

February 6, 2015

Consolidated Financial Results for the Nine Months Ended Dec. 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
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Filing date of the Quarterly Securities Report (scheduled)	February 9, 2015

(Millions of yen rounded down)

1. Consolidated results for the nine months ended Dec. 31, 2014 (April 1, 2014 to December 31, 2014)

(1) Consolidated operating results (Cumulative)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014 3Q	202,710	△17.4	4,003	△26.3	4,863	△16.8	3,227	△8.6
FY2013 3Q	245,349	13.4	5,432	△8.9	5,847	△1.3	3,532	1.2

(Note) Comprehensive income

FY2014 3Q: 4,582 million yen (△7.7%) FY2013 3Q: 4,961 million yen (28.2%)

	Net income per share	Net income per share after dilution
	Yen	Yen
FY2014 3Q	205.61	—
FY2013 3Q	225.00	—

(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 3Q	128,289	54,405	42.1	3,442.10
Fiscal 2013	118,436	50,425	42.2	3,186.08

(Reference) Shareholders equity:

December 31, 2014: 54,033 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	△5.4	7,200	4.0	6,900	△4.7	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
December 31, 2014 15,700,021 shares March 31, 2014 15,700,021 shares
 - 2. Total number of treasury stock as of the period-end
December 31, 2014 2,181 shares March 31, 2014 1,859 shares
 - 3. Average number of shares outstanding during the period
FY2014 9 months 15,698,070 shares FY2013 9 months 15,698,372 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 for the nine months ended December 31, 2014 enjoyed some good economic indicators, but witnessed a delay in recovery from the slowdown since the sales tax increase with minus growth in real GDP for the second straight quarter from April through September. From a global perspective, there remain economic downturn risks such as plummeting oil prices, slowdown in economic growth in China and other Asian emerging nations, and political tensions in the Middle East and Russia.

The electronics industry to which UKC group belongs increasingly depends on smartphones for its growth. 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 product lines, and creating new businesses by utilizing business and capital alliances with other corporations. However, the business performance was affected by a temporary slowdown in sales for foreign smartphones and a provision of allowance for doubtful accounts recorded in the second quarter in connection with the business failure of Wintek Corporation, a Taiwan touch screen panel manufacturer.

As a result, UKC group recorded consolidated net sales of 202,710 million yen (down 17.4% year on year), consolidated operating income of 4,003 million yen (down 26.3% year on year), consolidated ordinary income of 4,863 million yen (down 16.8% year on year), and consolidated net income of 3,227 million yen (down 8.6% 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 second quarter of last fiscal year was stripped, segment income also dropped on account of the allowance for doubtful accounts pertaining to Wintek in addition to the decline in net sales.

As a result, net sales dropped to 191,738 million yen (down 17.6% year on year) and segment income dropped to 4,226 million yen (down 23.0% year on year).

b. Electronic equipment

Net sales dropped on account of the prolonged backlash of the increase in customer demand last

fiscal year triggered by economic stimulus policies. The drop in net sales widened segment loss despite an improvement in gross margin and a reduction in fixed cost.

As a result, net sales dropped to 9,734 million yen (down 14.9% year on year) and segment loss was 167 million yen (deteriorated 122 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 a slight decline in net sales year on year.

As a result, net sales grew to 2,023 million yen (up 8.9% year on year) and segment income grew to 149 million yen (up 14.0% year on year).

2. Financial Condition

Total assets at the end of the third quarter amounted to 128,289 million yen, up 9,852 million yen from the end of fiscal 2013 mainly attributable to increases in notes and accounts receivable-trade (up 4,458 million yen), inventories (up 2,527 million yen) mainly due to an increase in merchandise and finished goods of 1,139 million yen, other current assets (up 524 million yen) and investments and other assets (up 701 million yen).

Total liabilities at the end of the third quarter amounted to 73,884 million yen, up 5,873 million yen from the end of fiscal 2013 mainly attributable to increases in notes and accounts payable-trade (up 2,546 million yen), short-term borrowings (up 5,561 million yen) and long-term borrowings (up 1,088 million yen) and decreases in current portion of long-term borrowings (down 1,113 million yen), income taxes payable (down 923 million yen) and other current liabilities (down 706 million yen).

Net assets were 54,405 million yen, up 3,979 million yen from the end of fiscal 2013 mainly attributable to net income of 3,227 million yen, dividends from retained earnings of 627 million yen, an increase in foreign currency translation adjustments of 1,189 million yen, and a decrease in minority interests of 38 million yen.

3. Forecast of Consolidated Financial Results

The financial results for the nine months ended December 31, 2014 were affected by a temporary slowdown in sales for foreign smartphones and a provision of allowance for doubtful accounts recorded in the second quarter in connection with the business failure of Wintek, a Taiwan touch screen panel manufacturer. For the coming fourth quarter, although a recovery in sales for foreign smartphones is expected, uncertainties remain regarding substitute touch screen panel suppliers for Wintek. Therefore, the forecast of financial results for the full fiscal year remains unchanged from the original disclosed on May 9, 2014 at this point.

