

November 8, 2013

Consolidated Financial Results for the First Half of the Fiscal Year
Ending March 31, 2014 [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
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(Millions of yen rounded down)

1. Consolidated results for the first half ended Sep. 30, 2013 (April 1, 2013 to Sep. 30, 2013)

(1) Consolidated operating results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Half, Fiscal 2013	164,092	13.3	3,172	Δ27.4	3,114	Δ17.4	1,792	Δ9.4
1st Half, Fiscal 2012	144,772	4.3	4,371	100.3	3,769	119.2	1,978	168.5

(Note) Comprehensive income

1st Half, FY2013 2,596 million yen (56.8%) 1st Half, FY2012 1,655 million yen (—%)

	Net income per share	Net income per share after dilution
	Yen	Yen
1st Half, Fiscal 2013	114.16	—
1st Half, Fiscal 2012	125.99	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2013	132,586	47,360	35.5	2,994.95
March 31, 2013	114,223	45,402	39.4	2,869.23

(Reference) Shareholders equity:

Sep. 30, 2013: 47,015 million yen March 31, 2013: 45,043 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
Fiscal 2012	—	0.00	—	40.00	40.00
Fiscal 2013	—	20.00	—	—	—
Fiscal 2013 (Forecast)	—	—	—	20.00	40.00

(Note) Revisions of dividend forecasts: No

3. Forecast of results for the fiscal year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(% of change from FY2012)

	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
Full Year	290,000	1.9	7,400	0.5	7,000	Δ14.2	4,500	Δ10.5	286.65

(Note) Revisions of financial results forecasts: No

4. Other

- (1) Transfer of major subsidiaries during term
(transfer of specified subsidiaries in line with changes in the consolidated range): No
- (2) Applying accounting procedures specific to preparing quarterly 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
Sep. 30, 2013 15,700,021 shares March 31, 2013 15,700,021 shares
 2. Total number of treasury stock as of the period-end
Sep. 30, 2013 1,685 shares March 31, 2013 1,387 shares
 3. Average number of shares outstanding during the period
1st half, Fiscal 2013 15,698,432 shares 1st half, Fiscal 2012 15,699,396 shares

Note :

The financial statements in Japanese are not subject to the quarterly review process based on the Financial Instruments and Exchange Act. Neither is this summary in English.

Note :

Financial forecasts are based on judgments made in accordance with information available at the time this material was prepared. Actual results may differ significantly from these forecasts for a number of factors.

[Business Results]

1. Business Results

(1) Overview

Although Japan's economy during this first half showed improvements in corporate activities driven by various policies for quickly ending deflation and revitalizing the economy, the real economy such as consumer spending has not attained the full-scale recovery. Additionally, there still remain economic downturn risks such as debt problems in Europe and the United States and slowdown in economic growth in emerging nations like China.

The electronics industry to which UKC group belongs showed a market polarization. Markets of conventional digital home appliances like compact digital still cameras, PCs, and portable music players have been slow. On the other hand, markets of portable information devices like smartphones and tablets have been growing. Additionally, even in a growing smartphone market, competition is so severe that some manufacturers ceased production and sales of consumer-use goods.

Under these circumstances, UKC group strengthened its core business of selling semiconductors and electronic parts manufactured by Sony, and focused on expanding high value-added businesses such as EMS (Electronic Manufacturing Service) and creating new businesses.

As a result, UKC group recorded consolidated net sales of 164,092 million yen (up 13.3% year on year), consolidated operating income of 3,172 million yen (down 27.4% year on year), consolidated ordinary income of 3,114 million yen (down 17.4% year on year), and consolidated net income of 1,792 million yen (down 9.4% year on year).

As disclosed on November 1, 2013, the business itself mainly overseas went well and the sales increased year on year. However, selling, general and administrative expenses significantly increased as bad debt reserve was conservatively recorded for all the doubtful accounts receivable (1,045 million yen) of a subsidiary overseas. As a result, consolidated operating income, consolidated ordinary income, and consolidated net income decreased year on year.

(2) Business Segment Information

a. Semiconductors and electronic parts

Net sales and gross profit rose mainly due to good sales of products such as image sensors and touch screen panels for foreign smartphones. On the other hand, segment income significantly dropped on account of recording bad debt reserve of 1,045 million yen as stated above.

As a result, net sales grew to 155,588 million yen (up 13.5% year on year) and segment income dropped to 3,193 million yen (down 25.5% year on year).

b. Electronic equipment

Sales to corporations, surveillance camera customers, educational institutions and medical institutions rose thanks to improving capital expenditures of customers triggered by economic stimulus policies. However, segment income fell into the red as SGAs also increased.

As a result, net sales grew to 7,866 million yen (up 10.2% year on year) and segment loss was 0 million yen (income of 32 million yen last year).

c. System equipment

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 1,174 million yen (up 15.3% year on year) and segment income dropped to 94 million yen (down 20.0% year on year).

