

# Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2016

August 5, 2015

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

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Expected submission of quarterly report: August 12, 2015

Expected commencement date for paying dividend: –

Preparation of supplementary explanation documents for quarterly financial results: No

Holding of an analyst meeting for quarterly financial results: No

(Figures rounded to nearest million yen.)

## 1. Consolidated performance for 1st quarter of fiscal year ending March 31, 2016 (April 1, 2015 to June 30, 2015)

### (1) Consolidated performance (accumulation)

(Percentages represent changes from same period in previous year.)

	Net sales		Operating income		Ordinary income		Quarterly net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1 of FY ending March 31, 2016	35,734	(5.8)	2,273	48.2	1,852	184.2	1,552	—
Q1 of FY ended March 31, 2015	37,931	(0.8)	1,534	(17.2)	651	(60.8)	(3,361)	—

(Note) Comprehensive income

Q1 of FY ending March 31, 2016: 1,400 million yen [— %]

Q1 of FY ended March 31, 2015: (3,141) million yen [— %]

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
Q1 of FY ending March 31, 2016	2.26	1.22
Q1 of FY ended March 31, 2015	(5.83)	—

### (2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q1 of FY ending March 31, 2016	227,337	32,322	12.8
FY ended March 31, 2015	235,882	31,590	12.0

(Reference) Shareholders' equity

1st quarter of fiscal year ending March 31, 2016: 29,036 million yen

Fiscal year ended March 31, 2015: 28,354 million yen

## 2. Dividend payment

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2015	—	0.00	—	0.00	0.00
FY ending March 31, 2016	—				
FY ending March 31, 2016 (forecast)		0.00	—	0.00	0.00

(Note) Revision of the latest dividend forecast: None

(Note) The above *Dividend payment* refers to dividends paid to the holders of common stock. For details of dividend payment to the holders of class shares (unlisted), the rights of which are different from those of common stock, please refer to *Dividend payment to the holders of class shares* mentioned below.

## 3. Forecast of consolidated performance for fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(% figures represent changes from same period in the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
1st half of FY ending March 31, 2016	71,000	(8.5)	5,000	60.1	3,600	69.8	1,000	—	0.87
FY ending March 31, 2016	145,000	(8.9)	11,300	26.7	8,800	14.6	3,000	—	3.47

(Note) Revision of the latest forecasts of operational results: None

## \* Notes

## (1) Changes in significant subsidiaries during the period: Yes

New companies: — (company name)

Excluded companies: 4 companies; (company name): Unitika Berkshire Co., Ltd., Unitika Information Systems Co., Ltd., Diabond Industry Co., Ltd., Unitika Environmental Technical Center Ltd.

## (2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: No

## (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

① Changes in accounting policies due to revisions of accounting standards: Yes

② Changes of accounting policies other than the above: No

③ Changes in accounting estimates: No

④ Retrospective restatement: No

## (4) Number of shares outstanding (Common stock)

① Number of shares outstanding at end of term (including treasury stock):

1st quarter of the fiscal year ending March 31, 2016: 577,523,433 shares

Fiscal year ended March 31, 2015: 577,523,433 shares

② Number of treasury stocks at end of term

1st quarter of the fiscal year ending March 31, 2016: 796,891 shares

Fiscal year ended March 31, 2015: 794,415 shares

③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)

1st quarter of the fiscal year ending March 31, 2016: 576,728,143 shares

1st quarter of the fiscal year ended March 31, 2015: 576,740,497 shares

## \* Information on implementation of quarterly review procedures

The summary of financial statements is not subject to quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosing the summary of financial statements, the quarterly financial statement review procedures have been implemented.

## \* Explanation on appropriate use of forecasts of performance and other special items

The forward-looking statements in this document concerning forecasting of performance etc. are based on currently available information and assumptions considered by the company to be reasonable. Such statements are neither promises nor guarantees of future performance. The actual performance may be significantly different from forecasts due to various factors. Concerning assumptions used as a basis for forecasting business performance and precautionary statements when using the forecast of performance, please refer to *1. Qualitative Information on Quarterly Results (3) Explanation of future forecast information including forecast of consolidated performance* on page 3 of the attachment.

