

Consolidated Financial Results for the Six Months Ended Sep. 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	http://www.ukcgroup.com/english/index.html
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(Millions of yen rounded down)

1. Consolidated results for the six months ended Sep. 30, 2014 (April 1, 2014 to September 30, 2014)

(1) Consolidated operating results

% 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	%
FY2014 1H	131,870	Δ19.6	2,478	Δ21.9	2,836	Δ8.9	1,777	Δ0.8
FY2013 1H	164,092	13.3	3,172	Δ27.4	3,114	Δ17.4	1,792	Δ9.4

(Note) Comprehensive income

FY2014 1H: 2,061 million yen (Δ20.6%) FY2013 1H: 2,596 million yen (56.8%)

	Net income per share	Net income per share after dilution
	Yen	Yen
FY2014 1H	113.24	—
FY2013 1H	114.16	—

(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 2Q	118,786	52,199	43.6	3,299.35
Fiscal 2013	118,436	50,425	42.2	3,186.08

(Reference) Shareholders equity:

September 30, 2014: 51,793 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	—	20.00	—	—	—
Fiscal 2014 (Forecast)	—	—	—	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)

	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	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: Yes

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
September 30, 2014 15,700,021 shares March 31, 2014 15,700,021 shares

2. Total number of treasury stock as of the period-end
September 30, 2014 1,987 shares March 31, 2014 1,859 shares

3. Average number of shares outstanding during the period
FY2014 1H 15,698,138 shares FY2013 1H 15,698,432 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 half witnessed a continued gradual recovery backed by the improvement in corporate earnings and employment, but there remain risks such as a prolonged backlash of the rush demand before the sales tax increase and economic downturn overseas. 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), extending distributorship, and creating new businesses by utilizing business and capital alliances with other corporations. The business itself progressed as expected at the beginning of this fiscal year. However, a provision of allowance for doubtful accounts of 545 million yen was recorded in selling, general and administrative expenses in connection with the filings of corporate reorganization proceedings and temporary restraining order concerning corporate property by Wintek Corporation, a Taiwan touch screen panel manufacturer, on October 13, 2014. The business with Wintek is mainly carried out with the combination of supply and sales of components to Wintek by UKC group, process into touch screen panel by Wintek and purchase of finished goods by UKC group. Accordingly, the business risks are reduced by offsetting and balancing account receivables and account payables. However, current overexposure risk of account receivables was recorded as allowance for doubtful accounts in reaction to the filing of corporate reorganization proceedings by Wintek. Appropriate measures are and will be taken to offset account receivables and account payables, and collect account receivables.

As a result, UKC group recorded consolidated net sales of 131,870 million yen (down 19.6% year on year), consolidated operating income of 2,478 million yen (down 21.9% year on year), consolidated ordinary income of 2,836 million yen (down 8.9% year on year), and consolidated net income of 1,777 million yen (down 0.8% year on year).

(2) Business Segment Information

a. Semiconductors and electronic components

Net sales dropped mainly due to a slowdown in sales of products for foreign smartphones. Although the impact of allowance for doubtful accounts recorded at a subsidiary overseas in the same period last fiscal year was stripped, segment income also dropped on account of the above-mentioned allowance for doubtful accounts pertaining to Wintek in addition to the decline in net sales.

As a result, net sales dropped to 124,164 million yen (down 20.2% year on year) and segment income dropped to 2,436 million yen (down 23.7% year on year).

b. Electronic equipment

Net sales dropped on account of the delay until the second half of such large-scale deals as had been realized in the same period last fiscal year and the partial backlash of the increase in customer demand last fiscal year triggered by economic stimulus policies.

As a result, net sales dropped to 6,908 million yen (down 12.2% year on year) and segment loss was 37 million yen (improved 37 million yen year on year).

c. System equipment

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

Contracted reliability test and environmental material analysis service business showed improved gross margin with nearly flat sales year on year.

As a result, net sales grew to 1,326 million yen (up 13.0% year on year) and segment income grew to 114 million yen (up 20.1% year on year).

2. Financial Condition

(1) Total Assets, Liabilities and Net assets

Total assets at the end of the second quarter amounted to 118,786 million yen, up 349 million yen from the end of fiscal 2013 mainly attributable to increases in cash and deposit (up 4,302 million yen), inventories (up 756 million yen) mainly due to an increase in merchandise and finished goods of 223 million yen, other current assets (up 798 million yen) and investments and other assets (up 585 million yen), and a decrease in notes and accounts receivable-trade (down 5,990 million yen).

