

# Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2014

August 5, 2013

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

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

Representative: Kenji Yasue, President and Chief Executive Officer

Contact: Shoji Ishikawa, General Manager of Accounting Department

TEL: +81-6-6281-5721

Expected submission of quarterly report: August 9, 2013

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, 2014 (April 1, 2013 to June 30, 2013)

### (1) Consolidated performance (accumulation)

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

	Net sales		Operating income		Ordinary income		Quarterly net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1 of FY ending March 31, 2014	38,233	(1.7)	1,853	27.4	1,661	196.9	1,446	—
Q1 of FY ended March 31, 2013	38,883	(12.7)	1,454	(52.2)	559	(73.7)	59	(93.1)

(Note) Comprehensive income Q1 of FY ending March 31, 2014: 2,057 million yen [164.7 %]  
Q1 of FY ended March 31, 2013: 777 million yen [(26.8%)]

	Quarterly net income per share	Quarterly net income per share after full dilution
	Yen	Yen
Q1 of FY ending March 31, 2014	2.51	—
Q1 of FY ended March 31, 2013	0.10	—

### (2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q1 of FY ending March 31, 2014	261,609	23,375	7.6
FY ended March 31, 2013	255,054	21,317	7.0

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2014: 19,759 million yen  
Fiscal year ended March 31, 2013: 17,809 million yen

## 2. Dividend payment

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2013	—	0.00	—	0.00	0.00
FY ending March 31, 2014	—				
FY ending March 31, 2014 (forecast)		0.00	—	0.00	0.00

(Note) Revision of the latest dividend forecast: None

## 3. Forecast of consolidated performance for fiscal year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
6-month period ending September 30, 2013 (accumulation)	77,500	1.8	3,000	29.4	1,600	227.9	900	—	1.56
FY ending March 31, 2014	165,000	3.0	7,500	35.9	4,000	3.8	2,000	—	3.47

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

\* Notes

- (1) Changes in significant subsidiaries during the period: No
- (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, 2014: 577,523,433 shares
    - Fiscal year ended March 31, 2013: 577,523,433 shares
  - ② Number of treasury stocks at end of term
    - 1st quarter of the fiscal year ending March 31, 2014: 768,761 shares
    - Fiscal year ended March 31, 2013: 766,802 shares
  - ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
    - 1st quarter of the fiscal year ending March 31, 2014: 576,755,443 shares
    - 1st quarter of the fiscal year ended March 31, 2013: 575,501,163 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.

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## 1. Qualitative Information on Quarterly Results

### (1) Explanation of Operational Results

In the first quarter of the fiscal year ending March 31, 2014 (April 1, 2013 to June 30, 2013), the Japanese economic outlook was still unclear, since concerns over the employment situation and employees' income were not eliminated, although the Japanese economy was heading for recovery against the backdrop of expectations of the current government's policies to pull the country out of deflation, and there were also signs of an economic upturn, such as the improvement of the export environment and the recovery of competitiveness of Japanese products against imported goods due to the depreciation of the yen against the U.S. dollar. In such an environment, the Unitika Group reported operating income of 1,853 million yen (up 27.4% year-on-year) on net sales of 38,233 million yen (down 1.7% year-on-year), because sales volume, mainly in the Polymers business, recovered in general. Meanwhile ordinary income amounted to 1,661 million yen (up 196.9% year-on-year) and net income totaled 1,446 million yen (net income of 59 million yen in the previous year), due to the recording of non-operating income, such as foreign exchange gains, and extraordinary income, such as gain on sales of investment securities.

Here is an overview of the business results by segment.

#### [Polymers]

In the Films business, shipments to the packaging sector did not recover on a full scale, but demand continued picking up, leading to a growth in sales volume. Meanwhile, shipments to the industrial sector partly recovered, but the improvement of the market climate was slow. Earnings of the Films business as a whole decreased, since it took time before the effect of the price revision to cope with rising raw material and fuel prices was fully seen.

