

Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2019

August 6, 2018

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

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

Representative: Hiroyuki Shime, President and Chief Executive Officer

Contact: Masanori Onishi, General Manager of Accounting Department

TEL: +81-6-6281-5721

Expected submission of quarterly report: August 10, 2018

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, 2019 (April 1, 2018 to June 30, 2018)

(1) Consolidated performance (accumulation)

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

	Net sales		Operating income		Ordinary income		Quarterly profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1 of FY ending March 31, 2019	32,036	2.1	2,612	(22.9)	2,525	(18.0)	2,242	(9.2)
Q1 of FY ended March 31, 2018	31,382	0.3	3,388	7.4	3,078	88.0	2,470	107.4

(Note) Comprehensive income Q1 of FY ending March 31, 2019: 1,100 million yen [(49.5%)]
Q1 of FY ended March 31, 2018: 2,180 million yen [57.1%]

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
Q1 of FY ending March 31, 2019	37.18	22.68
Q1 of FY ended March 31, 2018	41.12	24.73

(Note) The Company implemented a 1-for-10 share consolidation effective as of October 1, 2017 by consolidating 10 common shares of the Company into one common share. *Quarterly net income per share* and *Diluted quarterly net income per share* were calculated on the assumption that the relevant share consolidation had been implemented at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q1 of FY ending March 31, 2019	201,406	41,432	18.9
FY ended March 31, 2018	201,447	40,729	18.4

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2019: 37,967 million yen
Fiscal year ended March 31, 2018: 37,165 million yen

(Note) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) has been applied from the beginning of the first quarter of the current fiscal year. The change applies retroactively to the results for the previous fiscal year.

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, 2018	—	0.00	—	0.00	0.00
FY ending March 31, 2019	—				
FY ending March 31, 2019 (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, 2019 (April 1, 2018 to March 31, 2019)

(Percentages represent changes from same period in 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, 2019	64,000	1.5	5,200	(10.3)	4,500	(15.6)	3,400	(28.5)	55.51
FY ending March 31, 2019	131,500	2.4	11,500	(1.4)	10,000	0.3	7,000	(13.4)	114.50

(Note) Revision of the latest forecasts of operational results: No

* 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: 1 (company name): UNITIKA EMBLEM CHINA 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, 2019: 57,752,343 shares

Fiscal year ended March 31, 2018: 57,752,343 shares

② Number of treasury stocks at end of term

1st quarter of the fiscal year ending March 31, 2019: 92,749 shares

Fiscal year ended March 31, 2018: 91,653 shares

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

1st quarter of the fiscal year ending March 31, 2019: 57,660,093 shares

1st quarter of the fiscal year ended March 31, 2018: 57,670,424 shares

(Note) The Company implemented a 1-for-10 share consolidation effective as of October 1, 2017 by consolidating 10 common shares of the Company into one common share. The *Number of shares outstanding at end of term*, the *Number of treasury stocks at end of term*, and the *Average number of shares outstanding during the term* were calculated on the assumption that the relevant share consolidation had been implemented at the beginning of the previous consolidated fiscal year.

* This brief report of quarterly financial statements is not subject to audit procedures by a certified public accountant or an independent auditor.

* 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, 2018	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2019	—				
FY ending March 31, 2019 (forecast)		0.00	—	12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2018	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2019	—				
FY ending March 31, 2019 (forecast)		0.00	—	23,740.00	23,740.00

○ Table of contents for the attachment

1. Qualitative Information on Quarterly Results	2
(1) Explanation of operational results.....	2
(2) Explanation of financial situation	3
(3) Explanation of future forecast information including forecast of consolidated performance	3
2. Quarterly Consolidated Financial Statements and Major Notes to Consolidated Financial Statements	4
(1) Consolidated quarterly balance sheets	4
(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income	6
Consolidated quarterly statements of income Three-month period ended June 30, 2018.....	6
Consolidated quarterly statements of comprehensive income Three-month period ended June 30, 2018.....	7
(3) Notes on quarterly consolidated financial statements	8
(Notes on going concern assumption)	8
(Notes on significant changes in shareholders' equity)	8
(Additional information).....	8
(Segment information).....	8

1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

During the first quarter of the consolidated fiscal year under review, the Japanese economy continued to recover moderately, supported by a pickup in personal spending amid strong corporate earnings and an accompanying improvement in the employment environment. Moreover, overseas, business sentiment remained strong, buoyed by the growth in consumer spending and capital expenditures due to the effect of the tax cut in the United States, in the midst of a gradual economic recovery. Meanwhile, the outlook for overseas economies remained unclear due to concerns about risks caused by the protectionist trade policy of the U.S. administration and the situation in the Middle East.

