

# Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2017

August 5, 2016

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 12, 2016

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, 2017 (April 1, 2016 to June 30, 2016)

(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, 2017	31,289	(12.4)	3,153	38.7	1,637	(11.6)	1,191	(23.3)
Q1 of FY ended March 31, 2016	35,734	(5.8)	2,273	48.2	1,852	184.2	1,552	—

(Note) Comprehensive income Q1 of FY ending March 31, 2017: 1,388 million yen [(0.8%)]  
Q1 of FY ended March 31, 2016: 1,400 million yen [— %]

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
Q1 of FY ending March 31, 2017	1.63	0.91
Q1 of FY ended March 31, 2016	2.26	1.22

## (2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q1 of FY ending March 31, 2017	203,173	38,327	17.2
FY ended March 31, 2016	219,957	37,936	15.7

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2017: 34,981 million yen  
Fiscal year ended March 31, 2016: 34,598 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, 2016	—	0.00	—	0.00	0.00
FY ending March 31, 2017	—				
FY ending March 31, 2017 (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, 2017 (April 1, 2016 to March 31, 2017)

(% 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, 2017	66,000	(9.9)	5,200	17.6	4,100	34.4	3,200	85.9	4.68
FY ending March 31, 2017	137,500	(6.1)	11,700	12.0	9,000	31.9	7,000	1.0	10.41

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

\* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying change of scope of consolidation): Yes  
New companies: — (company name)  
Excluded companies: 2 companies; (company name): Unitika Realty Co., Ltd. and Unimore 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: 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, 2017: 577,523,433 shares  
Fiscal year ended March 31, 2016: 577,523,433 shares
  - ② Number of treasury stocks at end of term  
1st quarter of the fiscal year ending March 31, 2017: 805,796 shares  
Fiscal year ended March 31, 2016: 805,686 shares
  - ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)  
1st quarter of the fiscal year ending March 31, 2017: 576,717,677 shares  
1st quarter of the fiscal year ended March 31, 2016: 576,728,143 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, 2016	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2017	—				
FY ending March 31, 2017 (forecast)		0.00	—	12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2016	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2017	—				
FY ending March 31, 2017 (forecast)		0.00	—	23,740.00	23,740.00
Class C share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2016	—	0.00	—	60,000.00	60,000.00
FY ending March 31, 2017	—				
FY ending March 31, 2017 (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 three-month period of the consolidated accounting year under review, the Japanese economy remained at a standstill, reflecting the increasing sense of deceleration in corporate earnings and consumer spending on the back of the uncertain trends in stock prices and exchange rates, although some improvement in the employment and income environment was observed. Overseas markets also saw uncertainties for the future outlook due to concerns over the possible impact of Brexit (the exit of the United Kingdom from the EU) and the deceleration of growth in emerging countries in Asia and Latin America.

Under these circumstances, the Unitika Group endeavored 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 May 2014.

As a result, in the three-month period of the consolidated accounting year under review, the Unitika Group reported net sales of 31,289 million yen (down 12.4% year on year), operating income of 3,153 million yen (up 38.7% year on year), ordinary income of 1,637 million yen (down 11.6% year on year), and net income attributable to owners of parent of 1,191 million yen (down 23.3% year on year).

Business results by segment are as stated below.

#### [Polymers]

In the Films business, the packaging sector maintained a robust trend in Japan following the previous accounting year due to growth in demand in line with the forecast for extreme summer heat, as well as in overseas markets where sales volume rose as a result of the increase in production capacity of P.T. EMBLEM ASIA, a subsidiary. In industrial applications, demand shrank for information terminal applications, but profits increased supported by sales growth in highly value-added items such as heat-resistant polyamide film.

In the Resin business, while sales of nylon resins fell slightly reflecting the impact of revisions of selling prices due to lower oil prices, highly functional resins represented by the Company's original polyarylate resin and thermoplastic saturated copolymeric polyester resin enjoyed strong sales growth. Subsidiaries in the resin domain also recorded strong sales, contributing to a growth in profits.

