



Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2018

August 7, 2017

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

URL: <http://www.unitika.co.jp/e/home.htm>

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Expected submission of quarterly report: August 10, 2017

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 down to nearest million yen.)

1. Consolidated performance for 1st quarter of fiscal year ending March 31, 2018 (April 1, 2017 to June 30, 2017)

(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, 2018	31,382	0.3	3,388	7.4	3,078	88.0	2,470	107.4
Q1 of FY ended March 31, 2017	31,289	(12.4)	3,153	38.7	1,637	(11.6)	1,191	(23.3)

(Note) Comprehensive income Q1 of FY ending March 31, 2018: 2,180 million yen [57.1%]
Q1 of FY ended March 31, 2017: 1,388 million yen [(0.8%)]

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
Q1 of FY ending March 31, 2018	4.11	2.47
Q1 of FY ended March 31, 2017	1.63	0.91

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q1 of FY ending March 31, 2018	196,907	34,497	15.8
FY ended March 31, 2017	211,872	45,264	19.7

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2018: 31,135 million yen
Fiscal year ended March 31, 2017: 41,841 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, 2017	—	0.00	—	0.00	0.00
FY ending March 31, 2018	—				
FY ending March 31, 2018 (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, 2018 (April 1, 2017 to March 31, 2018)

(% 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, 2018	63,500	1.5	5,500	(12.3)	4,800	16.1	3,700	3.2	6.07
FY ending March 31, 2018	131,000	3.8	10,700	(14.7)	7,300	(30.4)	4,900	(33.7)	78.07

(Note) Revision of the latest forecasts of operational results: Yes

(Note) The forecast for net income per share for the fiscal year ending March 31, 2018 (full year) is the value after reflecting the impact of the share consolidation. For details, please refer to the section *Explanation on appropriate use of forecasts of performance and other special items*.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying change of scope of consolidation): No
 New companies: — (company name)
 Excluded companies: —; (company name): —
- (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: No
 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, 2018: 577,523,433 shares
 Fiscal year ended March 31, 2017: 577,523,433 shares
 ② Number of treasury stocks at end of term
 1st quarter of the fiscal year ending March 31, 2018: 819,674 shares
 Fiscal year ended March 31, 2017: 817,969 shares
 ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
 1st quarter of the fiscal year ending March 31, 2018: 576,704,248 shares
 1st quarter of the fiscal year ended March 31, 2017: 576,717,677 shares

* Quarterly reports of financial results are not subject to audit.

* 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.

(Forecast of business performance after the share consolidation)

At the 207th General Meeting of Shareholders held on June 29, 2017, the Company proposed the consolidation of shares to shareholders and obtained approval from shareholders at the general meeting. Accordingly, the Company will implement the share consolidation effective as of October 1, 2017 by consolidating 10 common shares of the Company into one common share. The forecast of the consolidated results for the fiscal year ending March 31, 2018 excluding the impact of the scheduled share consolidation is as follows:

- Net income per share for the fiscal year ending March 31, 2018: 7.81 yen

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, 2017	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2018	—				
FY ending March 31, 2018 (forecast)		0.00	—	12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2017	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2018	—				
FY ending March 31, 2018 (forecast)		0.00	—	23,740.00	23,740.00
Class C share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2017	—	0.00	—	60,000.00	60,000.00
FY ending March 31, 2018	—				
FY ending March 31, 2018 (forecast)		—	—	—	—

(Note) The Company acquired and retired all outstanding Class C shares as of June 30, 2017. Accordingly, there will be no dividend payment for Class C shares from the fiscal year ending March 31, 2018.

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1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

During the three-month period of the consolidated accounting year under review, the Japanese economy continued to recover gradually, supported by a recovery in corporate earnings and an improvement in the employment environment. Meanwhile, the outlook for overseas economies remained unclear due to growing geopolitical risk and the uncertain political situation in the U.S. and Europe.