**Dividend payment to the holders of class shares**

The breakdown of dividends per share related to class shares, the rights of which are different from those of common stock, is as follows:

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year end	Total
Class A share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2015	—	0.00	—	8,021.90	8,021.90
FY ending March 31, 2016	—				
FY ending March 31, 2016 (forecast)		0.00	—	12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2015	—	0.00	—	15,870.00	15,870.00
FY ending March 31, 2016	—				
FY ending March 31, 2016 (forecast)		0.00	—	23,740.00	23,740.00
Class C share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2015	—	0.00	—	40,109.60	40,109.60
FY ending March 31, 2016	—				
FY ending March 31, 2016 (forecast)		0.00	—	60,000.00	60,000.00

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## 1. Qualitative Information on Quarterly Results

### (1) Explanation of operational results

During the first quarter of the fiscal year ending March 31, 2016 the Japanese economy continued its modest recovery, supported by the recovery of sales mainly by exporting companies and the improvement in employment, despite the steep rise in raw material prices due to the depreciation of the yen and the prolonged backlash of the last-minute surge in demand before the consumption tax rate increase. The global economy generally maintained the tone of recovery mainly supported by the pick-up of the U.S. economy and those of other developed countries, although there remained uncertainties in other areas, including the financial crisis in Greece and the slow-down of economic growth in China.

Under these circumstances, the Unitika Group tried to strengthen its foundation as a functional materials manufacturer centering on the Polymers business with the aim of achieving targets at an early stage under the growth strategy stated in its new medium-term management plan, which started in the last fiscal year. In addition, as a part of its business portfolio restructuring, the Group downsized or exited under-performing non-core businesses.

As a result, in the first quarter of the year ending March 31, 2016 (three months from April 1, 2015 to June 30, 2015) the Unitika Group reported net sales of 35,734 million yen (down 5.8% year-on-year), operating income of 2,273 million yen (up 48.2% year-on-year), ordinary income of 1,852 million yen (up 184.2% year-on-year) and net income attributable to owners of parent of 1,552 million yen (net loss of 3,361 million yen in the same period of the previous year).

Business results by segment are as stated below. In the first quarter of the current accounting year, Unitika reformed the organizational structure and business classifications for management purposes, with the aim of achieving the goals of the medium-term management plan. In response to these revisions, reporting segments were also reclassified. The statements referring to comparison below are based on reclassified figures of the same period of the previous year. For details, please see 3. *Quarterly Consolidated Financial Statements*, (3) *Notes on quarterly consolidated financial statements (Segment information)*.

#### [Polymers]

In the Films business, domestic sales in the packaging sector remained the same because consumption was weak in Japan, while overseas sales increased, supported by strong sales in South East Asia. Sales in the industrial sector increased, supported by strong sales of electric and electronic equipment applications. Overall, sales in the Films business segment increased as a result of the decline in material prices and cost reduction efforts.

In the Resins business, the demand for nylon resins from automobile manufacturers in Japan was weak, while their sales in overseas markets were strong, mainly in the U.S. Sales of *U-Polymer*, the Company's original polyarylate resin for information devices were strong.

In the Non-woven Fabrics business, sales of polyester spunbond fabrics decreased, mainly in the agricultural and building materials sectors. Meanwhile, sales of cotton spunlace increased, mainly supported by the recovery of demand in the daily product market.

Consequently, the Polymers business posted operating income of 1,709 million yen (up 33.0% year-on-year) on net sales of 13,719 million yen (up 0.7% year-on-year).

#### [Advanced Materials]

In the Glass Fibers business, sales in the industrial materials sector, mainly building-related materials, were strong. In the electronic materials sector, sales of IC cloth for information devices were relatively weak. In the Glass Beads business, sales for road marking applications decreased, while sales of industrial and reflective material applications remained strong. Meanwhile, in the Activated Carbon Fibers business, sales in the industrial applications sector were strong, although sales in the main sector of water purifier applications were relatively weak.

Consequently, the Advanced Materials business posted operating income of 368 million yen (up 22.7% year-on-year) on net sales of 2,736 million yen (down 5.8% year-on-year).

#### [Fibers and Textiles]

In the Industrial Materials business, although sales of ultra-high strength polyester filament yarn were weak in the field of civil engineering, overall sales improved as a result of the shift in sales focus to high-profit products. Sales of short-fiber polyester improved significantly as a result of downsizing of under-performing product sales in response to the business restructuring. Sales of vinylon fiber for reinforced concrete applications, a replacement for asbestos, remained severe, although we have continued efforts to improve its profitability, including a shift to sales of high-profit products in Europe and emerging countries.

In the Garments, Lifestyle Materials, and Bedding business, sales decreased due to weak sales in the women, sports and inner wear sectors.

Consequently, the Fibers and Textiles business posted operating income of 266 million yen (operating loss of 122 million yen in the same period the previous year) on net sales of 16,277 million yen (down 7.1% year-on-year).

[Others]

In the Condominium Sales business, sales decreased because there were no new buildings completed during the period, while all units in the condominium buildings completed last year were sold out.

Consequently, the Others category posted an operating loss of 82 million yen (operating income of 71 million yen in the same period the previous year) on net sales of 3,001 million yen (down 22.8% year-on-year).

