

**For the Fiscal Year Ended March 31, 2013**

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# **2013 Report**

# **UKC Holdings Corporation**

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**1-11-2 Osaki, Shinagawa-ku, Tokyo**

**(Securities Code: 3156)**

**+81-3-3491-6575**

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## **Corporate Profile**

The electronics industry continues to go through extraordinary development and transformation on the back of ceaseless technological innovation, and the resulting competition and structural reform. In order to carry on growing in this rapidly evolving and ever-changing industry, electronics trading companies must strive to build competitive and strong business structures while expanding and creating further corporate value. On the basis of this idea, UKC Holdings was established through a management integration between USC and Kyoshin Technosonic.

With “United Knowledge Company” as the keywords of its management principle, UKC Holdings will make maximum use of hard resources such as its business base and management resources, as well as soft resources such as its collective knowledge, experience and abilities, all of which have been expanded and enhanced by the management integration. By doing so, in the electronics field, UKC Holdings intends to realize its management vision of offering the highest quality with the optimum cost, evolving and growing with customers, and creating new markets and new values, thus achieving sustainable development and growth as well as improving corporate value.

## I. Summary of Selected Financial Data (Consolidated)

Fiscal years ended March 31,	1 <sup>st</sup> fiscal year 2010	2 <sup>nd</sup> fiscal year 2011	3 <sup>rd</sup> fiscal year 2012	4 <sup>th</sup> fiscal year 2013
Net sales (Millions of yen)	215,162	303,585	257,088	284,508
Ordinary income (Millions of yen)	2,259	3,861	5,008	8,162
Net income (Millions of yen)	6,094	2,314	2,722	5,025
Comprehensive income (Millions of yen)	–	1,940	2,276	6,346
Net assets (Millions of yen)	35,658	38,694	39,671	45,402
Total assets (Millions of yen)	95,606	113,912	104,385	114,223
Net assets per share (Yen)	2,519.13	2,392.59	2,505.07	2,869.23
Net income per share (Yen)	486.55	155.20	173.43	320.14
Net income per share after dilution (Yen)	–	–	–	–
Net assets to total assets (%)	36.1	33.0	37.7	39.4
Return on equity (%)	20.2	6.4	7.1	11.9
Price earnings ratio (Times)	2.57	6.83	7.03	6.71
Cash flows from operating activities (Millions of yen)	△1,288	△7,662	2,385	△8,416
Cash flows from investing activities (Millions of yen)	△114	746	5,027	△1,592
Cash flows from financing activities (Millions of yen)	517	10,968	△3,980	2,958
Cash and cash equivalents at the end of the period (Millions of yen)	10,156	13,653	16,765	10,561
Number of employees [Separately, average number of temporary employees] (Persons)	849 [54]	1,083 [47]	1,107 [82]	1,058 [247]

- Notes: 1. Net sales does not include consumption taxes.  
2. Net income per share after dilution is not provided since there are no potential shares.

## II. Message from the President



Yukio Fukuju  
*President*

In the fiscal year 2012, UKC group achieved a far better performance than originally expected thanks to strong sales of semiconductors and electronic parts for smartphones and DSCs, and became No.1 both in net sales and operating income among electronics distributors in Japan.

The electronics industry to which our group belongs is facing structural changes both in the field of semiconductors and finished goods. UKC group has also faced fast-moving surroundings like shifts of manufacturing sites to Asia and rises of Korean and Chinese manufacturers. Under such a drastically changing environment, only those who can adapt to change survive. The key is being sensitive to and immediately responding to, or anticipating changes.

Even in this drastically changing business environment, distribution channels from manufactures to consumers are everlasting. Distributors like us continue to connect suppliers and consumers regardless of changes in players and manufacturing sites. Considering that sales volume is an indicator of how often we can be involved in distribution channels and offer added values to customers, we believe that the scale is one of our strengths.

UKC group aims for further growth even under the tough business climate through combining economy of scale and flexibility to changes. We are committed to fulfilling every customer need and increasing our value through focusing on developing new product lines and Asian market and broadening the scope of business solutions.