Under these circumstances, the Unitika Group endeavored to realize the three *Gs* (*Growth, Global, and Governance*) promoted under “*G round 20—to The Next Stage*”, its new medium-term management plan announced in May 2017. Consequently, the Group reported net sales of 31,382 million yen (up 0.3% year-on-year), operating profit of 3,388 million yen (up 7.4% year-on-year), ordinary income of 3,078 million yen (up 88.0% year-on-year), and profit attributable to owners of parent of 2,470 million yen (up 107.4% year-on-year) in the three-month period of the consolidated accounting year under review.

Business results by segment are as stated below.

[Polymers]

In the Films business, sales of the packaging sector grew due to continuous strong sales for summer goods in Japan and increased export volumes, mainly to Asia. In addition, the sales volume of *EMBLEM HG*, a barrier nylon film, grew steadily. In the industrial sector, demand for information terminal applications increased and sales of high value-added products such as *Uni Amid*, a heat-resistant polyamide film, also expanded.

In the Resin business, sales of U-Polymer, the Company’s original polyarylate resin, continued to be robust for information terminal applications overseas, although sales of general-purpose resins remained sluggish. Furthermore, UNITIKA ADVANCE (THAILAND) CO., LTD., a joint-venture company established in Thailand, began operations in June 2017.

In the Non-woven Fabrics business, sales of polyester spunbond fabrics grew steadily for agricultural, industrial material and daily product applications, but remained weak for some other applications. At THAI UNITIKA SPUNBOND CO., LTD. (TUSCO), a subsidiary in Thailand, the No. 3 machine that was newly added to the production line began operating. Sales of cotton spunlace continued to be strong for daily product applications, such as skin care goods, and the export volume also expanded.

The Polymers business saw profits decrease due to a rise in raw material prices. Consequently, it posted operating profit of 2,628 million yen (down 1.3% year-on-year) on net sales of 14,172 million yen (up 1.2% year-on-year).

[Advanced Materials]

In the Glass Fibers business, sales of products for construction applications continued to be robust in the industrial material sector, while sales of IC cloth in the electronic materials sector were steady due to a recovery in demand for information terminal devices.

In the Glass Beads business, sales for road marking applications and reflective material applications were slightly weak, while sales for industrial applications, such as fillers, continued to be strong.

In the Activated Carbon Fibers business, sales for our mainstay water purifier applications were steady across the board, although sales of faucet built-in water purifiers were slightly sluggish. Meanwhile, sales for VOC removal and industrial filter applications continued to be robust.

Consequently, the Advanced Materials business posted operating profit of 365 million yen (up 33.5% year-on-year) on net sales of 3,062 million yen (up 5.2% year-on-year).

[Fibers and Textiles]

In the Industrial Materials business, operating profit of the ultra-high-strength polyester filament yarn business exceeded the Company’s initial plan due to steady sales of high value-added products for civil engineering applications. In the short-fiber polyester business, operating profit was better than the Company’s initial plan, thanks to a rise in the sales of high value-added products.

In the Garments, Lifestyle Materials and Bedding business, sales of the uniform sector were steady, supported by mainly demand from corporate customers, although sales in the women’s clothing sector were slightly weak. Overseas, demand for denim was on the rebound.

Consequently, the Fibers and Textiles business posted operating profit of 450 million yen (up 22.0% year on year) on net sales of 13,121 million yen (down 3.4% year on year).

[Others]

The Others category posted an operating loss of 62 million yen (an operating loss of 146 million yen the previous year) on net sales of 1,026 million yen (up 28.6% year-on-year).

(2) Explanation of financial situation

Total assets decreased by 14,965 million yen from the end of the previous consolidated year to 196,907 million yen, mainly due to a decline in cash and deposits. Liabilities decreased by 4,198 million yen from the end of the previous consolidated year to 162,409 million yen, mainly due to a fall in notes and accounts payable-trade. Net assets decreased by 10,766 million yen from the end of the previous consolidated year to 34,497 million yen. This was mainly due to a decline in capital surplus caused by the purchase and retirement of Class C shares.