Under these circumstances, the Unitika Group endeavored to realize the three Gs (Growth, Global, and Governance) promoted under the “G” round 20—to The Next Stage, its medium-term management plan announced in May 2017. Consequently, the Group reported net sales of 32,036 million yen (up 2.1% year on year), operating income of 2,612 million yen (down 22.9% year on year), ordinary income of 2,525 million yen (down 18.0% year on year), and profit attributable to owners of parent of 2,242 million yen (down 9.2% 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 in the food packaging sector increased from the previous year, supported by strong domestic sales of summer goods and expansion in demand for products related to convenience store goods. In addition, sales of high value-added products such as *EMBLEM HG*, a new barrier nylon film, contributed to the growth in sales. In the industrial sector, sales grew steadily in the area of electric and electronics applications, supported by strong demand in the semiconductor market. Furthermore, sales of high value-added products such as *Uni-peel*, a silicon-free mold release PET film, were also strong.

In the Plastics business, sales of *U-Polymer*, the Company’s original polyarylate resin, continued to expand steadily for information terminal equipments and overseas automobile applications. Meanwhile, demand for *elitel*, a thermoplastic saturated copolymeric polyester resin, recovered in solar cell applications. Sales of other functional resins grew solidly.

In the Non-woven Fabrics business, demand for polyester spunbond fabrics recovered in daily product applications, and sales remained strong for industrial materials and agricultural applications. THAI UNITIKA SPUNBOND CO., LTD. (TUSCO), a subsidiary in Thailand, saw sales of existing products increase steadily for civil engineering and carpet applications, since it had consistently encouraged customers to adopt products manufactured by its new machinery at the stage of design. Sales of cotton spunlace continued to be strong for daily product applications, such as skin care goods.

In the Polymers business as a whole, a rise in raw material and fuel prices affected profitability greatly. Consequently, the Polymers business posted operating income of 2,333 million yen (down 11.2% year on year) on net sales of 15,741 million yen (up 11.1% year on year).

[Advanced Materials]

In the Glass Fibers business, the industrial materials sector saw sales of products for building and civil engineering applications remain weak due to poor demand. However, in the electronic materials sector, sales of IC cloth, in general, increased robustly, supported by demand for information terminal equipments.

In the Glass Beads business, sales for road marking and industrial applications continued to be strong. However, the reflective material applications business was forced to fight an uphill battle due to poor demand.

In the Activated Carbon Fibers business, sales for water purifier applications, a mainstay of this business, especially faucet built-in water purifiers, increased. Sales for VOC removal and industrial filter applications also continued growing robustly.

Consequently, the Advanced Materials business posted operating income of 304 million yen (down 16.7% year on year) on net sales of 3,052 million yen (down 0.3% year on year).

[Fibers and Textiles]

In the Industrial Materials business, sales of ultra-high-strength polyester filament yarns, mainly high value-added products, were relatively strong. Furthermore, sales of short-fiber polyester remained steady. However, rising raw material prices weighed on profit.

In the Garments, Lifestyle Materials and Bedding business, sales in the sport clothing and women’s clothing sectors were sluggish, but sales of raw fibers for high-functional materials remained steady. In

addition, sales in the uniform sector were also strong, especially for corporate customers. In the Overseas business, demand for denim continued to recover.

Consequently, the Fibers and Textiles business posted operating income of 94 million yen (down 79.0% year on year) on net sales of 12,848 million yen (down 2.1% year on year).

[Others]

The Others category posted an operating loss of 123 million yen (an operating loss of 62 million yen the previous year) on net sales of 393 million yen (down 61.6% year on year).

(2) Explanation of financial situation

Total assets decreased by 40 million yen from the end of the previous consolidated year to 201,406 million yen, mainly due to a decline in notes and accounts receivable – trade and property, plant and equipment despite an increase in cash and deposits and inventories. Liabilities fell by 742 million yen from the end of the previous consolidated year to 159,974 million yen, mainly due to a decrease in long-term loans payable. Net assets grew by 702 million yen from the end of the previous consolidated year to 41,432 million yen. This was mainly due to a rise in retained earnings caused by the posting of profit attributable to owners of parent.

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

The Company has not revised its forecast of consolidated performance for the first half and full year of the fiscal year ending March 31, 2019 announced on May 11, 2018.