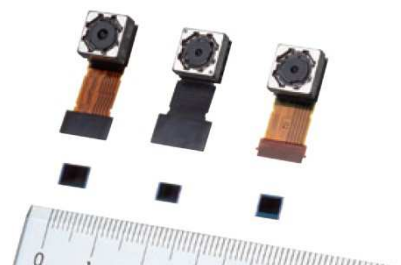
We look forward to your continuing support for the years to come.

### III. Lines and Results of Business

#### 1. Semiconductors and electronic components

##### ■Semiconductors/Electronic components

To meet the diverse needs of customers, we deal in state-of-the-art semiconductors, high-function electronic components, and energy- and environment-related products made by SONY and other manufacturers in Japan and abroad. Through our global network, we propose optimum solutions backed by a variety of products and sophisticated technical support.



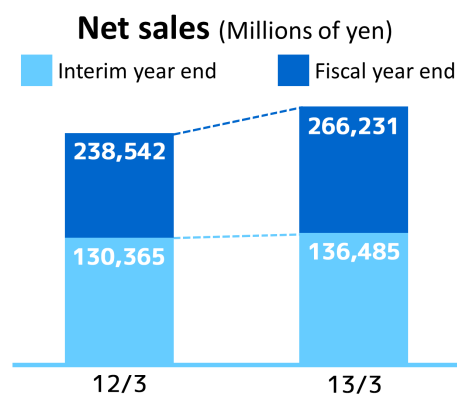
##### ■EMS (Electronic Manufacturing Service)

Based on the know-how in material procurement we have gained through our experiences in semiconductor sales and the buying/selling agency business, together with the technical know-how we have gained through the development and manufacture of system products, we have established unique systems for purchase, production control, production technology, and quality assurance. By utilizing our own factory with cutting-edge surface mount technology in Dongguan, China and cooperative-entrusted plants in South and East China, we offer high-quality electronic manufacturing services that suit customers' needs.



#### Results by Business Segment

A rise in sales of products for digital still cameras and smartphones, and contracted surface mounting service of LCD modules (EMS) exceeded a decline in sales due to the transfer of the business of Uni Device Corporation (currently UW Technologies Corporation), a subsidiary of UKC Holdings on July 1, 2011. Sales increase and fixed cost reduction improved the segment profitability. As a result, net sales grew to 266,231 million yen (up 11.6% year on year) and segment income grew to 8,530 million yen (up 25.4% year on year).



## 2. Electronic equipment

### ■ Broadcast solutions

To go with the flow of the next-generation tapeless, file-based format in the age of digital terrestrial broadcasting, we offer system solutions that match requests from broadcasting stations and production companies.

### ■ Digital network solutions

We materialize and offer highly customized digital network solutions such as video contents production/distribution systems and video conferencing systems to every field of business, education, medicine, and public service.



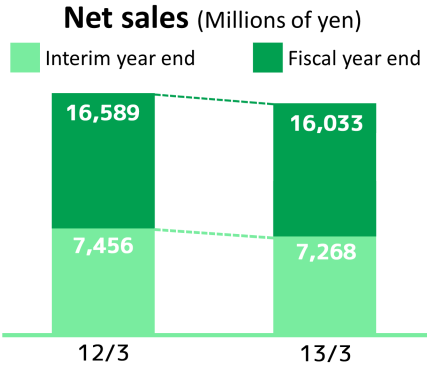
### ■ Image sensing solutions

We offer total coordination service for cameras, their peripherals, and image analysis systems for FA (factory automation), surveillance, and security applications in order to provide optimum solutions for our customers' needs.

### Results by Business Segment

Net sales and segment profit dropped due to stagnant capital expenditures of customers although the efforts were made to concentrate on high value-added businesses such as maintenance services.

As a result, net sales dropped to 16,033 million yen (down 3.4% year on year) and segment income dropped to 362 million yen (down 10.4% year on year).



### 3. System equipment

#### ■System equipment/Contactless IC card (FeliCa)

Using the digital communication technology and other essential technologies we have accumulated since our foundation, we have fused NFC (Near Field Communication) technologies such as SONY’s contactless IC card (FeliCa) with techniques of our own to develop a new lineup of applied products based on our “Security and Safety” motto. Through the development of these originally planned products, we propose safe and comfortable lifestyles. We are also focusing on various types of entrusted development with digital technologies related to communication, control, and imaging to quickly respond to customer needs in a world of increasingly diverse and sophisticated electronics products.