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

Regarding the revision of the consolidated performance forecast, please refer to *Notice Regarding the Revision of the Consolidated Performance Forecast* we have announced today (August 7, 2017).

2. Quarterly Consolidated Financial Statements and Major Notes to Consolidated Financial Statements

(1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2017)	Q1 of FY ending March 2018 (June 30, 2017)
Assets		
Current assets		
Cash and deposits	37,030	23,434
Notes and accounts receivable-trade	34,116	32,463
Inventories	25,704	26,817
Other	4,833	3,938
Allowance for doubtful accounts	(89)	(86)
Total current assets	101,595	86,566
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	21,393	23,717
Land	66,496	66,495
Other, net	15,901	13,484
Total property, plant and equipment	103,791	103,698
Intangible assets		
Other	2,035	2,062
Total intangible assets	2,035	2,062
Investments and other assets		
Other	4,477	4,604
Allowance for doubtful accounts	(26)	(23)
Total investments and other assets	4,450	4,580
Total non-current assets	110,277	110,340
Total assets	211,872	196,907

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2017)	Q1 of FY ending March 2018 (June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	17,506	15,871
Short-term loans payable	3,438	3,093
Current portion of long-term loans payable	2,756	2,767
Income taxes payable	1,167	420
Provision for bonuses	1,451	796
A product repair reserve fund	1,670	1,425
Provision for business structure improvement	152	116
Provision for loss on anti-monopoly act	980	980
Other	9,071	8,947
Total current liabilities	38,194	34,418
Non-current liabilities		
Long-term loans payable	103,132	102,310
Provision for directors' retirement benefits	4	4
Net defined benefit liability	11,209	11,332
Other	14,067	14,343
Total non-current liabilities	128,414	127,990
Total liabilities	166,608	162,409
Net assets		
Shareholders' equity		
Capital stock	100	100
Capital surplus	28,400	16,451
Retained earnings	12,117	13,591
Treasury shares	(47)	(47)
Total shareholders' equity	40,572	30,095
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	480	552
Deferred gains or losses on hedges	8	3
Revaluation reserve for land	6,415	6,415
Foreign currency translation adjustment	(2,856)	(3,238)
Remeasurements of defined benefit plans	(2,779)	(2,693)
Total accumulated other comprehensive income	1,269	1,039
Non-controlling interests	3,422	3,362
Total net assets	45,264	34,497
Total liabilities and net assets	211,872	196,907

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
 (Consolidated quarterly statements of income)
 (Three-month period ended June 30, 2017)

(Unit: Millions of yen)

	Three-month period ended June 30, 2016 (April 1, 2016 to June 30, 2016)	Three-month period ended June 30, 2017 (April 1, 2017 to June 30, 2017)
Net sales	31,289	31,382
Cost of sales	23,356	23,121
Gross profit	7,932	8,260
Selling, general and administrative expenses	4,778	4,872
Operating profit	3,153	3,388
Non-operating income		
Interest income	5	15
Dividend income	41	39
Rent income	73	35
Other	184	172
Total non-operating income	305	263
Non-operating expenses		
Interest expenses	539	357
Share of loss of entities accounted for using equity method	0	2
Foreign exchange losses	1,084	—
Other	196	212
Total non-operating expenses	1,820	572
Ordinary profit	1,637	3,078
Extraordinary income		
Gain on sales of non-current assets	61	131
Total extraordinary income	61	131
Extraordinary losses		
Loss on disposal of non-current assets	91	87
Business structure improvement expenses	101	38
Other	33	0
Total extraordinary losses	225	126
Profit before income taxes	1,473	3,084
Income taxes-current	118	237
Income taxes-deferred	115	368
Total income taxes	234	605
Profit	1,239	2,479
Profit attributable to non-controlling interests	47	8
Profit attributable to owners of parent	1,191	2,470

