

For the Fiscal Year Ended March 31, 2014

2014 Report

UKC Holdings Corporation

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

(Securities Code: 3156)

+81-3-3491-6575

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 st fiscal year	2 nd fiscal year	3 rd fiscal year	4 th fiscal year	5 th fiscal year
	2010	2011	2012	2013	2014
Net sales (Millions of yen)	215,162	303,585	257,088	284,508	317,042
Ordinary income (Millions of yen)	2,259	3,861	5,008	8,162	7,237
Net income (Millions of yen)	6,094	2,314	2,722	5,025	4,398
Comprehensive income (Millions of yen)	–	1,940	2,276	6,346	6,019
Net assets (Millions of yen)	35,658	38,694	39,671	45,402	50,425
Total assets (Millions of yen)	95,606	113,912	104,385	114,223	118,436
Net assets per share (Yen)	2,519.13	2,392.59	2,505.07	2,869.23	3186.08
Net income per share (Yen)	486.55	155.20	173.43	320.14	280.21
Net income per share after dilution (Yen)	–	–	–	–	–
Net assets to total assets (%)	36.1	33.0	37.7	39.4	42.2
Return on equity (%)	20.2	6.4	7.1	11.9	9.3
Price earnings ratio (Times)	2.57	6.83	7.03	6.71	6.36
Cash flows from operating activities (Millions of yen)	△1,288	△7,662	2,385	△8,416	11,628
Cash flows from investing activities (Millions of yen)	△114	746	5,027	△1,592	△1,026
Cash flows from financing activities (Millions of yen)	517	10,968	△3,980	2,958	△7,245
Cash and cash equivalents at the end of the period (Millions of yen)	10,156	13,653	16,765	10,561	15,829
Number of employees [Separately, average number of temporary employees] (Persons)	849 [54]	1,083 [47]	1,107 [82]	1,058 [247]	1,402 [187]

- 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

We, UKC group in fiscal year 2013 ended March 31, 2014 topped 300 billion yen in net sales for the first time in three years due to good sales of semiconductors and electronic components for smartphones overseas and digital still cameras, and EMS by our own factories. On the other hand, operating income, ordinary income and net income dropped year on year on account of recording bad debt reserve for the doubtful accounts receivable of a subsidiary overseas. Measures have been and are being taken in order to collect the accounts receivable.

We have been growing our business by offering competitive imaging products such as Sony image sensors, foreign touch screen panels, and small- and medium-sized LCDs to a solid and broad customer base. The imaging market is reaching a major turning point these days. Smartphone has been penetrating the market of compact digital still camera and digital single-lens reflex camera is facing a slowdown in market growth. The smartphone market is still growing while witnesses a growth in China and a rise of Chinese manufacturers. In addition, new products, watch-type and glasses-type wearable devices are in practical use and the market is emerging.

Under such circumstances, we will pursue every opportunity for and realize growth in the imaging field as our strength and strengthen the efforts in environmental, energy and automotive fields with potentials for medium-term growth. As part of the initiatives, we have commenced capital and operational partnerships with US-based Transphorm, Inc., a market leader of Gallium Nitride (GaN) power semiconductors and Digital Media Professionals Inc., with visual computing as its core business. We will continue pursuing opportunities of alliances to complement our strengths as well as prioritize investments in our own operating resources.

We look forward to your continuing support for 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.



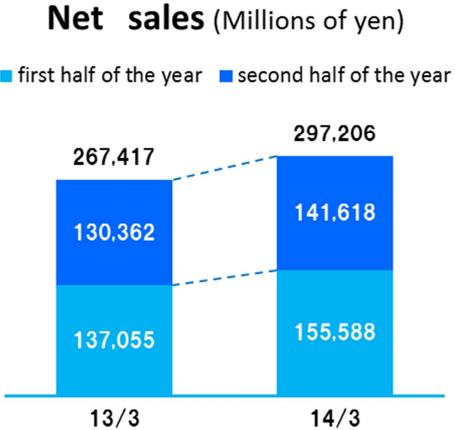
■EMS (Electronic Manufacturing Service)

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 mainly utilizing our own factory with cutting-edge surface mount technology in Dongguan, China, we offer high-quality electronic manufacturing services that suit customers’ needs.