2. Financial Condition

(1) Total Assets, Liabilities and Net assets

Total assets at the end of the second quarter amounted to 132,586 million yen, up 18,363 million yen from the end of fiscal 2012 mainly attributable to increases in cash and deposit (up 4,949 million yen), notes and accounts receivable-trade (up 12,455 million yen) and merchandise and finished goods (up 1,187 million yen).

Total liabilities at the end of the second quarter amounted to 85,226 million yen, up 16,405 million yen from the end of fiscal 2012 mainly attributable to increases in notes and accounts payable-trade (up 19,728 million yen) and long-term borrowings (up 2,998 million yen), and decreases in short-term borrowings (down 3,189 million yen), current portion of long-term borrowings (down 1,946 million yen), and income taxes payable (down 1,414 million yen).

Net assets were 47,360 million yen, up 1,957 million yen from the end of fiscal 2012 mainly attributable to net income of 1,792 million yen, dividends from retained earnings of 627 million yen, change in valuation and translation adjustments of 808 million yen mainly due to increase in foreign currency translation adjustments of 909 million yen and decrease in minority interests of 14 million yen.

(2) Cash Flows

Cash flows from various business activities during this first half and relevant factors are as follows.

[Cash flows from operating activities]

Net cash provided by operating activities was 7,540 million yen (7,454 million yen used for the same period previous year) mainly due to income before income taxes and minority interests (3,105 million yen), increases in notes and accounts receivable (9,672 million yen), inventories (909 million yen), and notes and accounts payable (16,290 million yen), as well as income taxes paid (2,348 million yen).

[Cash flows from investing activities]

Net cash used by investing activities was 258 million yen (1,261 million yen used for the same period previous year) mainly due to purchase of property, plant and equipment (165 million yen).

[Cash flows from financing activities]

Net cash used in financing activities was 4,071 million yen (5,721 million yen provided for the same period previous year) mainly due to net increase in short-term borrowings (4,181 million yen), proceeds from issuance of long-term borrowings (3,979 million yen), repayments of long-term borrowings (3,173 million yen), and cash dividends paid (627 million yen).

3. Forecast of Consolidated Financial Results

The business itself for this second quarter went well mainly attributable to more-than-expected increase in overseas sales in the businesses of semiconductors and EMS. However, due to the significant increase in selling, general and administrative expenses as a result of the bad debt reserve (1,045 million yen) for the doubtful accounts receivable of a subsidiary overseas, the forecast for the first half was revised on November 1, 2013. Forecast for full fiscal year remains unchanged as many uncertainties lie ahead.

[Consolidated Balance Sheets]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2013 (As of March 31, 2013)	First Half Ended Sep. 30, 2013 (As of Sep. 30, 2013)
(Assets)		
Current assets		
Cash and deposit	12,601	17,551
Notes and accounts receivable-trade	65,119	77,575
Merchandise and finished goods	23,304	24,492
Work in process	297	529
Raw materials and supplies	489	717
Other	6,680	5,743
Allowance for doubtful accounts	△144	△106
Total current assets	<u>108,349</u>	<u>126,502</u>
Noncurrent assets		
Property, plant and equipment	2,076	2,368
Intangible assets	461	482
Investments and other assets		
Investment securities	2,427	2,305
Other	984	2,046
Allowance for doubtful accounts	△76	△1,117
Total investments and other assets	<u>3,336</u>	<u>3,233</u>
Total noncurrent assets	<u>5,874</u>	<u>6,084</u>
Total assets	<u>114,223</u>	<u>132,586</u>
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	35,371	55,100
Short-term borrowings	20,937	17,747
Current portion of long term borrowings	4,295	2,348
Income taxes payable	2,056	642
Reserve for bonuses	420	430
Other	1,932	2,225
Total current liabilities	<u>65,014</u>	<u>78,495</u>
Noncurrent liabilities		
Long-term borrowings	2,610	5,608
Reserve for retirement benefits	627	627
Reserve for directors' retirement benefits	37	38
Other	531	455
Total noncurrent liabilities	<u>3,806</u>	<u>6,730</u>
Total liabilities	<u>68,821</u>	<u>85,226</u>
(Net assets)		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	34,361	35,525
Treasury stock	△1	△2
Total shareholders' equity	<u>45,085</u>	<u>46,249</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	363	263
Foreign currency translation adjustments	△406	502
Total valuation and translation adjustments	<u>△42</u>	<u>766</u>
Minority interests	359	344
Total net assets	<u>45,402</u>	<u>47,360</u>
Total liabilities and net assets	<u>114,223</u>	<u>132,586</u>

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	First Half Ended Sep. 30, 2012	First Half Ended Sep. 30, 2013
Sales	144,772	164,092
Cost of sales	135,100	154,385
Gross Profit	9,672	9,706
Selling, general, and administrative expenses	5,301	6,534
Operating income	4,371	3,172
Non-operating income		
Interest income	13	22
Dividends income	20	25
Cash discount	3	3
Commission income	0	0
Other	74	145
Total non-operating income	113	196
Non-operating expenses		
Interest payable	150	138
Loss on sales of accounts receivable	21	5
Foreign exchange losses	530	82
Other	11	27
Total non-operating expenses	715	254
Ordinary profit	3,769	3,114
Extraordinary income		
Gain on sale of fixed assets	1	2
Other	—	0
Total extraordinary income	1	3
Extraordinary loss		
Loss on disposal of fixed assets	6	5
Loss on valuation of investment securities	20	—
Extra retirement benefits	497	—
Other	4	7
Total extraordinary losses	529	12
Income before income taxes and minority interests	3,241	3,105
Income taxes	1,273	1,317
Income before Minority interest in income	1,968	1,787
Minority interests in income	△10	△4
Net income	1,978	1,792