#### ■Quality inspection (Reliability test/environmental material analysis services)

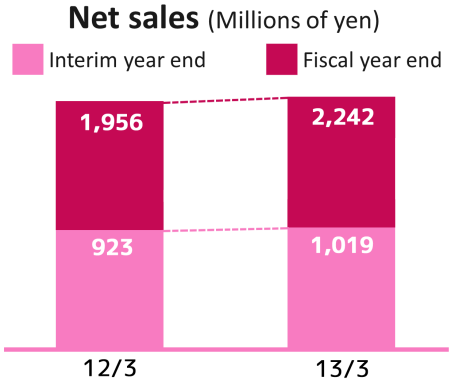
Our reliable, specialized technology certified under the ISO/IEC 17025 laboratory accreditation standards will meet the demand for various reliability tests from different angles and environmental material analysis with respect to semiconductors, electronic components, electric and electronic products, and more. To remain a dependable partner for customers who develop and sell semiconductors, electronic components, and electric and electronic products, we are constantly making every effort to improve our technologies and services.



### Results by Business Segment

Contactless IC card business showed a drastic performance improvement along with the revitalization in the areas of digital signage and electronic money. Contracted reliability test and environmental material analysis service business showed a steady result.

As a result, net sales grew to 2,242 million yen (up 14.7% year on year) and segment income grew to 232 million yen (up 34.5% year on year).



## IV. Medium- and Long-term Management Strategies

### Medium- and long-term business outlook – aiming a global leading electronics distributor

Three years and a half have passed since the establishment of UKC Group through the management integration between USC Corporation and Kyoshin Technosonic Co., Ltd. in October, 2009. After the integration, we have worked on changing business structures and reducing fixed costs, and consequently improved operating margin from 1.2% in 2010, the first fiscal year as UKC, to 2.6% in the fiscal year 2012. As a result, UKC group became No. 1 both in net sales and in operating income among electronics distributors in Japan.

The electronics industry has so structurally changed that manufactures in Asia increase their presences in place of those in Japan, U.S. and Europe now and presumably for a while.

Under such environment, looking for more growth in Asian market is required for our group as one of the industry leaders in Japan. Although our sales to Asian market already represent two thirds of total sales, we will focus on tapping growing Asian market as much as possible by promoting sales to local customers in China and ASEAN nations. We aim to boost our presence in global market and catch up with so-called mega distributors eventually in the future.

### Global Electronics Distributor Ranking - CY2012

Company Name	HQ	Net Sales (¥billion)	Operating margin
1 Avnet, Inc.	U.S.A.	2,007.8	2.9%
2 Arrow Electronics, Inc.	U.S.A.	1,628.5	3.9%
3 WPG Holdings Limited	Taiwan	974.2	1.7%
4 Future Electronics Inc.	Canada	385.6	N/A
<b>5 UKC Holdings Corporation</b>	<b>Japan</b>	<b>280.2</b>	<b>2.7%</b>
6 MARUBUN CORPORATION	Japan	226.2	1.0%
7 WT Microelectronics Co., Ltd.	Taiwan	216.8	2.0%
8 Ryosan Company, Limited	Japan	213.7	1.8%
9 KAGA ELECTRONICS CO., LTD	Japan	213.2	0.4%
10 Ryoden Trading Company, Limited	Japan	202.4	2.1%

Based on EDN Network (May 2013) and Financial statements of each company

## **Mid-term major initiatives**

### **■ Focusing on businesses in high growth market and with high profitability**

UKC Group handles competitive products such as image sensor, touch screen panel, and small and medium-size LCD, and unique EMS business. We make every effort to maximize our profits by providing above-mentioned products and services to markets with future growth potential such as smartphone, tablet, digital still camera with interchangeable lenses, and automotive equipment.

### **■ Promoting new business**

We believe that launching new businesses is essential for more growth. We have focused on developing new products like small and medium-size LCD and touch screen panel and produced certain results up until now. For the next move, we will shorten a cycle from search to commercialization of products in order to yield profit earlier. In addition, we will not only search electronic materials but also expand applications to office automation equipment and home appliance.