Results by Business Segment

Net sales and gross profit rose mainly due to good sales of image sensors, touch screen panels and EMS by our own factories for smartphones. On the other hand, segment income dropped on account of recording bad debt reserve of 1,090 million yen (\$ 10.6 million) as stated above. As a result, net sales grew to 297,206 million yen (up 11.1% year on year) and segment income dropped to 6,451 million yen (down 7.8% 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.



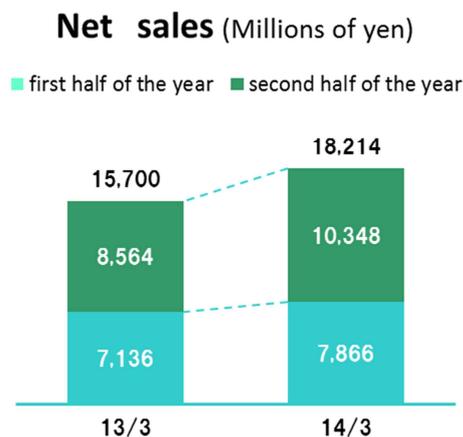
■ Image sensing solutions

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

Sales to corporations, surveillance camera customers, educational institutions and medical institutions rose thanks to improving capital expenditures of customers through the fiscal year triggered by economic stimulus policies. This revenue growth greatly increased the segment income.

As a result, net sales grew to 18,214 million yen (up 16.0% year on year) and segment income grew to 462 million yen (up 112.4% 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 expertise backed by years of experience will meet the demand for various reliability tests and analysis of environmental material from different angles with respect to semiconductors, electronic components, electric / electronic products, etc.

To remain a dependable partner for customers who develop and sell semiconductors, electronic components, and electric / electronic products, we are making every effort to improve our technologies and services, day and night.

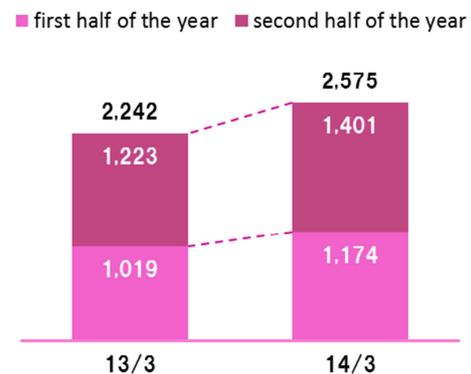


Results by Business Segment

Contactless IC card business recorded improved sales and profit attributable to the revitalization in the areas of digital signage and electronic money. Contracted reliability test and environmental material analysis service business showed a weak result attributable to decreasing number of tests.

As a result, net sales grew to 2,575 million yen (up 14.8% year on year) and segment income dropped to 191 million yen (down 17.5% year on year) on account of the drop in sales and margin of the contracted reliability test and environmental material service with comparatively high margin.

Net sales (Millions of yen)



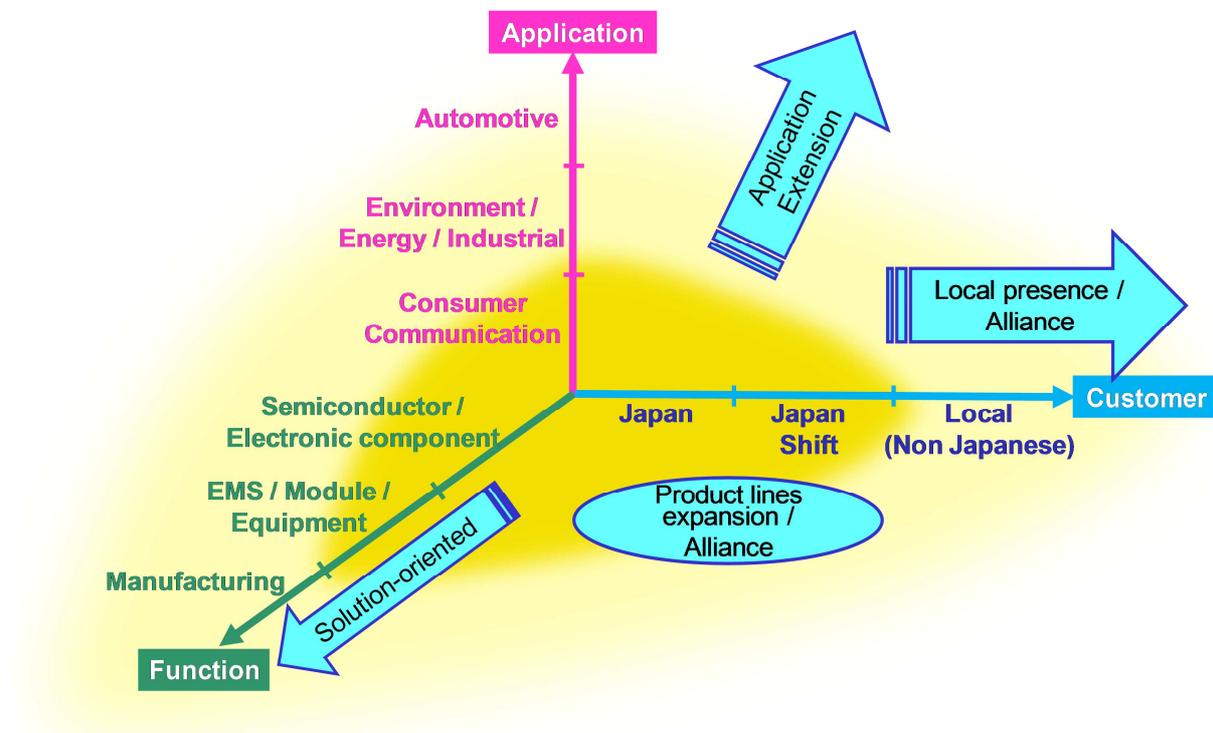
IV. Medium- and long-term business strategy