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, 2018)	Q1 of FY ending March 2019 (June 30, 2018)
Assets		
Current assets		
Cash and deposits	26,395	27,573
Notes and accounts receivable – trade	36,552	35,173
Inventories	27,202	28,665
Other	2,899	2,303
Allowance for doubtful accounts	(84)	(63)
Total current assets	92,965	93,652
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	23,081	22,597
Land	65,071	65,048
Other, net	13,502	13,606
Total property, plant and equipment	101,654	101,251
Intangible assets		
Other	2,139	2,081
Total intangible assets	2,139	2,081
Investments and other assets		
Other	4,707	4,459
Allowance for doubtful accounts	(20)	(38)
Total investments and other assets	4,686	4,421
Total non-current assets	108,481	107,754
Total assets	201,447	201,406

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2018)	Q1 of FY ending March 2019 (June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,968	19,570
Short-term loans payable	2,450	2,410
Current portion of long-term loans payable	2,720	2,707
Income taxes payable	676	367
Provision for bonuses	1,576	897
A product repair reserve fund	704	512
Provision for business structure improvement	20	20
Other	8,567	8,827
Total current liabilities	35,685	35,314
Non-current liabilities		
Long-term loans payable	100,081	99,404
Provision for directors' retirement benefits	4	4
Net defined benefit liability	12,218	12,440
Other	12,727	12,810
Total non-current liabilities	125,031	124,659
Total liabilities	160,717	159,974
Net assets		
Shareholders' equity		
Capital stock	100	100
Capital surplus	16,451	16,487
Retained earnings	19,201	21,047
Treasury shares	(55)	(56)
Total shareholders' equity	35,698	37,579
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	491	504
Deferred gains or losses on hedges	(2)	7
Revaluation reserve for land	6,415	6,415
Foreign currency translation adjustment	(2,793)	(3,985)
Remeasurements of defined benefit plans	(2,644)	(2,555)
Total accumulated other comprehensive income	1,467	388
Non-controlling interests	3,564	3,464
Total net assets	40,729	41,432
Total liabilities and net assets	201,447	201,406

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
 (Consolidated quarterly statements of income)
 (Three-month period ended June 30, 2018)

(Unit: Millions of yen)

	Three-month period ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Three-month period ended June 30, 2018 (April 1, 2018 to June 30, 2018)
Net sales	31,382	32,036
Cost of sales	23,121	24,055
Gross profit	8,260	7,981
Selling, general and administrative expenses	4,872	5,368
Operating profit	3,388	2,612
Non-operating income		
Interest income	15	5
Dividend income	39	37
Rent income	35	35
Share of profit of entities accounted for using equity method	—	7
Foreign exchange gains	8	199
Other	163	76
Total non-operating income	263	360
Non-operating expenses		
Interest expenses	357	309
Share of loss of entities accounted for using equity method	2	—
Other	212	137
Total non-operating expenses	572	447
Ordinary profit	3,078	2,525
Extraordinary income		
Gain on sales of non-current assets	131	—
Gain on liquidation of subsidiaries and associates	—	401
Total extraordinary income	131	401
Extraordinary losses		
Loss on disposal of non-current assets	87	126
Business structure improvement expenses	38	—
Other	0	—
Total extraordinary losses	126	126
Profit before income taxes	3,084	2,800
Income taxes-current	237	263
Income taxes-deferred	368	282
Total income taxes	605	545
Profit	2,479	2,254
Profit attributable to non-controlling interests	8	11
Profit attributable to owners of parent	2,470	2,242

(Consolidated quarterly statements of comprehensive income)

(Three-month period ended June 30, 2018)

(Unit: Millions of yen)

	Three-month period ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Three-month period ended June 30, 2018 (April 1, 2018 to June 30, 2018)
Profit	2,479	2,254
Other comprehensive income		
Valuation difference on available-for-sale securities	71	13
Deferred gains or losses on hedges	(5)	10
Foreign currency translation adjustment	(450)	(1,266)
Remeasurements of defined benefit plans, net of tax	85	89
Total other comprehensive income	(298)	(1,153)
Comprehensive income	2,180	1,100
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,240	1,163
Comprehensive income attributable to non-controlling interests	(60)	(63)

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) has been applied from the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets have been classified as investments and other assets, and deferred tax liabilities have been classified as non-current liabilities.

(Segment information)

Segment Information

I. 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)	Amount posted in Consolidated quarterly 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* segment includes business segments that are not included in reportable 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, 2018 (April 1, 2018 to June 30, 2018)

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

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount posted in Consolidated quarterly statements of income (Note 3)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	15,741	3,052	12,848	31,642	393	32,036	—	32,036
Inter-segment sales or transfers	2,279	234	143	2,657	298	2,956	(2,956)	—
Total	18,021	3,287	12,992	34,300	692	34,992	(2,956)	32,036
Segment income (loss)	2,333	304	94	2,732	(123)	2,608	3	2,612

(Notes) 1. The *Other* segment includes business segments that are not included in reportable 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.