profit	44	—
Compensation receipt	—	200
Other	74	48
Total non-operating income	183	308
Non-operating expenses		
Interest payable	273	518
Foreign exchange losses	—	16
Other	97	44
Total non-operating expenses	370	579
Ordinary income	Δ2,493	3,589
Extraordinary income		
Gain on sale of investment securities	230	330
Total extraordinary income	230	330
Extraordinary loss		
Impairment loss	—	66
Loss on disposal of fixed assets	—	64
Cost for correcting financial results for past fiscal years	—	362
Total extraordinary losses	—	493
Income before income taxes	Δ2,263	3,426
Total income taxes	1,055	1,075
Net income	Δ3,318	2,350
Net income attributable to non-controlling interests	Δ55	Δ27
Net income attributable to owners of parent	Δ3,263	2,378

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down)	
	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2017
Net income	Δ3,318	2,350
Other comprehensive income		
Net unrealized gain on other marketable securities	174	2,461
Foreign currency translation adjustments	Δ1,983	Δ84
Pension liability adjustments	5	Δ2
Total other comprehensive income	Δ1,803	2,374
Comprehensive income	Δ5,122	4,725
(Details)		
Comprehensive income relating to owners of parent	Δ5,066	4,753
Comprehensive income relating to non-controlling interests	Δ55	Δ27

[Segment Information]

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

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	188,664	9,385	1,876	199,926	—	199,926
Internal sales or transfers between segments	75	1,054	143	1,273	Δ1,273	—
Total	188,739	10,440	2,019	201,199	Δ1,273	199,926
Operating income	Δ2,078	Δ218	131	Δ2,165	Δ140	Δ2,306

(Note)

An adjustment of Δ140 million yen for segment income/loss 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 loss of the consolidated quarterly statements of income.

For the nine months ended December 31, 2017 (April 1, 2017 to December 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	223,871	10,522	1,769	236,164	—	236,164
Internal sales or transfers between segments	45	1,327	82	1,455	Δ1,455	—
Total	223,917	11,850	1,851	237,619	Δ1,455	236,164
Operating income	3,910	Δ21	101	3,989	Δ129	3,860

(Note)

An adjustment of Δ129 million yen for segment income/loss includes an elimination of inter-segment transactions of 1 million yen and corporate expenses of Δ130 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.

Impairment loss of 66 million yen was recorded in the segment of semiconductors and electronic components.