

August 8, 2014

Consolidated Financial Results for the First Quarter Ended June 30, 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	<a href="http://www.ukcgroup.com/english/index.html">http://www.ukcgroup.com/english/index.html</a>
Representative	Yukio Fukuju, President
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Filing date of the Quarterly Securities Report (scheduled) August 11, 2014

(Millions of yen rounded down)

1. Consolidated results for the first quarter ended June 30, 2014 (April 1, 2014 to June 30, 2014)

(1) Consolidated operating results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014 1Q	64,339	Δ12.5	1,545	Δ14.9	1,406	Δ22.6	921	Δ26.5
FY2013 1Q	73,529	10.9	1,815	Δ1.3	1,817	28.3	1,254	43.1

(Note) Comprehensive income

FY2014 1Q: 795 million yen (Δ54.5%) FY2013 1Q: 1,748 million yen (211.7%)

	Net income per share	Net income per share after dilution
	Yen	Yen
FY2014 1Q	58.72	—
FY2013 1Q	79.88	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2014 1Q	118,490	50,932	42.7	3,222.35
Fiscal 2013	118,436	50,425	42.2	3,186.08

(Reference) Shareholders equity:

June 30, 2014: 50,585 million yen March 31, 2014: 50,015 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
Fiscal 2013	—	20.00	—	20.00	40.00
Fiscal 2014	—				
Fiscal 2014 (Forecast)		20.00	—	20.00	40.00

Note: Revisions to forecast of dividends in this quarter; No

3. Forecast of results for the fiscal year ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(% of change from FY2013 or 1st Half of FY2013)

	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
First Half	140,000	Δ14.7	2,900	Δ8.6	2,800	Δ10.1	1,800	0.4	114.66
Full Year	300,000	Δ5.4	7,200	4.0	6,900	Δ4.7	4,400	0.0	280.28

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: Yes
  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  
June 30, 2014      15,700,021 shares      March 31, 2014      15,700,021 shares
  2. Total number of treasury stock as of the period-end  
June 30, 2014      1,868 shares      March 31, 2014      1,859 shares
  3. Average number of shares outstanding during the period  
FY2014 1Q      15,698,156 shares      FY2013 1Q      15,698,504 shares

Note :

The original financial report in Japanese is not subject to the audit procedures based on the Financial Instruments and Exchange Act.

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

Japan's economy during this first quarter witnessed a backlash of the rush demand before the sales tax increase, but on the whole continued to gradually recover backed by the domestic demand supported by economic policies and the improvement in employment. From a global perspective, although economies of some industrial countries are solid, there remain economic downturn risks such as slowdown in economic growth in China and other Asian emerging nations and political tensions in the Middle East, Russia, and the South China Sea.

The electronics industry to which UKC group belongs has been driven by smartphones and tablets with sluggish market demands in flat panel TVs, digital still cameras, and PCs. In addition, smartphone market is seeing a change in manufacturers' market share and a decline in average selling price as emerging nations like China and India begin to play the primary role in market growth.

Under these circumstances, UKC group, with sales of semiconductors and electronic parts manufactured by Sony as its core business, focused on expanding high value-added businesses such as EMS (Electronic Manufacturing Service) and creating new businesses by utilizing business and capital alliances with other corporations. However, net sales dropped year on year due to a temporary slowdown in sales for foreign smartphone market.

As a result, UKC group recorded consolidated net sales of 64,339 million yen (down 12.5% year on year), consolidated operating income of 1,545 million yen (down 14.9% year on year), consolidated ordinary income of 1,406 million yen (down 22.6% year on year), and consolidated net income of 921 million yen (down 26.5% year on year).

#### (2) Business Segment Information

##### a. Semiconductors and electronic parts

Net sales dropped mainly due to a slowdown in sales of products for foreign smartphones. Although gross profit margin improved as a result of increased domestic sales ratio, segment income also dropped on account of the decline in net sales.

As a result, net sales dropped to 61,358 million yen (down 12.7% year on year) and segment income dropped to 1,814 million yen (down 10.5% year on year).

##### b. Electronic equipment

The business has been proceeding as originally planned. Net sales dropped since such large-scale deals as had been realized in the same period last year got delayed to the second quarter or later.

As a result, net sales dropped to 2,703 million yen (down 12.0% year on year) and segment loss was 248 million yen (deteriorated 83 million yen year on year).

#### c. System equipment

Contactless IC card business substantially expanded its sales attributable to the continuously strong e-money related business.

Contracted reliability test and environmental material analysis service business showed improved result.

As a result, net sales grew to 610 million yen (up 29.4% year on year) and segment income grew to 42 million yen (up 64.8% year on year).

## 2. Financial Condition

Total assets at the end of the first quarter amounted to 118,490 million yen, up 53 million yen from the end of fiscal 2013 mainly attributable to increases in cash and deposit (up 2,804 million yen), inventories (up 1,280 million yen) mainly due to an increase in merchandise and finished goods of 469 million yen, and other current assets (up 813 million yen), and a decrease in notes and accounts receivable-trade (down 4,769 million yen).

Total liabilities at the end of the first quarter amounted to 67,557 million yen, down 453 million yen from the end of fiscal 2013 mainly attributable to decreases in notes and accounts payable-trade (down 1,690 million yen), current portion of long-term debt (down 747 million yen), income taxes payable (down 952 million yen), and net defined benefit liability (down 72 million yen), and an increase in short-term borrowings (up 3,054 million yen).