(2) Explanation of financial situation

Total assets decreased by 8,544 million yen from the end of the previous consolidated fiscal year to 227,337 million yen. This decrease was mainly due to the decrease in cash and deposits. Liabilities decreased by 9,276 million yen to 195,015 million yen, mainly due to the decrease in trade payables. Net assets increased by 731 million yen to 32,322 million yen. This was mainly due to the increase in retained earnings as a result of the reporting of net income attributable to owners of parent.

(3) Explanation of future forecast information including forecast of consolidated performance

There are no modifications to the forecasts for the first six months and the full year of the fiscal year ending March 31, 2016 announced on May 12, 2015.

2. Matters concerning Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

From the first quarter of the current consolidated accounting year, Unitika Berkshire Co., Ltd., Unitika Information Systems Co., Ltd., Diabond Industry Co., Ltd., and Unitika Environmental Technical Center Ltd. were excluded from consolidation as a result of divestiture of their shares.

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements

Not applicable

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatements

(Changes in accounting policies)

(Application of Accounting Standards for Business Combination)

From the first quarter of the current consolidated accounting year, the Company adopted the Accounting Standard for Business Combination (ASBJ Statement No. 21, September 13, 2013, hereinafter the "Business Combination Accounting Standards"), the Accounting Standards for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter the "Consolidated Accounting Standards"), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter the "Business Divestitures Accounting Standards"). In response to the adoption of these standards, the Company changed the accounting treatment of the Company's equity in subsidiaries under the control of the Company. Specifically, differences resulting from the Company's acquisition of shares of subsidiaries are recorded as a capital surplus, and the costs related to those acquisitions are recorded as expenses for the fiscal year in which the acquisitions are made. For business combinations in and after the first quarter of the current consolidated accounting year, the method to allocate acquisition costs has changed. The acquisition cost modified by temporary accounting is allocated to the consolidated financial statements for the quarter in which the business combination is implemented. In addition, the presentation of net income has also changed. And the presentation as a "minority interests" has changed to "non-controlling interests". To reflect these changes, presentations in the consolidated financial statements for the first quarter and the full year of the previous consolidated fiscal year were reclassified.

In adopting the Business Combination Accounting Standards, etc., the Company adopts the transitional treatments as stipulated in Article 58-2 (4) of the same Standards, Article 44-5 (4) of the Consolidated Accounting Standards, and Article 57-4 (4) of the Business Divestiture Accounting Standards in and after the beginning of the first quarter of the current consolidated accounting year.

As a result, operating income, ordinary income and net income before income taxes for the first quarter of the current consolidated accounting year increased by 2 million yen, respectively. Capital surplus as of the end of the first quarter (June 30, 2015) decreased by 47 million yen.

## 3. Quarterly Financial Statements

## (1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2015)	Q1 of FY ending March 2016 (June 30, 2015)
Assets		
Current assets		
Cash and deposits	31,738	26,430
Notes and accounts receivable-trade	39,059	36,291
Inventories	37,377	37,366
Other	4,800	4,952
Allowance for doubtful accounts	(161)	(167)
Total current assets	112,814	104,874
Non-current assets		
Property plant and equipment		
Land	76,904	76,467
Other, net	39,538	39,306
Total property plant and equipment	116,443	115,774
Intangible assets		
Goodwill	4	3
Other	1,480	1,476
Total intangible assets	1,485	1,480
Investments and other assets		
Other	5,382	5,322
Allowance for doubtful accounts	(243)	(114)
Total investments and other assets	5,138	5,208
Total non-current assets	123,067	122,462
Total assets	235,882	227,337

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2015)	Q1 of FY ending March 2016 (June 30, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	20,368	16,431
Short-term loans payable	2,072	2,148
Current portion of long-term loans payable	1,703	1,123
Income taxes payable	461	93
Provision for bonuses	1,531	733
A product repair reserve fund	3,947	3,650
Provision for business structure improvement	1,751	1,621
Other	12,005	10,856
<b>Total current liabilities</b>	<b>43,842</b>	<b>36,656</b>
<b>Non-current liabilities</b>		
Long-term loans payable	130,127	129,112
Provision for directors' retirement benefits	26	7
Net defined benefit liability	12,353	11,455
Other	17,941	17,782
<b>Total non-current liabilities</b>	<b>160,449</b>	<b>158,358</b>
<b>Total liabilities</b>	<b>204,291</b>	<b>195,015</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	100	100
Capital surplus	60,275	28,448
Retained earnings	(31,138)	1,526
Treasury shares	(45)	(45)
<b>Total shareholders' equity</b>	<b>29,191</b>	<b>30,030</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	468	585
Deferred gains or losses on hedges	(224)	(208)
Revaluation reserve for land	5,165	5,165
Foreign currency translation adjustment	(2,807)	(3,181)
Remeasurements of defined benefit plans	(3,439)	(3,355)
<b>Total accumulated other comprehensive income</b>	<b>(837)</b>	<b>(994)</b>
<b>Non-controlling interests</b>	<b>3,236</b>	<b>3,286</b>
<b>Total net assets</b>	<b>31,590</b>	<b>32,322</b>
<b>Total liabilities and net assets</b>	<b>235,882</b>	<b>227,337</b>