In the Resin business, shipments of nylon for the automobile sector, one of the main fields, grew steadily, and shipments of polyarylate resin for information terminal device applications and those of *ARROW BASE*, an environmentally friendly water-based polyolefin cationic emulsion, which the Company started marketing on a full scale in the previous term, also increased solidly.

In the Non-woven Fabrics business, earnings of polyester spunbond fabrics recovered, because the sales volume for agriculture, daily product materials and civil engineering applications increased and the profitability of the export business improved. In addition, sales of cotton spunlace grew steadily because of a recovery in demand from wet sheet applications.

Consequently, the Polymers business posted operating income of 1,879 million yen (up 9.7% year-on-year) on net sales of 16,113 million yen (up 6.4% year-on-year).

#### [Advanced Materials]

In the Glass Fiber business, shipments for building and civil engineering refurbishment applications grew steadily, while those of IC cloth for information terminal device applications increased solidly. In the glass beads business, shipments for road marking applications and industrial use remained strong due to a recovery of demand, while those for reflective materials applications were sluggish due to a decline in exports to Europe. Meanwhile, shipments of activated carbon fiber were strong, because demand from water purifier applications continued increasing and that from wastewater treatment and automobile applications, which had been slow to recover, regained their momentum.

Consequently, the Advanced Materials business posted operating income of 411 million yen (up 101.0% year-on-year) on net sales of 3,487 million yen (down 0.1% year-on-year).

#### [Fibers and Textiles]

In the Industrial Materials business, shipments of ultra-high strength polyester filament yarn for construction and civil engineering applications did attain full-scale recovery, but in the short-fiber polyester business, sales of differentiated binder fiber products expanded and the profitability of the export business improved. The profitability of vinylon fiber did not improve, because the sales volume decreased due to the inventory adjustment of vinylon span yarns for industrial material applications, although the effect of the cost reduction measures was seen in reinforced concrete applications, a replacement for asbestos.

In the Garments, Lifestyle Materials, and Bedding business, demand from the uniform field, which had been steady till the previous term, entered an adjustment phase, while sales of functional materials in the sporting clothing and the women's clothing fields also lost some of their momentum. However, some subsidiaries including those overseas saw their profitability improve due to a recovery in the market.

Consequently, the Fibers and Textiles business posted operating income of 0 million yen (down 98.9%

year-on-year) on net sales of 16,096 million yen (down 7.4% year-on-year).

[Others]

In the Healthcare & Amenity business, sales of health food and feeding stuffs were sluggish, while sales of functional dietary materials grew steadily due to expanded sales of food ingredients containing L-arabinose and lactobionic acid. In the Medical business, sales expanded in the medical product field because of a rise in the adoption of a new product in mainstay catheters for the treatment of circulatory system diseases. In the biochemical field, sales of enzymes recovered, but those of clinical diagnostic reagents were slightly weak due to inventory adjustment.

In the Real Estate business, sales of condominiums were in line with the budget.

Consequently, the Others category posted operating income of 194 million yen (up 30.7% year-on-year) on net sales of 2,535 million yen (down 11.2% year-on-year).

(2) Explanation of financial situation

Total assets increased by 6,555 million yen from the end of the previous consolidated fiscal year to 261,609 million yen, mainly due to a rise in accounts receivable-trade. Liabilities increased by 4,498 million yen from the end of the previous consolidated fiscal year to 238,234 million yen, mainly due to a rise in loans payable. Net assets increased by 2,057 million yen from the end of the previous consolidated fiscal year to 23,375 million yen, mainly due to a rise in retained earnings.

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

We revised the forecast of consolidated performance for the first six-month period of the fiscal year ending March 31, 2014 announced on May 14, 2013. We did not revise the forecast of consolidated performance for the fiscal year ending March 31, 2014. For detailed information, please refer to the "Notice on Revision of Consolidated Performance for the First Six-Month Period of the Fiscal Year Ending March 31, 2014" separately announced today.

