

Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2015

August 5, 2014

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

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Expected submission of quarterly report: August 12, 2014

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, 2015 (April 1, 2014 to June 30, 2014)

(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, 2015	37,931	(0.8)	1,534	(17.2)	651	(60.8)	(3,361)	—
Q1 of FY ended March 31, 2014	38,233	(1.7)	1,853	27.4	1,661	196.9	1,446	—

(Note) Comprehensive income

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

Q1 of FY ended March 31, 2014: 2,057 million yen [164.7%]

	Quarterly net income per share	Quarterly net income per share after full dilution
	Yen	Yen
Q1 of FY ending March 31, 2015	(5.83)	—
Q1 of FY ended March 31, 2014	2.51	—

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q1 of FY ending March 31, 2015	251,125	17,653	5.5
FY ended March 31, 2014	254,181	19,368	6.1

(Reference) Shareholders' equity

1st quarter of fiscal year ending March 31, 2015: 13,864 million yen

Fiscal year ended March 31, 2014: 15,540 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, 2014	—	0.00	—	0.00	0.00
FY ending March 31, 2015	—				
FY ending March 31, 2015 (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, 2015 (April 1, 2014 to March 31, 2015)

(Percentages 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
FY ending March 31, 2015	165,000	1.4	8,000	17.7	6,000	27.3	(37,000)	—	(64.15)

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

The Company has left its forecast of consolidated performance for the first half of the fiscal year ending March 31, 2015 undecided.

* 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: 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, 2015: 577,523,433 shares
 - Fiscal year ended March 31, 2014: 577,523,433 shares
 - ② Number of treasury stocks at end of term
 - 1st quarter of the fiscal year ending March 31, 2015: 784,222 shares
 - Fiscal year ended March 31, 2014: 782,356 shares
 - ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
 - 1st quarter of the fiscal year ending March 31, 2015: 576,740,497 shares
 - 1st quarter of the fiscal year ended March 31, 2014: 576,755,443 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 current fiscal year (April 1, 2014 to June 30, 2014), the outlook of the Japanese economy remained uncertain, since consumer spending and corporate production began losing momentum due to the negative effect of the consumption tax rate hike in April 2014; and raw material prices and energy costs rose because of the yen's depreciation and soaring crude oil prices.

In this environment, the Unitika Group reported net sales of 37,931 million yen (down 0.8% year-on-year), operating income of 1,534 million yen (down 17.2% year-on-year) and ordinary income of 651 million yen (down 60.8% year-on-year), mainly due to a decrease in profits in the Polymers and the Garments, Lifestyle Materials, and Bedding businesses. Since the Group recorded extraordinary losses, such as business structure improvement expenses and impairment loss, and reversed deferred tax assets (which caused an increase in tax expenses), net loss amounted to 3,361 million yen (net income of 1,446 million yen in the previous year).

Meanwhile, at the end of July 2014, the Unitika Group completed payment procedures for class shares through a private placement, which was implemented as its capital policy under its new medium-term management plan, with emphasis on its growth strategy and its business portfolio restructuring. The Group will make a concerted effort to promote its growth strategy and carry out its business portfolio restructuring.

Here is an overview of the business results by segment.

[Polymers]

In the Films business, sales increased in the packaging sector due a rise in exports despite a slight decline in sales volumes in Japan, its mainstay. Sales also grew in the industrial sector, supported by a gradual recovery in demand for electrical and electronics equipment applications. However, sales increased but profits decreased in the Films business because there was a time lag between the price revision that we implemented in response to rising raw material prices, and revised price penetration.

In the Resins business, sales of nylon resins and polyester resins for automobile and information terminal device applications grew solidly, while sales of polyarylate resins for electronic device-related applications remained sluggish. As a result, sales and profits decreased in the Resins business.

In the Non-woven Fabrics business, shipments of polyester spunbond fabrics for agriculture and civil engineering applications increased steadily, but those for daily product applications declined. Meanwhile, sales volumes of cotton spunlace for wet sheet applications slightly decreased. As a result, sales and profits fell in the Non-woven Fabrics business.

Consequently, the Polymers business posted operating income of 1,500 million yen (down 20.2% year-on-year) on net sales of 15,558 million yen (down 3.4% year-on-year).

[Advanced Materials]

In the Glass Fibers business, shipments, mainly for building and civil engineering applications, continued growing in the industrial materials sector. In the electronic materials sector, shipments for information terminal device applications grew steadily. In the Glass Beads business, shipments for automobile applications rose solidly and demand for reflective materials applications also recovered. Meanwhile, in the Activated Carbon Fibers business, shipments for gas phase applications, such as automobile deodorizing and air purifying equipment applications, remained slightly weak, though those for water purifier applications, mainly those built into faucets, continued to be strong.