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income  
 (Consolidated quarterly statements of income)  
 (Three-month period ended June 30, 2015)

(Unit: Millions of yen)

	Three-month period ended June 30, 2014 (April 1, 2014 to June 30, 2014)	Three-month period ended June 30, 2015 (April 1, 2015 to June 30, 2015)
Net sales	37,931	35,734
Cost of sales	30,491	28,358
Gross profit	7,439	7,376
Selling, general and administrative expenses	5,905	5,103
Operating income	1,534	2,273
Non-operating income		
Interest income	22	3
Dividend income	40	38
Foreign exchange gains	—	161
Other	165	206
Total non-operating income	228	409
Non-operating expenses		
Interest expenses	725	605
Share of loss of entities accounted for using equity method	0	5
Other	384	219
Total non-operating expenses	1,110	830
Ordinary income	651	1,852
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	—	375
Total extraordinary income	—	375
Extraordinary losses		
Loss on disposal of non-current assets	99	76
Impairment loss	1,257	—
Business structure improvement expenses	1,160	211
Other	15	59
Total extraordinary losses	2,532	347
Income (loss) before income taxes and minority interests	(1,881)	1,880
Income taxes-current	95	(2)
Income taxes-deferred	1,376	308
Total income taxes	1,472	306
Profit (loss)	(3,353)	1,574
Profit attributable to non-controlling interests	8	21
Profit (loss) attributable to owners of parent	(3,361)	1,552

## (Consolidated quarterly statements of comprehensive income)

(Three-month period ended June 30, 2015)

(Unit: Millions of yen)

	Three-month period ended June 30, 2014 (April 1, 2014 to June 30, 2014)	Three-month period ended June 30, 2015 (April 1, 2015 to June 30, 2015)
Profit (loss)	(3,353)	1,574
Other comprehensive income		
Valuation difference on available-for-sale securities	35	117
Deferred gains or losses on hedges	11	16
Foreign currency translation adjustment	(177)	(392)
Remeasurements of defined benefit plans, net of tax	342	84
Total other comprehensive income	211	(174)
Comprehensive income	(3,141)	1,400
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,102)	1,395
Comprehensive income attributable to non-controlling interests	(39)	4

## (3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Segment information)

Segment Information

## I. Three-month period ended June 30, 2014 (April 1, 2014 to June 30, 2014)

## Information on net sales, income or loss by reportable segment

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment	Figure in quarterly consolidated statements of income (Note 2)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	13,622	2,903	17,519	34,046	3,885	37,931	—	37,931
Inter-segment sales or transfers	2,854	229	263	3,347	520	3,867	(3,867)	—
Total	16,477	3,133	17,782	37,393	4,405	41,799	(3,867)	37,931
Segment income (loss)	1,285	300	(122)	1,462	71	1,534	(0)	1,534

(Notes) 1. The *Other* category comprises business segments that are not included in reportable segments. It includes Environmental business, Medical business, Healthcare & Amenity business, and Real Estate-related business and the like.

2. *Segment income (loss)* is adjusted with operating income in consolidated statements of income.

## II. Three-month period ended June 30, 2015 (April 1, 2015 to June 30, 2015)

## 1. Information on net sales, income or loss by reportable segment

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment	Figure in quarterly consolidated statements of income (Note 2)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	13,719	2,736	16,277	32,733	3,001	35,734	—	35,734
Inter-segment sales or transfers	2,688	270	196	3,154	255	3,410	(3,410)	—
Total	16,407	3,006	16,473	35,888	3,257	39,145	(3,410)	35,734
Segment income (loss)	1,709	368	266	2,344	(82)	2,262	11	2,273

(Notes) 1. The *Other* category comprises business segments that are not included in reportable segments. It includes Environmental business and Real Estate-related business and the like.

2. *Segment income (loss)* is adjusted with operating income in consolidated statements of income.

## 2. Information related to the reclassification of reporting segments

In the first quarter of the current consolidated accounting year, Unitika reformed the organizational structure and business classifications for management purposes, with the aim of achieving the goals of the medium-term management plan. In response to these revisions, the classification of reporting segments for certain consolidated subsidiaries were also revised.

In addition, as for operating expenses, part of retirement benefit costs and part of R&D expenses, which were included in the adjustment item in the past, are allocated to relevant segments.

The segment information for the first quarter of the previous consolidated fiscal year was reclassified as the segment information after this revision.