### **■ Global business strategy**

We are more committed to overseas business and made our management setup fit for Asian market. We appointed 5 top executives of our Asian locations including two foreigners for a total of 12 group executive officers. Also, we will make the most of our management resources to maximize new business opportunities through the group-wide collaboration and expand business in Korea by maintaining and strengthening partnership with leading manufacturers. On the other hand, we will promote business alliance strategies including M&A for building sales channels to local manufacturers and securing distributorships in China, Taiwan, ASEAN nations, and India.



## V. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
<b>Assets</b>		
Current assets		
Cash and deposits	17,925	12,601
Notes and accounts receivable-trade	61,015	65,119
Merchandise and finished goods	16,081	23,304
Work in process	352	297
Raw materials and supplies	458	489
Deferred tax assets	534	877
Other	3,194	5,802
Allowance for doubtful accounts	△ 101	△ 144
Total current assets	99,461	108,349
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,112	1,322
Accumulated depreciation	△ 568	△ 607
Buildings and structures, net	543	714
Tools, furniture and fixtures	1,143	1,301
Accumulated depreciation	△ 872	△ 1,008
Tools, furniture and fixtures, net	270	293
Lease assets	406	427
Accumulated depreciation	△ 223	△ 255
Lease assets, net	183	171
Other	1,266	1,514
Accumulated depreciation	△ 476	△ 618
Other, net	790	896
Total property, plant and equipment	1,787	2,076
Intangible assets		
Lease assets	109	67
Other	191	393
Total intangible assets	300	461
Investments and other assets		
Investment securities	1,803	2,427
Deferred tax assets	130	39
Other	1,078	944
Allowance for doubtful accounts	△ 177	△ 76
Total investments and other assets	2,835	3,336
Total noncurrent assets	4,923	5,874
Total assets	104,385	114,223

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	38,837	35,371
Short-term loans payable	14,817	20,937
Current portion of long-term debt	697	4,295
Lease obligations	106	105
Income taxes payable	1,492	2,056
Provision for bonuses	527	420
Other	2,126	1,827
<b>Total current liabilities</b>	<b>58,605</b>	<b>65,104</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	4,865	2,610
Lease obligations	198	145
Deferred tax liabilities	49	114
Provision for retirement benefits	588	627
Provision for directors' retirement benefits	34	37
Other	372	272
<b>Total noncurrent liabilities</b>	<b>6,108</b>	<b>3,806</b>
<b>Total liabilities</b>	<b>64,714</b>	<b>68,821</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	30,061	34,361
Treasury stock	△0	△1
<b>Total shareholders' equity</b>	<b>40,787</b>	<b>45,085</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	217	363
Foreign currency translation adjustment	△1,676	△406
<b>Total accumulated other comprehensive income</b>	<b>△1,459</b>	<b>△42</b>
Minority interests	342	359
<b>Total net assets</b>	<b>39,671</b>	<b>45,402</b>
<b>Total liabilities and net assets</b>	<b>104,385</b>	<b>114,223</b>

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### (Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net sales	257,088	284,508
Cost of sales	240,422	266,657
Gross profit	16,665	17,851
Selling, general and administrative expenses	11,275	10,490
Operating income	5,389	7,360
Non-operating income		
Interest income	24	29
Dividends income	38	38
Purchase discounts	60	7
Foreign exchange profit	-	893
Commission fee	40	17
Other	117	198
Total non-operating income	281	1,184
Non-operating expenses		
Interest expenses	254	308
Loss on sales of accounts receivable	32	40
Foreign exchange losses	276	-
Other	99	33
Total non-operating expenses	663	382
Ordinary income	5,008	8,162
Extraordinary income		
Gain on sales of noncurrent assets	2	2
Gain on negative goodwill	71	-
Gain on sales of investment securities	516	0
Other	0	-
Total extraordinary income	590	2
Extraordinary loss		
Loss on disposal of noncurrent assets	9	11
Impairment loss	29	-
Loss on valuation of investment securities	15	-
Loss on transfer of business	117	-
Special extra retirement payments	93	497
Additional contribution on withdrawal from person fund	481	-
Other	15	5
Total extraordinary losses	764	514
Income before income taxes and minority interests	4,834	7,650
Income taxes-current	2,219	2,897
Income taxes-deferred	△53	△293
Total income taxes	2,165	2,603
Income before minority interests	2,668	5,046
Minority interests in income (loss)	△54	20
Net income	2,722	5,025

