

February 7, 2014

Consolidated Financial Results for the Third Quarter 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
Representative	Yukio Fukuju, President
Contact person	Masaaki Taguchi, Director in charge of Accounting, Finance, General Affairs, and Human Resources Tel : +81-3-3491-6575

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(Millions of yen rounded down)

1. Consolidated results for the third quarter ended Dec. 31, 2013 (April 1, 2013 to December 31, 2013)

(1) Consolidated operating results (cumulative)

% of change from previous year

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q Fiscal 2013	245,349	13.4	5,432	Δ8.9	5,847	Δ1.3	3,532	1.2
3Q Fiscal 2012	216,356	12.0	5,959	62.1	5,922	83.1	3,491	103.2

(Note) Comprehensive income

3Q FY2013 4,961 million yen (28.2%) 3Q FY2012 3,870 million yen (487.2%)

	Net income per share	Net income per share after dilution
	Yen	Yen
3Q Fiscal 2013	225.00	—
3Q Fiscal 2012	222.40	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2013	124,731	49,411	39.4	3,126.21
March 31, 2013	114,223	45,402	39.4	2,869.23

(Reference) Shareholders equity:

Dec. 31, 2013: 49,076 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
3Q FY2013 15,700,021 shares FY2012 15,700,021 shares
 2. Total number of treasury stock as of the period-end
3Q FY2013 1,790 shares FY2012 1,387 shares
 3. Average number of shares outstanding (cumulative)
3Q FY2013 15,698,372 shares 3Q FY2012 15,699,206 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 the cumulative third quarter showed improvements in corporate earnings, capital expenditure, employment, and personal spending driven by various policies for revitalizing the economy. However, there still remain economic downturn risks such as slowdown in economic growth in emerging nations like China and debt problems in Europe.

The electronics industry to which UKC group belongs showed a market polarization. Markets of smartphones and tablets remain strong, while those of conventional mobile phones, PCs, and digital still cameras have been weak. Additionally, even a strong smartphone market includes many uncertainties such as increasing market shares of Chinese manufacturers.

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.

The business itself mainly overseas went well. However, selling, general and administrative expenses significantly increased as bad debt reserve was recorded in the second quarter for all the doubtful accounts receivable of 1,127 million yen (\$10.6 million) of a subsidiary overseas. Measures such as filing lawsuits against the account in question and its representative have been taken in order to collect the accounts receivable.

As a result, UKC group recorded consolidated net sales of 245,349 million yen (up 13.4% year on year), consolidated operating income of 5,432 million yen (down 8.9% year on year), consolidated ordinary income of 5,847 million yen (down 1.3% year on year), and consolidated net income of 3,532 million yen (up 1.2% year on year).

(2) Business Segment Information

a. Semiconductors and electronic parts

Net sales and gross profit rose mainly due to good sales of image sensors and EMS by our own factories for smartphones. On the other hand, segment income dropped on account of recording bad debt reserve of 1,127 million yen (\$10.6 million) as stated above.

As a result, net sales grew to 232,793 million yen (up 13.3% year on year) and segment income dropped to 5,488 million yen (down 9.1% 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. This revenue growth improved the segment loss despite the increase in SGA.

As a result, net sales grew to 11,443 million yen (up 16.7% year on year) and segment loss was 45 million yen (loss of 174 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 1,858 million yen (up 16.7% year on year) and segment income dropped to 131 million yen (down 19.2% year on year) on account of the drop in sales of the contracted reliability test and environmental material analysis service with comparably high margin.

2. Financial Condition

Total assets at the end of the third quarter amounted to 124,713 million yen, up 10,489 million yen from the end of fiscal 2012 mainly attributable to an increase in notes and accounts receivable-trade (up 13,351 million yen) and a decrease in merchandise and finished goods (down 2,275 million yen).

Total liabilities at the end of the second quarter amounted to 75,302 million yen, up 6,480 million yen from the end of fiscal 2012 mainly attributable to increases in notes and accounts payable-trade (up 6,056 million yen), long-term borrowings (up 2,629 million yen) and other current liabilities (up 1,693 million yen), and decreases in short-term borrowings (down 659 million yen), current portion of long-term borrowings (down 2,293 million yen) and income taxes payable (down 699 million yen).

Net assets were 49,411 million yen, up 4,009 million yen from the end of fiscal 2012 mainly attributable to net income of 3,532 million yen, dividends from retained earnings of 941 million yen, change in valuation and translation adjustments of 1,443 million yen mainly due to increase in foreign currency translation adjustments of 1,424 million yen and decrease in minority interests of 23 million yen.

3. Forecast of Consolidated Financial Results

The forecast for full fiscal year remains unchanged as many uncertainties such as a prospect of collecting accounts receivable and trends of application markets and customers lie ahead.