Consequently, the Advanced Materials business posted operating income of 474 million yen (up 15.2% year-on-year) on net sales of 3,655 million yen (up 4.8% year-on-year).

[Fibers and Textiles]

In the Industrial Materials business, sales of ultra-high strength polyester filament yarn increased due to a recovery of demand in the field of building and civil engineering, its main applications, improving profitability. Meanwhile, in the short-fiber polyester business, deficits decreased as a result of concentration and selection of the business, though sales volumes fell. Though exports of vinylon fiber, a replacement for asbestos, declined, their sales remained strong in Japan and their profitability improved in part thanks to the price revision.

In the Garments, Lifestyle Materials, and Bedding business, sales of uniforms for factory workers were on the rebound in the uniform field, and exports of denims and sales in women's clothing fields remained steady. However, sales fell in the Garments, Lifestyle Materials, and Bedding business due to sluggish sales for winter clothes in the sports and inner wear field.

Consequently, the Fibers and Textiles business posted operating income of 11 million yen (operating income of 0 million yen in the previous year) on net sales of 15,632 million yen (down 2.9% year-on-year).

[Others]

In the Healthcare & Amenity business, sales of feed materials were strong, while those of functional dietary materials except lactobionic acid remained sluggish. Sales of health supplements also remained weak due to reaction to strong last-minute demand before the consumption tax rate hike. In the Medical business, sales continued increasing in the medical product field due to solid growth in sales of catheters for the treatment of circulatory system diseases, its mainstay product. In the biochemical field, sales of enzymes grew solidly.

In the Real Estate business, sales increased greatly due to steady sales of condominiums.

Consequently, the Others category posted operating income of 152 million yen (down 21.4% year-on-year) on net sales of 3,085 million yen (up 21.7% year-on-year).

(2) Explanation of financial situation

Total assets decreased by 3,056 million yen from the end of the previous consolidated fiscal year to 251,125 million yen, mainly due to a decrease in cash and deposits despite an increase in notes and accounts receivable - trade. Liabilities decreased by 1,341 million yen from the end of the previous consolidated fiscal year to 233,472 million yen, mainly due to a decrease in net defined benefit liability. Net assets decreased by 1,714 million yen from the end of the previous consolidated fiscal year to 17,653 million yen, mainly due to a decrease in retained earnings.

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

The Unitika Group will promote its growth strategy and carry out its business portfolio restructuring as targets for the first year of its new medium-term management plan announced on May 26, 2014.

The Company has not changed the forecast of consolidated performance for fiscal year ending March 31, 2015 announced on May 26, 2014 in accordance with the new medium-term management plan.

Meanwhile the Company has left its forecast of consolidated performance for the first half of the fiscal year ending March 31, 2015 undecided.

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

(Changes in accounting policies)

(Application of the Accounting Standard for Retirement Benefits)

Effective from the first quarter of the current consolidated accounting year, the Unitika Group has applied the *Accounting Standard for Retirement Benefits* (ASBJ Statement No.26, issued May 17, 2012; hereinafter, the *Accounting Standard*) and the *Guidance on the Accounting Standard for Retirement Benefits* (ASBJ Guidance No.25, issued May 17, 2012; hereinafter, the *Guidance*). In accordance with the provisions stipulated in the main clause of Article 35 of the Accounting Standards and in the main clause of Article 67 of the Guidance, the Group reviewed the method of calculation for retirement benefit obligations and service costs, and changed the method of attributing expected retirement benefit to periods from the fixed amount per period standard to the benefit formula standard; and changed the method of calculating discount rate from a method based on the number of years close to average remaining service periods for employees to a method using a single weighted average discount rate that reflects the estimated timing of benefit payment and amount of benefit payments by the estimated timing.

The Accounting Standards and Guidance have been applied in a transitional manner as provided in paragraph 37 of the Accounting Standard, and the effects from the changes in calculation method for retirement benefit obligations and service costs have been reflected in retained earnings at the beginning of the first quarter of the current consolidated accounting year.

Consequently, net defined benefit liability decreased by 1,426 million yen and retained earnings increased by 1,426 million yen at the beginning of the first quarter of the current consolidated accounting year. In addition, operating income, ordinary income, and net income before income taxes decreased by 54 million yen, respectively, in the first quarter of the current consolidated accounting year.

3. Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2014)	Q1 of FY ending March 2015 (June 30, 2014)
Assets		
Current assets		
Cash and deposits	19,587	14,410
Notes and accounts receivable-trade	35,324	37,467
Inventories	39,891	41,518
Other	4,736	4,493
Allowance for doubtful accounts	(169)	(167)
Total current assets	99,370	97,722
Noncurrent assets		
Property, plant and equipment		
Land	103,036	102,211
Other, net	45,551	44,834
Total property, plant and equipment	148,588	147,046
Intangible assets		
Goodwill	9	8
Other	1,191	1,223
Total intangible assets	1,201	1,231
Investments and other assets		
Other	5,294	5,398
Allowance for doubtful accounts	(273)	(273)
Total investments and other assets	5,020	5,125
Total noncurrent assets	154,811	153,403
Total assets	254,181	251,125

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2014)	Q1 of FY ending March 2015 (June 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	19,696	20,029
Short-term loans payable	70,125	24,499
Current portion of long-term loans payable	39,240	3,000
Income taxes payable	1,035	205
Provision for bonuses	1,595	854
A product repair reserve fund	1,284	1,227
Provision for business structure improvement	566	438
Other	11,012	11,916
Total current liabilities	144,555	62,170
Noncurrent liabilities		
Long-term loans payable	55,187	135,817
Provision for directors' retirement benefits	26	26
Net defined benefit liability	13,034	11,726
Other	22,008	23,729
Total noncurrent liabilities	90,257	171,301
Total liabilities	234,813	233,472
Net assets		
Shareholders' equity		
Capital stock	26,298	26,298
Capital surplus	4,385	4,385
Retained earnings	(11,392)	(13,327)
Treasury stock	(44)	(45)
Total shareholders' equity	19,245	17,310
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	265	301
Deferred gains or losses on hedges	(8)	0
Revaluation reserve for land	2,918	2,918
Foreign currency translation adjustment	(2,904)	(3,032)
Remeasurements of defined benefit plans	(3,977)	(3,634)
Total accumulated other comprehensive income	(3,705)	(3,446)
Minority interests	3,828	3,789
Total net assets	19,368	17,653
Total liabilities and net assets	254,181	251,125

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
 (Consolidated quarterly statements of income)
 (Three-month period ended June 30, 2014)

(Unit: Millions of yen)

	Three-month period ended June 30, 2013 (April 1, 2013 to June 30, 2013)	Three-month period ended June 30, 2014 (April 1, 2014 to June 30, 2014)
Net sales	38,233	37,931
Cost of sales	30,839	30,491
Gross profit	7,393	7,439
Selling, general and administrative expenses	5,540	5,905
Operating income	1,853	1,534
Non-operating income		
Interest income	28	22
Dividends income	47	40
Foreign exchange gains	450	—
Other	230	165
Total non-operating income	757	228
Non-operating expenses		
Interest expenses	702	725
Share of loss of entities accounted for using equity method	3	0
Other	243	384
Total non-operating expenses	949	1,110
Ordinary income	1,661	651
Extraordinary income		
Gain on sales of investment securities	275	—
Total extraordinary income	275	—
Extraordinary loss		
Loss on disposal of noncurrent assets	80	99
Impairment loss	—	1,257
Business structure improvement expenses	—	1,160
Other	108	15
Total extraordinary loss	188	2,532
Income (loss) before income taxes and minority interests	1,747	(1,881)
Income taxes-current	168	95
Income taxes-deferred	123	1,376
Total income taxes	291	1,472
Income (loss) before minority interests	1,456	(3,353)
Minority interests in income	9	8
Net income (loss)	1,446	(3,361)

(Consolidated quarterly statements of comprehensive income)

(Three-month period ended June 30, 2014)

(Unit: Millions of yen)

	Three-month period ended June 30, 2013 (April 1, 2013 to June 30, 2013)	Three-month period ended June 30, 2014 (April 1, 2014 to June 30, 2014)
Income (loss) before minority interests	1,456	(3,353)
Other comprehensive income		
Valuation difference on available-for-sale securities	42	35
Deferred gains or losses on hedges	(1)	11
Foreign currency translation adjustment	560	(177)
Remeasurements of defined benefit plans	—	342
Total other comprehensive income	601	211
Quarterly comprehensive income	2,057	(3,141)
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	1,950	(3,102)
Quarterly comprehensive income attributable to minority interests	107	(39)

(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, 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.

II. 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 (Note 2)	Figure in quarterly consolidated statements of income (Note 3)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	15,558	3,655	15,632	34,846	3,085	37,931	—	37,931
Inter-segment sales or transfers	14	6	49	69	363	432	(432)	—
Total	15,572	3,662	15,681	34,916	3,448	38,364	(432)	37,931
Segment income	1,500	474	11	1,986	152	2,139	(605)	1,534

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

2. Adjustment of (605) 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.