The electronics industry to which we, UKC group, belong is one of the most globalized industries along with the automotive industry. As technologies evolve day and night, a shift in market and rises and declines of manufacturers occur globally. Especially these days, a consumer market expansion and rises of manufacturers in emerging nations such as China and India are significant while markets of industrial nations which have been leading the market so far get mature and sluggish. This trend seems to irreversibly continue despite temporary economic standstills which economic structural reforms in emerging nations may trigger.

Under these business circumstances, we aim to strengthen our presence in the electronics industry and catch up with mega-distributors by achieving a sustainable growth and an improvement in enterprise value. In order to attain the goal, it is essential to extend our business domain from every perspective such as customer, application, and function.

Our main businesses have been sales of semiconductors and electronic components for consumer- and communication-use to customers in Japan and South Korea including shifts in production sites, sales of electronic equipment, and EMS (Electronic Manufacturing Service). In the medium-term, we aim to realize a growth with profitability by extending our business domain in each perspective as follows.

UKC's direction toward business extension



■ Customer perspective

Our growth in recent years has been led by customers in South Korea which manufacture smartphones in addition to Japanese customers. However, in consideration of the market growth trend, China, ASEAN, and south Asia will be main battlefields from now on. We will broaden sales channels to local customers (manufacturers) in growth areas by utilizing our own business resources and a wide range of business alliances including M&As. In addition, we will reach industrial customers (in the areas of power supply, inverter, robot, etc.) in Japan with room to be exploited. We will establish four areal business structures namely Japan, South Korea, China, and ASEAN including south Asia, and simultaneously search for killer products to fit each area.

■ Application perspective

Our growth has been led by digital still cameras with interchangeable lenses and smartphones so far. From now on, we need to tap environment and energy, automotive, and medical markets in addition to those of smartphone and other smart devices like wearable-type. As an automotive market in the medium- and long-term, is likely to significantly grow in the areas of Advanced Driving Assistance System (ADAS) and automated driving, we will promptly search for products to fit those areas and realize business alliances.

■ Function perspective

Semiconductors and electronic components business which consists of more than 90% of our sales mainly includes products sales with related engineering supports, and EMS. Considering conveniences of customers, we think it important to realize a solution-oriented systematization which totally satisfies customers' needs rather than just to handle each product or its combination. In order to realize the goal, we will proactively introduce hardware and software technologies and services from the outside which complement our own business resources.

V. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Assets		
Current assets		
Cash and deposits	12,601	17,658
Notes and accounts receivable-trade	65,119	69,633
Merchandise and finished goods	23,304	17,611
Work in process	297	434
Raw materials and supplies	489	370
Deferred tax assets	877	677
Other	5,802	5,297
Allowance for doubtful accounts	△144	△170
Total current assets	108,349	111,512
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,322	1,389
Accumulated depreciation	△607	△694
Buildings and structures, net	714	695
Tools, furniture and fixtures	1,301	1,444
Accumulated depreciation	△1,008	△1,139
Tools, furniture and fixtures, net	293	305
Lease assets	427	542
Accumulated depreciation	△255	△326
Lease assets, net	171	215
Other	1,514	2,079
Accumulated depreciation	△618	△911
Other, net	896	1,168
Total property, plant and equipment	2,076	2,384
Intangible assets		
Lease assets	67	25
Other	393	449
Total intangible assets	461	475
Investments and other assets		
Investment securities	2,427	3,011
Deferred tax assets	39	104
Other	944	2,109
Allowance for doubtful accounts	△76	△1,160
Total investments and other assets	3,336	4,064
Total noncurrent assets	5,874	6,924
Total assets	114,223	118,436

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	35,371	37,487
Short-term loans payable	20,937	16,120
Current portion of long-term debt	4,295	2,044
Lease obligations	105	98
Income taxes payable	2,056	1,636
Provision for bonuses	420	454
Other	1,827	3,198
Total current liabilities	65,014	61,040
Noncurrent liabilities		
Long-term loans payable	2,610	5,893
Lease obligations	145	152
Deferred tax liabilities	114	38
Provision for retirement benefits	627	-
Provision for directors' retirement benefits	37	40
Net defined benefit liability	-	692
Other	272	152
Total noncurrent liabilities	3,806	6,970
Total liabilities	68,821	68,010
Net assets		
Shareholders' equity		
Capital stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	34,361	37,818
Treasury stock	△1	△2
Total shareholders' equity	45,085	48,541
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	363	254
Foreign currency translation adjustment	△406	1,262
Remeasurements of defined benefit plans	-	△43
Total accumulated other comprehensive income	△42	1,473
Minority interests	359	410
Total net assets	45,402	50,425
Total liabilities and net assets	114,223	118,436

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

(Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net sales	284,508	317,042
Cost of sales	266,657	297,631
Gross profit	17,851	19,411
Selling, general and administrative expenses	10,490	12,485
Operating income	7,360	6,925
Non-operating income		
Interest income	29	56
Dividends income	38	33
Cash discounts	7	9
Foreign exchange profit	893	365
Commission income	17	-
Other	198	237
Total non-operating income	1,184	701
Non-operating expenses		
Interest expenses	308	278
Loss on sales of accounts receivable	40	10
Other	33	100
Total non-operating expenses	382	389
Ordinary income	8,162	7,237
Extraordinary income		
Gain on sales of noncurrent assets	2	3
Gain on sales of investment securities	0	5
Other	-	2
Total extraordinary income	2	11
Extraordinary loss		
Loss on sales of noncurrent assets	-	4
Loss on disposal of noncurrent assets	11	8
Loss on sales of investment securities	0	1
Loss on valuation of membership	-	23
Special extra retirement payments	497	-
Other	5	-
Total extraordinary losses	514	38
Income before income taxes and minority interests	7,650	7,210
Income taxes-current	2,897	2,603
Income taxes-deferred	△293	146
Total income taxes	2,603	2,750
Income before minority interests	5,046	4,459
Minority interests in income (loss)	20	61
Net income	5,025	4,398

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Income before minority interests	5,046	4,459
Other comprehensive income		
Valuation difference on available-for-sale securities	146	△ 109
Foreign currency translation adjustment	1,153	1,668
Total other comprehensive income	1,299	1,559
Comprehensive income	6,346	6,019
Comprehensive income attributable to owners of the parent	6,325	5,958
Comprehensive income attributable to minority interests	20	61

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Shareholders' equity		
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	30,061	34,361
Changes of items during the period		
Dividends from surplus	△549	△941
Net income	5,025	4,398
Change of scope of consolidation	△177	-
Total changes of items during the period	4,299	3,456
Balance at the end of current period	34,361	37,818
Treasury stock		
Balance at the beginning of current period	△0	△1
Changes of items during the period		
Purchase of treasury stock	△1	△0
Total changes of items during the period	△1	△0
Balance at the end of current period	△1	△2
Total shareholders' equity		
Balance at the beginning of current period	40,787	45,085
Changes of items during the period		
Dividends from surplus	△549	△941
Net income	5,025	4,398
Purchase of treasury stock	△1	△0
Change of scope of consolidation	△177	-
Total changes of items during the period	4,298	3,455
Balance at the end of current period	45,085	48,541