(Consolidated quarterly statements of comprehensive income)

(Three-month period ended June 30, 2017)

(Unit: Millions of yen)

	Three-month period ended June 30, 2016 (April 1, 2016 to June 30, 2016)	Three-month period ended June 30, 2017 (April 1, 2017 to June 30, 2017)
Profit	1,239	2,479
Other comprehensive income		
Valuation difference on available-for-sale securities	51	71
Deferred gains or losses on hedges	40	(5)
Revaluation reserve for land	(41)	—
Foreign currency translation adjustment	6	(450)
Remeasurements of defined benefit plans, net of tax	93	85
Total other comprehensive income	149	(298)
Comprehensive income	1,388	2,180
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,380	2,240
Comprehensive income attributable to non-controlling interests	8	(60)

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

UNITIKA LTD. resolved at the meeting of the Board of Directors held on March 21, 2017 to acquire all outstanding Class C shares (worth 10,000 million yen) in exchange for cash payment in accordance with the provision of Article 13-4, Item 6 of Articles of Incorporation of the Company (Call Options, the Consideration for Which Is Money) and to retire all outstanding Class C shares in accordance with the provision of Article 178 of the Companies Act subject to the said acquisition. The Company acquired and retired all outstanding Class C shares as of June 30, 2017.

(1) Details of acquisition of Class C shares

(i) Class of shares to be acquired: Class C shares

(ii) Counterparty in the acquisition (shareholder): Japan Industrial Solutions Fund I

(iii) Total number of shares to be acquired: 10,000 shares

(iv) Share acquisition value: 1,194,958.9 yen per share

(Note) The above share acquisition value is calculated by adding the unpaid preferred dividend on a per diem basis (14,958.9 yen) to an amount obtained by multiplying an amount equivalent to the amount to be paid in per Class C share (1,000,000 yen) by 1.18.

(v) Total share acquisition value: 11,949,589,000 yen

(vi) Acquisition date: June 30, 2017

(2) Details of retirement of Class C shares

(i) Class of shares to be retired: Class C shares

(ii) Total number of shares to be retired: 10,000 shares

(iii) Effective date of retirement: June 30, 2017

(3) Impact of the retirement on net assets

Capital surplus to be decreased: 11,949,589,000 yen

(Segment information)

Segment Information

I. Three-month period ended June 30, 2016 (April 1, 2016 to June 30, 2016)

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

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Figure in quarterly consolidated statements of income (Note 3)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	14,003	2,911	13,576	30,490	798	31,289	—	31,289
Inter-segment sales or transfers	2,197	210	230	2,638	282	2,921	(2,921)	—
Total	16,200	3,121	13,807	33,129	1,080	34,210	(2,921)	31,289
Segment income (loss)	2,661	273	369	3,304	(146)	3,158	(4)	3,153

(Notes) 1. The *Other* segment includes business segments that are not included in the reporting segments, such as the design, construction, and maintenance businesses of plant projects.

2. Adjustment of *Segment income (loss)* is attributable to the elimination of inter-segment transactions.

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

II. Three-month period ended June 30, 2017 (April 1, 2017 to June 30, 2017)

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

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Figure in quarterly consolidated statements of income (Note 3)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	14,172	3,062	13,121	30,356	1,026	31,382	—	31,382
Inter-segment sales or transfers	2,347	227	199	2,774	294	3,069	(3,069)	—
Total	16,520	3,289	13,320	33,130	1,320	34,451	(3,069)	31,382
Segment income (loss)	2,628	365	450	3,443	(62)	3,381	6	3,388

(Notes) 1. The *Other* category, which includes design and construction expenses as well as improvement and maintenance expenses of plants, does not qualify as a reportable operating segment.

2. Adjustment of *Segment income (loss)* is attributable to the elimination of inter-segment transactions.

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