Net assets were 50,932 million yen, up 507 million yen from the end of fiscal 2013 mainly attributable to net income of 921 million yen, dividends from retained earnings of 313 million yen, change in valuation and translation adjustments of 84 million yen mainly due to a decrease in foreign currency translation adjustments of 94 million yen, and a decrease in minority interests of 62 million yen.

## 3. Forecast of Consolidated Financial Results

Forecast of financial results for the first half and full fiscal year remains unchanged from the original disclosed on May 9, 2014.

[Consolidated Balance Sheets]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2014 (As of March 31, 2014)	First Quarter Ended June 30, 2014 (As of June 30, 2014)
<b>(Assets)</b>		
Current assets		
Cash and deposit	17,658	20,462
Notes and accounts receivable-trade	69,633	64,863
Merchandise and finished goods	17,611	18,081
Work in process	434	767
Raw materials and supplies	370	848
Other	5,975	6,788
Allowance for doubtful accounts	△170	△92
Total current assets	<u>111,512</u>	<u>111,718</u>
Noncurrent assets		
Total property, plant and equipment	2,384	2,252
Total intangible assets	475	448
Investments and other assets		
Investment securities	3,011	3,064
Other	2,214	2,189
Allowance for doubtful accounts	△1,160	△1,183
Total investments and other assets	<u>4,064</u>	<u>4,070</u>
Total noncurrent assets	<u>6,924</u>	<u>6,771</u>
Total assets	<u>118,436</u>	<u>118,490</u>
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable-trade	37,487	35,797
Short-term borrowings	16,120	19,175
Current portion of long-term debt	2,044	1,296
Income taxes payable	1,636	683
Reserve for bonuses	454	212
Other	3,297	2,812
Total current liabilities	<u>61,040</u>	<u>59,978</u>
Noncurrent liabilities		
Long-term borrowings	5,893	6,593
Net defined benefit liability	692	620
Reserve for directors' retirement benefits	40	41
Other	344	324
Total noncurrent liabilities	<u>6,970</u>	<u>7,579</u>
Total liabilities	<u>68,010</u>	<u>67,557</u>
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	37,818	38,472
Treasury stock	△2	△2
Total shareholders' equity	<u>48,541</u>	<u>49,195</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	254	263
Foreign currency translation adjustments	1,262	1,167
Pension liability adjustments	△43	△41
Total valuation and translation adjustments	<u>1,473</u>	<u>1,389</u>
Minority interests	410	347
Total net assets	<u>50,425</u>	<u>50,932</u>
Total liabilities and net assets	<u>118,436</u>	<u>118,490</u>

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	First Quarter Ended June 30, 2013	First Quarter Ended June 30, 2014
Sales	73,529	64,339
Cost of sales	69,028	59,982
Gross Profit	4,500	4,357
Selling, general, and administrative expenses	2,685	2,811
Operating income	1,815	1,545
Non-operating income		
Interest income	11	23
Dividends income	24	22
Cash discount	1	2
Foreign exchange profit	46	—
Other	21	54
Total non-operating income	106	101
Non-operating expenses		
Interest payable	68	66
Loss on sales of accounts receivable	2	0
Foreign exchange losses	—	167
Other	31	6
Total non-operating expenses	103	240
Ordinary profit	1,817	1,406
Extraordinary income		
Gain on sale of fixed assets	—	0
Total extraordinary income	—	0
Extraordinary loss		
Loss on disposal of fixed assets	0	0
Loss on valuation of membership	2	1
Other	1	0
Total extraordinary losses	4	2
Income before income taxes and minority interests	1,813	1,404
Total income taxes	595	524
Income before Minority interest in income	1,218	879
Minority interests in income	△35	△42
Net income	1,254	921

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down) of yen rounded down)	
	First Quarter Ended June 30, 2013	First Quarter Ended June 30, 2014
Income before Minority interest in income	1,218	879
Other comprehensive income		
Net unrealized gain on other marketable securities	0	9
Foreign currency translation adjustments	529	△94
Pension liability adjustments	—	1
Total other comprehensive income	530	△84
Comprehensive Income	1,748	795
(Details)		
Comprehensive income relating to shareholders of parent company	1,785	837
Comprehensive income relating to minority shareholders	△35	△42

[Segment Information]

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

For the first quarter ended June 30, 2013 (April 1, 2013 to June 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	70,251	2,805	471	73,529	—	73,529
Internal sales or transfers between segments	1	264	—	266	△266	—
Total	70,252	3,070	471	73,795	△266	73,529
Operating income	2,027	△164	25	1,888	△73	1,815

(Note)

An adjustment of △73 million yen for segment income includes an elimination of inter-segment transactions of 11 million yen and corporate expenses of △85 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 quarter ended June 30, 2014 (April 1, 2014 to June 30, 2014)

(Millions of yen rounded down)

	Semiconductors and Electronic Parts	Electronic Equipment	System Equipment	Total	Eliminations and/or Corporate	Consolidated
Sales						
Sales to external customers	61,356	2,372	610	64,339	—	64,339
Internal sales or transfers between segments	2	331	—	333	△333	—
Total	61,358	2,703	610	64,673	△333	64,339
Operating income	1,814	△248	42	1,608	△63	1,545

(Note)

An adjustment of △63 million yen for segment income includes an elimination of inter-segment transactions of △0 million yen and corporate expenses of △62 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.