Total liabilities at the end of the second quarter amounted to 66,587 million yen, down 1,423 million yen from the end of fiscal 2013 mainly attributable to decreases in notes and accounts payable-trade (down 3,359 million yen), income taxes payable (down 996 million yen), current portion of long-term borrowings (down 902 million yen) and other current liabilities (down 1,205

million yen), and increases in short-term borrowings (up 4,760 million yen) and long-term borrowings (up 726 million yen).

Net assets were 52,199 million yen, up 1,773 million yen from the end of fiscal 2013 mainly attributable to net income of 1,777 million yen, dividends from retained earnings of 313 million yen, change in accumulated other comprehensive income of 271 million yen mainly due to an increase in foreign currency translation adjustments of 140 million yen, and a decrease in minority interests of 4 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 1,760 million yen (7,540 million yen provided for the same period previous year) mainly due to income before income taxes and minority interests (2,822 million yen), an increase in inventories (662 million yen), and decreases in notes and accounts receivable (7,191 million yen) and notes and accounts payable (3,925 million yen), as well as income taxes paid (2,012 million yen).

[Cash flows from investing activities]

Net cash used by investing activities was 536 million yen (258 million yen used for the same period previous year) mainly due to purchase of investment securities (297 million yen) and property, plant and equipment (189 million yen).

[Cash flows from financing activities]

Net cash provided in financing activities was 3,104 million yen (4,071 million yen used for the same period previous year) mainly due to net increase in short-term borrowings (3,690 million yen), proceeds from issuance of long-term borrowings (1,030 million yen), repayments of long-term borrowings (1,221 million yen), and cash dividends paid (313 million yen).

3. Forecast of Consolidated Financial Results

The business itself for this first half progressed as expected at the beginning of this fiscal year. However, the financial results for the first half were affected by the filing of corporate reorganization proceedings by Wintek. The forecast of financial results for the full fiscal year remains unchanged from the original disclosed on May 9, 2014 at this point as market and customer conditions for the second half are under scrutiny.

[Consolidated Balance Sheets]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2014 (As of March 31, 2014)	Second Quarter Ended September 30, 2014 (As of Sep. 30, 2014)
(Assets)		
Current assets		
Cash and deposit	17,658	21,960
Notes and accounts receivable-trade	69,633	63,642
Merchandise and finished goods	17,611	17,835
Work in process	434	551
Raw materials and supplies	370	786
Other	5,975	6,773
Allowance for doubtful accounts	△170	△75
Total current assets	<u>111,512</u>	<u>111,474</u>
Noncurrent assets		
Total property, plant and equipment	2,384	2,231
Total intangible assets	475	429
Investments and other assets		
Investment securities	3,011	3,280
Other	2,214	3,145
Allowance for doubtful accounts	△1,160	△1,775
Total investments and other assets	<u>4,064</u>	<u>4,650</u>
Total noncurrent assets	<u>6,924</u>	<u>7,311</u>
Total assets	<u>118,436</u>	<u>118,786</u>
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	37,487	34,127
Short-term borrowings	16,120	20,881
Current portion of long-term borrowings	2,044	1,141
Income taxes payable	1,636	640
Reserve for bonuses	454	328
Other	3,297	2,091
Total current liabilities	<u>61,040</u>	<u>59,210</u>
Noncurrent liabilities		
Long-term borrowings	5,893	6,620
Net defined benefit liability	692	381
Reserve for directors' retirement benefits	40	33
Other	344	341
Total noncurrent liabilities	<u>6,970</u>	<u>7,377</u>
Total liabilities	<u>68,010</u>	<u>66,587</u>
(Net assets)		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	37,818	39,327
Treasury stock	△2	△2
Total shareholders' equity	<u>48,541</u>	<u>50,051</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	254	336
Foreign currency translation adjustments	1,262	1,402
Pension liability adjustments	△43	3
Total valuation and translation adjustments	<u>1,473</u>	<u>1,742</u>
Minority interests	<u>410</u>	<u>405</u>
Total net assets	<u>50,425</u>	<u>52,199</u>
Total liabilities and net assets	<u>118,436</u>	<u>118,786</u>