In the Non-woven Fabrics business, profits increased in polyester spunbond fabrics, reflecting growth in the sales volume of industrial materials-related applications despite sluggish sales in agricultural applications. Meanwhile, sales of cotton spunlace continued to grow following the previous accounting year, supported by expanded sales of daily products such as skin care products.

Strong profits throughout the entire Polymers business were also attributable to the declines in raw material and oil prices.

Consequently, the Polymers business posted operating income of 2,661 million yen (up 55.7% year-on-year) on net sales of 14,003 million yen (up 2.1% year-on-year).

#### [Advanced Materials]

In the Glass Fibers business, the industrial materials sector recorded strong sales in building-related materials, whereas IC cloth in the electronic materials sector suffered weak sales due to slow recovery of demand in information terminal applications.

In the Glass Beads business, orders for road marking applications showed low growth due to delayed construction works, in contrast to robust sales for industrial applications in addition to reflective material applications for overseas markets, which recorded good results.

The Activated Carbon Fibers business showed slightly weaker results in mainstay water purifier applications due to production adjustments implemented on the user side. Meanwhile, the performance of vapor phase applications remained robust, along with industrial sectors such as environment-related materials.

Consequently, the Advanced Materials business posted operating income of 273 million yen (down 25.7% year on year) on net sales of 2,911 million yen (up 6.4% year on year).

#### [Fibers and Textiles]

In the Industrial Materials business, sales of ultra-high strength polyester filament yarn remained weak in the field of civil engineering following the previous accounting year. However, profits improved due to increased sales of high-profit-margin products such as compound fiber. In the short-fiber polyester business, profitability was secured in line with the business plan despite a decrease in sales due to the reduction of low-profit-margin businesses implemented by the end of the previous accounting year.

In the Garments, Lifestyle Materials and Bedding business, the uniform sector recorded strong sales of customized products for the services industry and corporate customers, and the women's clothing sector

achieved robust sales of cloth and secondary products, resulting in increased sales. Both the sports and bedding sectors suffered low demand, which failed to recover. In overseas business, profits shrank due to impacts such as the appreciation of the yen.

Consequently, the Fibers and Textiles business posted operating income of 369 million yen (up 38.4% year on year) on net sales of 13,576 million yen (down 16.6% year on year).

[Others]

The Others category posted an operating loss of 146 million yen (operating loss was 82 million yen in the same period of the previous year) on net sales of 798 million yen (down 73.4% year on year) due to the effects of transfer of equities and businesses associated with the business portfolio restructuring implemented in the last fiscal year.

(2) Explanation of financial situation

Total assets declined by 16,784 million yen from the end of the previous consolidated accounting year, to 203,173 million yen. This was mainly attributable to the decrease in cash and deposits. Liabilities shrank by 17,175 million yen from the end of the previous consolidated accounting year, to 164,845 million yen, mainly due to the decrease in long-term loans payable. Net assets increased by 391 million yen from the end of the previous consolidated accounting year, to 38,327 million yen, mainly reflecting the increase in retained earnings arising from 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, 2017 announced on May 13, 2016.

2. Matters concerning Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

Two subsidiaries, Unitika Realty Co., Ltd. and Unimore Ltd., were excluded from the scope of consolidation because they were absorbed as a result of the absorption-type merger implemented during the first quarter of the consolidated accounting period under review in which the Company is a surviving company.

(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

(4) Additional information

(Application of the Implementation Guidance on the Recoverability of Deferred Tax Assets)

The Implementation Guidance on the Recoverability of Deferred Tax Assets (ASBJ Implementation Guidance No. 26 issued on March 28, 2016) has been applied since the first quarter of the consolidated accounting year under review.