[Consolidated Balance Sheets]

	(Millions of yen rounded down)	
	Fiscal Year Ended March 31, 2014 (As of March 31, 2014)	Thrid Quarter Ended December 31, 2014 (As of Dec. 31, 2014)
(Assets)		
Current assets		
Cash and deposit	17,658	19,303
Notes and accounts receivable-trade	69,633	74,091
Merchandise and finished goods	17,611	18,751
Work in process	434	1,022
Raw materials and supplies	370	1,170
Other	5,975	6,499
Allowance for doubtful accounts	△170	△73
Total current assets	<u>111,512</u>	<u>120,766</u>
Noncurrent assets		
Total property, plant and equipment	2,384	2,350
Total intangible assets	475	406
Investments and other assets		
Investment securities	3,011	3,419
Other	2,214	3,157
Allowance for doubtful accounts	△1,160	△1,809
Total investments and other assets	<u>4,064</u>	<u>4,766</u>
Total noncurrent assets	<u>6,924</u>	<u>7,523</u>
Total assets	<u>118,436</u>	<u>128,289</u>
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	37,487	40,034
Short-term borrowings	16,120	21,682
Current portion of long-term borrowings	2,044	930
Income taxes payable	1,636	712
Reserve for bonuses	454	213
Other	3,297	2,591
Total current liabilities	<u>61,040</u>	<u>66,164</u>
Noncurrent liabilities		
Long-term borrowings	5,893	6,982
Net defined benefit liability	692	353
Reserve for directors' retirement benefits	40	34
Other	344	348
Total noncurrent liabilities	<u>6,970</u>	<u>7,719</u>
Total liabilities	<u>68,010</u>	<u>73,884</u>
(Net assets)		
Shareholders' equity		
Common stock	4,383	4,383
Capital surplus	6,342	6,342
Retained earnings	37,818	40,463
Treasury stock	△2	△3
Total shareholders' equity	<u>48,541</u>	<u>51,186</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	254	390
Foreign currency translation adjustments	1,262	2,451
Pension liability adjustments	△43	4
Total valuation and translation adjustments	<u>1,473</u>	<u>2,846</u>
Minority interests	410	371
Total net assets	<u>50,425</u>	<u>54,405</u>
Total liabilities and net assets	<u>118,436</u>	<u>128,289</u>

[Consolidated Statements of Income]

	(Millions of yen rounded down)	
	Nine Months Ended December 31, 2013	Nine Months Ended December 31, 2014
Sales	245,349	202,710
Cost of sales	230,481	189,915
Gross Profit	14,867	12,795
Selling, general, and administrative expenses	9,435	8,791
Operating income	5,432	4,003
Non-operating income		
Interest income	38	63
Dividends income	33	32
Cash discount	5	5
Foreign exchange profit	445	864
Other	159	125
Total non-operating income	682	1,092
Non-operating expenses		
Interest payable	209	213
Loss on sales of accounts receivable	9	1
Other	48	17
Total non-operating expenses	267	232
Ordinary profit	5,847	4,863
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	5	3
Loss on sale of fixed assets	—	1
Loss on valuation of membership	17	4
Loss on sale of membership	—	7
Other	0	0
Total extraordinary losses	22	17
Income before income taxes and minority interests	5,828	4,845
Total income taxes	2,310	1,636
Income before Minority interest in income	3,518	3,209
Minority interests in income	△13	△18
Net income	3,532	3,227

[Consolidated Comprehensive Statements of Income]

	(Millions of yen rounded down)	
	Nine Months Ended December 31, 2013	Nine Months Ended December 31, 2014
Income before Minority interest in income	3,518	3,209
Other comprehensive income		
Net unrealized gain on other marketable securities	18	136
Foreign currency translation adjustments	1,424	1,189
Pension liability adjustments	—	47
Total other comprehensive income	1,443	1,372
Comprehensive Income	4,961	4,582
(Details)		
Comprehensive income relating to shareholders of parent company	4,975	4,600
Comprehensive income relating to minority shareholders	△13	△18

[Segment Information]

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

For the nine months 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.

For the nine months ended December 31, 2014 (April 1, 2014 to December 31, 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	191,726	8,960	2,023	202,710	—	202,710
Internal sales or transfers between segments	12	773	—	785	△785	—
Total	191,738	9,734	2,023	203,496	△785	202,710
Operating income	4,226	△167	149	4,207	△203	4,003

(Note)

An adjustment of △203 million yen for segment income includes an elimination of inter-segment transactions of △1 million yen and corporate expenses of △202 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.