2. Matters concerning Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

Not applicable

(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

Not applicable

3. Critical events, etc., regarding the assumption of a going concern

The Unitika Group's shareholders' equity amounted to 18,663 million yen in the previous consolidated fiscal year, because the Group posted a net loss of 10,875 million yen for the previous consolidated fiscal year. Consequently, the Unitika Group was in violation of restrictive financial covenants (criteria for shareholders' equity on the last day of the fiscal year or the second quarter of the fiscal year) on some of the long-term loans (outstanding balance of 4,600 million yen at the end of the previous consolidated fiscal year). However, management does not consider that there will be any critical uncertainties regarding the assumption of a going concern, since a consensus has been formed among financial institutions with whom the Group has concluded loan agreements as a result of their judgment that they refrain from exercising the right to claim acceleration of the loan maturity, and such situation has remained unchanged in the first quarter of the current consolidated fiscal year.

In order to bring about a radical change in earnings, the Unitika Group will promote the revamping of its business structure and the reduction of fixed costs. The Group also will concentrate its resources on growth areas, mainly the polymers and advanced materials fields, and promote a growth strategy for improving and strengthening its organic growth to turn around its business performance.

## 4. Quarterly Financial Statements

## (1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	Q1 of FY ending March 2014 (June 30, 2013)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	19,668	19,572
Notes and accounts receivable-trade	36,339	40,686
Inventories	39,776	41,935
Other	4,660	4,417
Allowance for doubtful accounts	(170)	(179)
<b>Total current assets</b>	<b>100,274</b>	<b>106,432</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Land	103,163	103,200
Other ,net	45,265	45,956
<b>Total property, plant and equipment</b>	<b>148,428</b>	<b>149,157</b>
<b>Intangible assets</b>		
Goodwill	14	13
Other	800	890
<b>Total intangible assets</b>	<b>815</b>	<b>904</b>
<b>Investments and other assets</b>		
Other	5,860	5,446
Allowance for doubtful accounts	(325)	(330)
<b>Total investments and other assets</b>	<b>5,535</b>	<b>5,115</b>
<b>Total noncurrent assets</b>	<b>154,779</b>	<b>155,177</b>
<b>Total assets</b>	<b>255,054</b>	<b>261,609</b>

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	Q1 of FY ending March 2014 (June 30, 2013)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	22,067	20,887
Short-term loans payable	68,433	68,926
Current portion of long-term loans payable	32,925	33,512
Income taxes payable	756	262
Provision for bonuses	1,567	866
Provision for business structure improvement	1,087	918
Other	11,724	12,024
<b>Total current liabilities</b>	<b>138,562</b>	<b>137,397</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	65,162	70,670
Provision for retirement benefits	7,752	8,081
Provision for directors' retirement benefits	53	26
Other	22,205	22,057
<b>Total noncurrent liabilities</b>	<b>95,173</b>	<b>100,836</b>
<b>Total liabilities</b>	<b>233,736</b>	<b>238,234</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	26,298	26,298
Capital surplus	4,385	4,385
Retained earnings	(11,976)	(10,529)
Treasury stock	(44)	(44)
<b>Total shareholders' equity</b>	<b>18,663</b>	<b>20,110</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	114	156
Deferred gains or losses on hedges	6	5
Revaluation reserve for land	2,979	2,979
Foreign currency translation adjustment	(3,954)	(3,492)
<b>Total accumulated other comprehensive income</b>	<b>(854)</b>	<b>(350)</b>
<b>Minority interests</b>	<b>3,508</b>	<b>3,615</b>
<b>Total net assets</b>	<b>21,317</b>	<b>23,375</b>
<b>Total liabilities and net assets</b>	<b>255,054</b>	<b>261,609</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, 2013)

(Unit: Millions of yen)