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	Six Months Ended September 30, 2013	Six Months Ended September 30, 2014
Sales	164,092	131,870
Cost of sales	154,385	123,504
Gross Profit	9,706	8,366
Selling, general, and administrative expenses	6,534	5,888
Operating income	3,172	2,478
Non-operating income		
Interest income	22	45
Dividends income	25	22
Cash discount	3	3
Foreign exchange profit	—	334
Other	145	122
Total non-operating income	196	529
Non-operating expenses		
Interest payable	138	137
Loss on sales of accounts receivable	5	0
Foreign exchange losses	82	—
Other	27	32
Total non-operating expenses	254	170
Ordinary profit	3,114	2,836
Extraordinary income		
Gain on sale of fixed assets	2	0
Other	0	—
Total extraordinary income	3	0
Extraordinary loss		
Loss on disposal of fixed assets	0	0
Loss on sale of fixed assets	4	0
Loss on valuation of membership	6	3
Loss on sale of membership	—	7
Other	1	2
Total extraordinary losses	12	14
Income before income taxes and minority interests	3,105	2,822
Total income taxes	1,317	1,028
Income before Minority interest in income	1,787	1,793
Minority interests in income	△4	15
Net income	1,792	1,777

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down)	
	Six Months Ended September 30, 2013	Six Months Ended September 30, 2014
Income before Minority interest in income	1,787	1,793
Other comprehensive income		
Net unrealized gain on other marketable securities	△100	81
Foreign currency translation adjustments	909	140
Pension liability adjustments	—	46
Total other comprehensive income	808	268
Comprehensive Income	2,596	2,061
(Details)		
Comprehensive income relating to shareholders of parent company	2,601	2,045
Comprehensive income relating to minority shareholders	△4	15

[Consolidated Statements of Cash Flows]

(Millions of yen rounded down)

	Six Months Ended Sep. 30, 2013	Six Months Ended Sep. 30, 2014
I Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	3,105	2,822
Depreciation and amortization	258	316
Increase (decrease) in reserve for retirement benefits	Δ2	—
Increase (decrease) in net defined benefit liability	—	Δ167
Increase (decrease) in allowance for doubtful accounts	992	445
Decrease (increase) in notes and accounts receivable-trade	Δ9,672	7,191
Decrease (increase) in inventories	Δ909	Δ662
Increase (decrease) in notes and accounts payable-trade	16,290	Δ3,925
Other, net	Δ83	Δ2,179
Sub-total	9,979	3,842
Interest and dividends income received	47	68
Interest expenses paid	Δ138	Δ137
Income taxes paid	Δ2,348	Δ2,012
Net cash provided by (used in) operating activities	7,540	1,760
II Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	Δ165	Δ189
Income on sales of property, plant and equipment	3	7
Purchase of investment securities	Δ3	Δ297
Payments into time deposits	Δ600	Δ600
Proceeds from withdrawal of time deposits	600	600
Other, net	Δ92	Δ57
Net cash provided by (used in) investing activities	Δ258	Δ536
III Net cash provided by (used in) financing activities		
Increase (decrease) in short-term borrowings	Δ4,181	3,690
Proceeds from issuance of long-term borrowings	3,979	1,030
Repayments of long-term borrowings	Δ3,173	Δ1,221
Purchase of treasury stock	Δ0	Δ0
Cash dividends paid	Δ627	Δ313
Dividends distributions to minority interests	Δ10	Δ20
Other, net	Δ57	Δ59
Net cash provided by (used in) financing activities	Δ4,071	3,104
IV Effective of exchange rate change on cash and cash equivalents	1,702	Δ91
V Net increase (decrease) in cash and cash equivalents	4,912	4,237
VI Cash and cash equivalents at beginning of period	10,561	15,829
VIII Cash and cash equivalents at end of period	15,473	20,066

[Segment Information]

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

For the six months 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.

For the six months ended September 30, 2014 (April 1, 2014 to September 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	124,159	6,383	1,326	131,870	—	131,870
Internal sales or transfers between segments	4	524	—	529	△529	—
Total	124,164	6,908	1,326	132,399	△529	131,870
Operating income	2,436	37	114	2,587	△109	2,478

(Note)

An adjustment of △109 million yen for segment income includes an elimination of inter-segment transactions of △1 million yen and corporate expenses of △108 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.