[Consolidated Balance Sheets]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2013 (As of March 31, 2013)	Third Quarter Ended Dec. 31, 2013 (As of Dec. 31, 2013)
(Assets)		
Current assets		
Cash and deposit	12,601	12,845
Notes and accounts receivable-trade	65,119	78,471
Merchandise and finished goods	23,304	21,029
Work in process	297	748
Raw materials and supplies	489	887
Other	6,680	3,964
Allowance for doubtful accounts	△144	△69
Total current assets	<u>108,349</u>	<u>117,877</u>
Noncurrent assets		
Property, plant and equipment	2,076	2,387
Intangible assets	461	471
Investments and other assets		
Investment securities	2,427	3,037
Other	984	2,136
Allowance for doubtful accounts	△76	△1,196
Total investments and other assets	<u>3,336</u>	<u>3,977</u>
Total noncurrent assets	<u>5,874</u>	<u>6,836</u>
Total assets	<u>114,223</u>	<u>124,713</u>
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	35,371	41,428
Short-term borrowings	20,937	20,277
Current portion of long term borrowings	4,295	2,002
Income taxes payable	2,056	1,357
Reserve for bonuses	420	224
Other	1,932	3,626
Total current liabilities	<u>65,014</u>	<u>68,915</u>
Noncurrent liabilities		
Long-term borrowings	2,610	5,240
Reserve for retirement benefits	627	627
Reserve for directors' retirement benefits	37	39
Other	531	479
Total noncurrent liabilities	<u>3,806</u>	<u>6,386</u>
Total liabilities	<u>68,821</u>	<u>75,302</u>
(Net assets)		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	34,361	36,951
Treasury stock	△1	△2
Total shareholders' equity	<u>45,085</u>	<u>47,675</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	363	382
Foreign currency translation adjustments	△406	1,018
Total valuation and translation adjustments	<u>△42</u>	<u>1,400</u>
Minority interests	359	335
Total net assets	<u>45,402</u>	<u>49,411</u>
Total liabilities and net assets	<u>114,223</u>	<u>124,713</u>

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	Nine Months Ended Dec. 31, 2012	Nine Months Ended Dec. 31, 2013
Sales	216,356	245,349
Cost of sales	202,576	230,481
Gross Profit	13,779	14,867
Selling, general, and administrative expenses	7,819	9,435
Operating income	5,959	5,432
Non-operating income		
Interest income	22	38
Dividends income	25	33
Cash discount	4	5
Commission income	6	—
Foreign exchange profit	40	445
Other	172	159
Total non-operating income	272	682
Non-operating expenses		
Interest payable	229	209
Loss on sales of accounts receivable	33	9
Other	46	48
Total non-operating expenses	309	267
Ordinary profit	5,922	5,847
Extraordinary income		
Gain on sale of fixed assets	1	2
Gain on sale of investment securities	0	—
Other	—	0
Total extraordinary income	1	3
Extraordinary loss		
Loss on disposal of fixed assets	6	5
Loss on valuation of membership rights	—	17
Loss on valuation of investment securities	19	—
Extra retirement benefits	497	—
Other	8	0
Total extraordinary losses	532	22
Income before income taxes and minority interests	5,392	5,828
Income taxes	1,950	2,310
Income before Minority interest in income	3,441	3,518
Minority interests in income	△49	△13
Net income	3,491	3,532

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down)	
	Nine Months Ended Dec. 31, 2012	Nine Months Ended Dec. 31, 2013
Income before Minority interest in income	3,441	3,518
Other comprehensive income		
Net unrealized gain on other marketable securities	48	18
Foreign currency translation adjustments	380	1,424
Total other comprehensive income	428	1,443
Comprehensive Income	3,870	4,961
(Details)		
Comprehensive income relating to shareholders of parent company	3,920	4,975
Comprehensive income relating to minority shareholders	△49	△13

[Segment Information]

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

For the third quarter ended December 31, 2012 (April 1, 2012 to December 31, 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	205,525	9,226	1,605	216,356	—	216,356
Internal sales or transfers between segments	12	582	—	595	△595	—
Total	205,537	9,808	1,605	216,951	△595	216,356
Operating income	6,038	△174	162	6,026	△66	5,959

(Note)

An adjustment of △66 million yen for segment income includes an elimination of inter-segment transactions of 14 million yen and corporate expenses of △80 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 third quarter ended December 31, 2013 (April 1, 2013 to December 31, 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	232,787	10,703	1,858	245,349	—	245,349
Internal sales or transfers between segments	5	740	—	746	△746	—
Total	232,793	11,443	1,858	246,095	△746	245,349
Operating income	5,488	△45	131	5,573	△141	5,432

(Note)

An adjustment of △141 million yen for segment income includes an elimination of inter-segment transactions of △2 million yen and corporate expenses of △139 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 cumulative third quarter ended December 31, 2012.