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down)	
	First Half Ended Sep. 30, 2012	First Half Ended Sep. 30, 2013
Income before Minority interest in income	1,968	1,787
Other comprehensive income		
Net unrealized gain on other marketable securities	△65	△100
Foreign currency translation adjustments	△247	909
Total other comprehensive income	△312	808
Comprehensive Income	1,655	2,596
(Details)		
Comprehensive income relating to shareholders of parent company	1,665	2,601
Comprehensive income relating to minority shareholders	△10	△4

[Consolidated Statements of Cash Flows]

	(Millions of yen rounded down)	
	First Half Ended Sep. 30, 2012	First Half Ended Sep. 30, 2013
I Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	3,241	3,105
Depreciation and amortization	234	258
Loss (Gain) on valuation of investment securities	20	—
Increase (decrease) in reserve for retirement benefits	20	△2
Extra retirement benefits	497	—
Increase (decrease) in allowance for doubtful accounts	17	992
Decrease (increase) in notes and accounts receivable-trade	△13,506	△9,672
Decrease (increase) in inventories	△2,535	△909
Increase (decrease) in notes and accounts payable-trade	7,883	16,290
Other, net	△1,772	△83
Sub-total	△5,898	9,979
Interest and dividends income received	34	47
Interest expenses paid	△150	△138
Income taxes paid	△1,439	△2,348
Net cash provided by (used in) operating activities	△7,454	7,540
II Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	△379	△165
Income on sales of property, plant and equipment	1	3
Purchase of investment securities	△13	△3
Purchase of subsidiaries and affiliates' stocks	△100	—
Payments into time deposits	△1,394	△600
Proceeds from withdrawal of time deposits	660	600
Other, net	△36	△92
Net cash provided by (used in) investing activities	△1,261	△258
III Net cash provided by (used in) financing activities		
Increase (decrease) in short-term borrowings	4,486	△4,181
Proceeds from issuance of long-term borrowings	2,066	3,979
Repayments of long-term borrowings	△223	△3,173
Purchase of treasury stock	△0	△0
Cash dividends paid	△549	△627
Dividends distributions to minority interests	△4	△10
Other, net	△53	△57
Net cash provided by (used in) financing activities	5,721	△4,071
IV Effective of exchange rate change on cash and cash equivalents	△3	1,702
V Net increase (decrease) in cash and cash equivalents	△2,997	4,912
VI Cash and cash equivalents at beginning of period	16,765	10,561
VII Decrease in cash and cash equivalents resulting from change in scope of consolidation	△390	—
VIII Cash and cash equivalents at end of period	13,377	15,473

[Segment Information]

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

For the first half ended September 30, 2012 (April 1, 2012 to September 30, 2012)

(Millions of yen rounded down)

	Semiconductors and Electronic Parts	Electronic Equipment	System Equipment	Total	Eliminations and/or Corporate	Consolidated
Sales						
Sales to external customers	137,046	6,706	1,019	144,772	—	144,772
Internal sales or transfers between segments	8	429	—	437	△437	—
Total	137,055	7,136	1,019	145,210	△437	144,772
Operating income	4,286	32	118	4,437	△66	4,371

(Note)

An adjustment of △66 million yen for segment income includes an elimination of inter-segment transactions of △2 million yen and corporate expenses of △64 million yen that are not allocated to each segment. Corporate expenses mainly include general and administration expenses that do not belong to any reporting segments. Operating income (loss) by reporting segment is adjusted to correspond to operating income of the consolidated quarterly statements of income.

For the first half ended September 30, 2013 (April 1, 2013 to September 30, 2013)

(Millions of yen rounded down)

	Semiconductors and Electronic Parts	Electronic Equipment	System Equipment	Total	Eliminations and/or Corporate	Consolidated
Sales						
Sales to external customers	155,586	7,331	1,174	164,092	—	164,092
Internal sales or transfers between segments	1	535	—	536	△536	—
Total	155,588	7,866	1,174	164,629	△536	164,092
Operating income	3,193	△0	94	3,287	△115	3,172

(Note)

An adjustment of △115 million yen for segment income includes an elimination of inter-segment transactions of △0 million yen and corporate expenses of △115 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.

2. Changes in reporting segments

(1) Some products regarded as “Electronic Equipment” are reclassified as “Semiconductors and Electronic Parts” from this fiscal year in line with the realignment of our group sales structure.

(2) General and administration expenses which were treated as unallocated corporate expenses until last fiscal year are allocated to appropriate segments in order to more clearly represent segment operating income from this fiscal year.

The changes above are retrospectively applied to the segment figures of the first half ended September 30, 2012.