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	217	363
Changes of items during the period		
Net changes of items other than shareholders' equity	146	△109
Total changes of items during the period	146	△109
Balance at the end of current period	363	254
Foreign currency translation adjustment		
Balance at the beginning of current period	△1,676	△406
Changes of items during the period		
Net changes of items other than shareholders' equity	1,269	1,668
Total changes of items during the period	1,269	1,668
Balance at the end of current period	△406	1,262
Remeasurements of defined benefit plans		
Balance at the beginning of current period	-	-
Changes of items during the period		
Net changes of items other than shareholders' equity	-	△43
Total changes of items during the period	-	△43
Balance at the end of current period	-	△43
Total accumulated other comprehensive income		
Balance at the beginning of current period	△1,459	△42
Changes of items during the period		
Net changes of items other than shareholders' equity	1,416	1,516
Total changes of items during the period	1,416	1,516
Balance at the end of current period	△42	1,473
Minority interests		
Balance at the beginning of current period	342	359
Changes of items during the period		
Net changes of items other than shareholders' equity	16	51
Total changes of items during the period	16	51
Balance at the end of current period	359	410
Total net assets		
Balance at the beginning of current period	39,671	45,402
Changes of items during the period		
Dividends from surplus	△549	△941
Net income	5,025	4,398
Purchase of treasury stock	△1	△0
Change of scope of consolidation	△177	-
Net changes of items other than shareholders' equity	1,433	1,567
Total changes of items during the period	5,731	5,023
Balance at the end of current period	45,402	50,425

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	7,650	7,210
Depreciation and amortization	475	607
Special extra retirement payments	497	-
Loss (gain) on sales of noncurrent assets	△2	1
Loss (gain) on disposal of noncurrent assets	11	8
Loss (gain) on sales of investment securities	△0	△3
Loss on valuation of membership	-	23
Increase (decrease) in allowance for doubtful accounts	△73	1,060
Increase (decrease) in provision for directors' retirement benefits	3	3
Increase (decrease) in provision for retirement benefits	36	△7
Foreign exchange losses (gains)	1,870	651
Interest and dividends income	△67	△89
Interest expenses	308	278
Decrease (increase) in notes and accounts receivable-trade	△426	△201
Increase (decrease) in notes and accounts payable-trade	△6,965	△2,780
Decrease (increase) in inventories	△6,267	6,768
Other, net	△2,368	1,142
Subtotal	△5,318	14,672
Interest and dividends income received	67	89
Interest expenses paid	△308	△266
Payments for special extra retirement payments	△497	-
Income taxes paid	△2,359	△2,868
Net cash provided by (used in) operating activities	△8,416	11,628

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net cash provided by (used in) investing activities		
Purchase of investment securities	△76	△708
Proceeds from sales of investment securities	12	14
Purchase of property, plant and equipment	△588	△450
Proceeds from sales of property, plant and equipment	2	7
Payments into time deposits	△2,031	△1,200
Proceeds from withdrawal of time deposits	1,260	1,500
Purchase of investments in subsidiaries	△101	-
Other, net	△70	△189
Net cash provided by (used in) investing activities	△1,592	△1,026
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,475	△6,695
Proceeds from long-term loans payable	2,076	5,024
Repayment of long-term loans payable	△928	△4,498
Purchase of treasury stock	△1	△0
Cash dividends paid	△549	△941
Cash dividends paid to minority shareholders	△4	△10
Other, net	△110	△123
Net cash provided by (used in) financing activities	2,958	△7,245
Effect of exchange rate change on cash and cash equivalents	1,236	1,910
Net increase (decrease) in cash and cash equivalents	△5,813	5,267
Cash and cash equivalents at beginning of period	16,765	10,561
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	△390	-
Cash and cash equivalents at end of period	10,561	15,829

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:	1,590 (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, 2014)

President	Yukio Fukuju
Executive Vice President	Masaaki Taguchi
Executive Vice President	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, 2014)

Total number of authorized shares:	57,000,000 shares
Total number of shares issued:	15,700,021 shares
Number of shareholders:	4,350

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 sub -portfolio)	1,530	9.75
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 Bank of Tokyo-Mitsubishi UFJ, Ltd.	496	3.16
Japan Trustee Services Bank, Ltd. (Trust Account)	406	2.59
Kuniko Nakayama	400	2.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	375	2.38
Mizuho Bank, Ltd.	370	2.35
Meiji Yasuda Life Insurance Company	295	1.88
NEI Co., Ltd.	231	1.47

Distribution of Shareholders