## (Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Income before minority interests	2,668	5,046
Other comprehensive income		
Valuation difference on available-for-sale securities	△314	146
Deferred gains or losses on hedges	14	-
Foreign currency translation adjustment	△92	1,153
Total other comprehensive income	△392	1,299
Comprehensive income	2,276	6,346
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,296	6,325
Comprehensive income attributable to minority interests	△19	20

### (3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
<b>Shareholders' equity</b>		
Capital stock		
Balance at the beginning of current period	4,383	4,383
Balance at the end of current period	4,383	4,383
Capital surplus		
Balance at the beginning of current period	6,342	6,342
Balance at the end of current period	6,342	6,342
Retained earnings		
Balance at the beginning of current period	27,870	30,061
Changes of items during the period		
Dividends from surplus	△549	△549
Net income	2,722	5,025
Change of scope of consolidation	18	△177
Total changes of items during the period	2,191	4,299
Balance at the end of current period	30,061	34,361
Treasury stock		
Balance at the beginning of current period	△0	△0
Changes of items during the period		
Purchase of treasury stock	△0	△1
Total changes of items during the period	△0	△1
Balance at the end of current period	△0	△1
Total shareholders' equity		
Balance at the beginning of current period	38,595	40,787
Changes of items during the period		
Dividends from surplus	△549	△549
Net income	2,722	5,025
Purchase of treasury stock	△0	△1
Change of scope of consolidation	18	△177
Total changes of items during the period	2,191	4,298
Balance at the end of current period	40,787	45,085

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	530	217
Changes of items during the period		
Net changes of items other than shareholders' equity	△313	146
Total changes of items during the period	△313	146
Balance at the end of current period	217	363
Deferred gains or losses on hedges		
Balance at the beginning of current period	△12	-
Changes of items during the period		
Net changes of items other than shareholders' equity	12	-
Total changes of items during the period	12	-
Foreign currency translation adjustment		
Balance at the beginning of current period	△1,551	△1,676
Changes of items during the period		
Net changes of items other than shareholders' equity	△125	1,269
Total changes of items during the period	△125	1,269
Balance at the end of current period	△1,676	△406
Total accumulated other comprehensive income		
Balance at the beginning of current period	△1,032	△1,459
Changes of items during the period		
Net changes of items other than shareholders' equity	△426	1,416
Total changes of items during the period	△426	1,416
Balance at the end of current period	△1,459	△42
Minority interests		
Balance at the beginning of current period	1,131	342
Changes of items during the period		
Net changes of items other than shareholders' equity	△788	16
Total changes of items during the period	△788	16
Balance at the end of current period	342	359
Total net assets		
Balance at the beginning of current period	38,694	39,671
Changes of items during the period		
Dividends from surplus	△549	△549
Net income	2,722	5,025
Purchase of treasury stock	△0	△1
Change of scope of consolidation	18	△177
Net changes of items other than shareholders' equity	△1,214	1,433
Total changes of items during the period	976	5,731
Balance at the end of current period	39,671	45,402

#### (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	4,834	7,650
Depreciation and amortization	419	475
Loss (gain) on transfer of business	117	-
Special extra retirement payments	93	497
Additional contribution on withdrawal from person fund	481	-
Loss (gain) on sales of noncurrent assets	△2	△2
Loss (gain) on disposal of noncurrent assets	9	11
Loss (gain) on sales of investment securities	△516	△0
Loss (gain) on valuation of investment securities	15	-
Impairment loss	29	-
Gain on negative goodwill	△71	-
Increase (decrease) in allowance for doubtful accounts	72	△73
Increase (decrease) in provision for directors' retirement benefits	△166	3
Increase (decrease) in provision for directors' bonuses	△25	-
Increase (decrease) in provision for retirement benefits	51	36
Foreign exchange losses (gains)	△96	1,870
Interest and dividends income	△63	△67
Interest expenses	254	308
Decrease (increase) in notes and accounts receivable-trade	8,370	△426
Increase (decrease) in notes and accounts payable-trade	△6,857	△6,965
Decrease (increase) in inventories	△2,968	△6,267
Other, net	918	△2,368
Subtotal	4,902	△5,318
Interest and dividends income received	63	67
Interest expenses paid	△254	△308
Payments for special extra retirement payments	△93	△497
Payments for additional contribution on withdrawal from person fund	△481	-
Income taxes paid	△1,750	△2,359
Net cash provided by (used in) operating activities	2,385	△8,416