	Three-month period ended June 30, 2012 (April 1, 2012 to June 30, 2012)	Three-month period ended June 30, 2013 (April 1, 2013 to June 30, 2013)
Net sales	38,883	38,233
Cost of sales	31,599	30,839
Gross profit	7,283	7,393
Selling, general and administrative expenses	5,829	5,540
Operating income	1,454	1,853
Non-operating income		
Interest income	27	28
Dividends income	51	47
Foreign exchange gains	—	450
Other	233	230
Total non-operating income	312	757
Non-operating expenses		
Interest expenses	750	702
Equity in losses of affiliates	41	3
Other	415	243
Total non-operating expenses	1,207	949
Ordinary income	559	1,661
Extraordinary income		
Gain on sales of investment securities	—	275
Gain on bargain purchase	48	—
Total extraordinary income	48	275
Extraordinary loss		
Loss on disposal of noncurrent assets	84	80
Loss on valuation of investment securities	137	—
Other	128	108
Total extraordinary loss	349	188
Income before income taxes and minority interests	258	1,747
Income taxes-current	92	168
Income taxes-deferred	119	123
Total income taxes	211	291
Income before minority interests	46	1,456
Minority interests in income (loss)	(13)	9
Net income	59	1,446



## (Consolidated quarterly statements of comprehensive income)

(Three-month period ended June 30, 2013)

(Unit: Millions of yen)

	Three-month period ended June 30, 2012 (April 1, 2012 to June 30, 2012)	Three-month period ended June 30, 2013 (April 1, 2013 to June 30, 2013)
Income before minority interests	46	1,456
Other comprehensive income		
Valuation difference on available-for-sale securities	(23)	42
Deferred gains or losses on hedges	(19)	(1)
Foreign currency translation adjustment	775	560
Share of other comprehensive income of associates accounted for using equity method	(2)	—
Total other comprehensive income	730	601
Quarterly comprehensive income	777	2,057
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	691	1,950
Quarterly comprehensive income attributable to minority interests	85	107

## (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, 2012 (April 1, 2012 to June 30, 2012)

## 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	15,148	3,489	17,390	36,028	2,855	38,883	—	38,883
Inter-segment sales or transfers	5	2	61	69	579	648	(648)	—
Total	15,153	3,491	17,452	36,097	3,434	39,532	(648)	38,883
Segment income	1,712	204	90	2,008	148	2,157	(702)	1,454

(Notes) 1. *Other* includes the Environmental Business, Medical Business, Health & Amenity Business, and Real Estate-related Business.

2. Adjustment of (702) million yen for *Segment income* includes corporate expenses that are not allocated to each reportable segment.

3. *Segment income* is adjusted with operating income in quarterly consolidated statements of income.

## 2. Information concerning goodwill, etc. by reportable segment.

(Significant gain on bargain purchase)

The Company posted a gain on bargain purchase in the Polymers business. This was because the acquisition cost of shares in Terabo Co., Ltd. that the Company additionally acquired fell below the amount of the minority interests that decreased due to the additional acquisition. For information, the gain on bargain purchase amounted to 48 million yen in the first quarter of the fiscal year ending March 31, 2014.

## II. Three-month period ended June 30, 2013 (April 1, 2013 to June 30, 2013)

## 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	16,113	3,487	16,096	35,698	2,535	38,233	—	38,233
Inter-segment sales or transfers	4	16	49	69	412	482	(482)	—
Total	16,118	3,504	16,145	35,768	2,947	38,715	(482)	38,233
Segment income	1,879	411	0	2,292	194	2,487	(633)	1,853

(Notes) 1. *Other* includes the Environmental Business, Medical Business, Health & Amenity Business, and Real Estate-related Business.

2. Adjustment of (633) million yen for *Segment income* includes corporate expenses that are not allocated to each reportable segment.

3. *Segment income* is adjusted with operating income in quarterly consolidated statements of income.