## 3. Quarterly Financial Statements

## (1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2016)	Q1 of FY ending March 2017 (June 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	42,101	26,993
Notes and accounts receivable-trade	35,811	34,118
Inventories	27,566	27,176
Other	4,228	4,461
Allowance for doubtful accounts	(106)	(93)
Total current assets	109,601	92,656
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	22,068	21,326
Land	66,869	66,847
Other, net	15,230	16,076
Total property, plant and equipment	104,168	104,250
Intangible assets		
Other	1,714	1,774
Total intangible assets	1,714	1,774
Investments and other assets		
Other	4,505	4,523
Allowance for doubtful accounts	(32)	(31)
Total investments and other assets	4,473	4,491
Total non-current assets	110,356	110,516
Total assets	219,957	203,173

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2016)	Q1 of FY ending March 2017 (June 30, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	15,322	14,989
Short-term loans payable	1,827	1,720
Current portion of long-term loans payable	363	342
Income taxes payable	215	187
Provision for bonuses	1,256	680
A product repair reserve fund	2,630	2,403
Provision for business structure improvement	989	994
Other	9,298	8,800
Total current liabilities	31,904	30,119
Non-current liabilities		
Long-term loans payable	124,142	108,948
Provision for directors' retirement benefits	7	4
Net defined benefit liability	11,513	11,512
Other	14,452	14,259
Total non-current liabilities	150,116	134,725
Total liabilities	182,020	164,845
<b>Net assets</b>		
Shareholders' equity		
Capital stock	100	100
Capital surplus	28,401	28,401
Retained earnings	5,708	5,902
Treasury shares	(46)	(46)
Total shareholders' equity	34,164	34,358
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	433	484
Deferred gains or losses on hedges	(203)	(163)
Revaluation reserve for land	6,474	6,433
Foreign currency translation adjustment	(2,662)	(2,615)
Remeasurements of defined benefit plans	(3,608)	(3,515)
Total accumulated other comprehensive income	434	623
Non-controlling interests	3,338	3,346
Total net assets	37,936	38,327
Total liabilities and net assets	219,957	203,173



(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income  
 (Consolidated quarterly statements of income)  
 (Three-month period ended June 30, 2016)

(Unit: Millions of yen)

	Three-month period ended June 30, 2015 (April 1, 2015 to June 30, 2015)	Three-month period ended June 30, 2016 (April 1, 2016 to June 30, 2016)
Net sales	35,734	31,289
Cost of sales	28,358	23,356
Gross profit	7,376	7,932
Selling, general and administrative expenses	5,103	4,778
Operating income	2,273	3,153
Non-operating income		
Interest income	3	5
Dividend income	38	41
Rent income	31	73
Foreign exchange gains	161	—
Other	175	184
Total non-operating income	409	305
Non-operating expenses		
Interest expenses	605	539
Share of loss of entities accounted for using equity method	5	0
Foreign exchange losses	—	1,084
Other	219	196
Total non-operating expenses	830	1,820
Ordinary income	1,852	1,637
Extraordinary income		
Gain on sales of non-current assets	—	61
Gain on sales of shares of subsidiaries and associates	375	—
Total extraordinary income	375	61
Extraordinary losses		
Loss on disposal of non-current assets	76	91
Business structure improvement expenses	211	101
Other	59	33
Total extraordinary losses	347	225
Profit before income taxes	1,880	1,473
Income taxes-current	(2)	118
Income taxes-deferred	308	115
Total income taxes	306	234
Profit	1,574	1,239
Profit attributable to non-controlling interests	21	47
Profit attributable to owners of parent	1,552	1,191

## (Consolidated quarterly statements of comprehensive income)

(Three-month period ended June 30, 2016)

(Unit: Millions of yen)

	Three-month period ended June 30, 2015 (April 1, 2015 to June 30, 2015)	Three-month period ended June 30, 2016 (April 1, 2016 to June 30, 2016)
Profit	1,574	1,239
Other comprehensive income		
Valuation difference on available-for-sale securities	117	51
Deferred gains or losses on hedges	16	40
Revaluation reserve for land	—	(41)
Foreign currency translation adjustment	(392)	6
Remeasurements of defined benefit plans, net of tax	84	93
Total other comprehensive income	(174)	149
Comprehensive income	1,400	1,388
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,395	1,380
Comprehensive income attributable to non-controlling interests	4	8

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

## 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	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, which includes the environmental business and real estate-related business, 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.

## II. 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* 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.