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net cash provided by (used in) investing activities		
Purchase of investment securities	△28	△76
Proceeds from sales of investment securities	624	12
Purchase of property, plant and equipment	△648	△588
Proceeds from sales of property, plant and equipment	0	2
Payments into time deposits	△1,320	△2,031
Proceeds from withdrawal of time deposits	1,260	1,260
Purchase of investments in subsidiaries	△652	△101
Proceeds from transfer of business	5,776	-
Other, net	16	△70
Net cash provided by (used in) investing activities	5,027	△1,592
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	△3,297	2,475
Proceeds from long-term loans payable	1,170	2,076
Repayment of long-term loans payable	△1,188	△928
Purchase of treasury stock	△0	△1
Cash dividends paid	△548	△549
Cash dividends paid to minority shareholders	△11	△4
Other, net	△104	△110
Net cash provided by (used in) financing activities	△3,980	2,958
Effect of exchange rate change on cash and cash equivalents	△279	1,236
Net increase (decrease) in cash and cash equivalents	3,153	△5,813
Cash and cash equivalents at beginning of period	13,653	16,765
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	△40	△390
Cash and cash equivalents at end of period	16,765	10,561



## VI. Company Information

### Company Information (as of March 31, 2013)

Trade name:	UKC Holdings Corporation
Date of establishment:	October 1, 2009
Listing date:	October 1, 2009
Business year:	From April 1 to March 31
Paid-in capital:	4,383 million yen
Number of employees:	1,305 (including contract employees) (Consolidated)
Head office:	1-11-2 Osaki, Shinagawa-ku, Tokyo
Telephone:	+81-3-3491-6575
Consolidated subsidiaries:	UKC ELECTRONICS CORPORATION UW TECHNOLOGIES CORPORATION UKC ELECTRONICS (S) PTE, LTD. USC ELECTRONICS (KOREA) CO., LTD. KYOSHIN TECHNOSONIC (K) CO., Ltd. UKC ELECTRONICS (H.K.) CO., LTD. UKC ELECTRONICS (SHANGHAI) CO., LTD. UKC EMS SOLUTION (SHANGHAI) CO., LTD. CU TECH CORPORATION DONGGUAN CU TECH ELECTRONICS CORPORATION KYOSHIN COMMUNICATIONS Co., Ltd. INFINITEC Co., Ltd.

### Directors and Corporate Auditors (as of June 27, 2013)

President	Yukio Fukuju
Director	Masaaki Taguchi
Director	Shigeru Ojima
Director	Takaaki Yamashita
Director*	Nobuyuki Oneda
Statutory Auditor	Kiyofumi Morita
Statutory Auditor**	Harukazu Akiyama
Statutory Auditor**	Yukihiro Matsumura

\* Outside Director    \*\* Outside Statutory Auditor

**Stock Status** (as of March 31, 2013)

Total number of authorized shares:	57,000,000 shares
Total number of shares issued:	15,700,021 shares
Number of shareholders:	4,821
Major shareholders (Top 10)	

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (%)
Trust & Custody Services Bank, Ltd., as trustee for Mizuho Trust & Banking Co., Ltd. (Retirement Benefits Trust Account Held by Sony Corporation: 003)	2,234	14.23
BBH For Fidelity Low-priced Stock Fund (PRINCIPAL ALL SECTOR SUBPORTFOLIO) (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	1,570	9.99
Trust & Custody Services Bank, Ltd., as trustee for Mizuho Trust & Banking Co., Ltd. (Retirement Benefits Trust Account Held by The Tokyo Tomin Bank, Limited)	623	3.97
The Master Trust Bank of Japan, Ltd. (Trust Account)	606	3.86
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	496	3.16
Japan Trustee Services Bank, Ltd. (Trust Account)	466	2.97
Kuniko Nakayama	425	2.70
Mizuho Bank, Ltd. (Standing proxy: Trust & Custody Services Bank, Ltd.)	370	2.35
Meiji Yasuda Life Insurance Company	295	1.88
SBI Securities Co., Ltd.	234	1.49