

Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2016

February 5, 2016

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

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Expected submission of quarterly report: February 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 3rd quarter of fiscal year ending March 31, 2016 (April 1, 2015 to December 31, 2015)

(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	%
Q3 of FY ending March 31, 2016	106,777	(7.2)	7,049	27.2	5,120	2.7	6,161	—
Q3 of FY ended March 31, 2015	115,007	(3.9)	5,542	13.5	4,988	36.3	(20,202)	—

(Note) Comprehensive income Q3 of FY ending March 31, 2016: 6,092 million yen [—%]

Q3 of FY ended March 31, 2015: (20,243) million yen [—%]

	Quarterly net income per share	Quarterly net income per share after full dilution
	Yen	Yen
Q3 of FY ending March 31, 2016	9.38	4.87
Q3 of FY ended March 31, 2015	(35.57)	—

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of FY ending March 31, 2016	229,601	36,967	14.7
FY ended March 31, 2015	235,882	31,590	12.0

(Reference) Shareholders' equity 3rd quarter of fiscal year ending March 31, 2016: 33,671 million yen

Fiscal year ended March 31, 2015: 28,354 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, 2015	—	0.00	—	0.00	0.00
FY ending March 31, 2016	—	0.00	—		
FY ending March 31, 2016 (forecast)				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, 2016 (April 1, 2015 to March 31, 2016)

(% figures 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
FY ending March 31, 2016	145,000	(8.9)	11,300	26.7	8,800	14.6	5,000	—	6.94

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

Regarding revisions to the forecasts of our consolidated performance, please refer to the "Notice of revisions to the full-term estimates" released today (Feb. 5, 2016.)

* 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: 5 companies; (company name): Unitika Berkshire Co., Ltd., Unitika Information Systems Co., Ltd., Diabond Industry Co., Ltd., Unitika Environmental Technical Center Ltd., Unitika NP Cloth Co., 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: 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):
 3rd quarter of the fiscal year ending March 31, 2016: 577,523,433 shares
 Fiscal year ended March 31, 2015: 577,523,433 shares
 ② Number of treasury stocks at end of term
 3rd quarter of the fiscal year ending March 31, 2016: 802,466 shares
 Fiscal year ended March 31, 2015: 794,415 shares
 ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
 3rd quarter of the fiscal year ending March 31, 2016: 576,724,606 shares
 3rd quarter of the fiscal year ended March 31, 2015: 576,736,511 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, 2015	—	0.00	—	8,021.90	8,021.90
FY ending March 31, 2016	—	0.00	—		
FY ending March 31, 2016 (forecast)				12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2015	—	0.00	—	15,870.00	15,870.00
FY ending March 31, 2016	—	0.00	—		
FY ending March 31, 2016 (forecast)				23,740.00	23,740.00
Class C share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2015	—	0.00	—	40,109.60	40,109.60
FY ending March 31, 2016	—	0.00	—		
FY ending March 31, 2016 (forecast)				60,000.00	60,000.00

○ 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. Matters concerning Summary Information (Notes)	3
(1) Changes in significant subsidiaries during the period	3
(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements	3
(3) Changes in accounting policies, changes in accounting estimates and retrospective restatements	3
3. Quarterly Financial Statements.....	5
(1) Consolidated quarterly balance sheets	5
(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income	7
Consolidated quarterly statements of income	
Nine-month period ended December 31, 2015	7
Consolidated quarterly statements of comprehensive income	
Nine-month period ended December 31, 2015	8
(3) Notes on quarterly consolidated financial statements.....	9
(Notes on going concern assumption)	9
(Notes on significant changes in shareholders' equity)	9
(Segment information)	9

1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

In the first nine months of the consolidated fiscal year ending March 31, 2016 (from April 1, 2015 to December 31, 2015), the Japanese economy continued to show a moderate recovery, thanks to economic policy based on the Japanese government's growth strategy, a weak yen and low crude oil prices, as well as improvements in corporate earnings and the job market. On the other hand, a recovery in personal consumption remained at a slow pace due to the effects of rising consumer prices and other factors. Globally, the outlook was uncertain due to risks of an economic downturn, such as a downturn in the global economy triggered by slower growth in the Chinese economy and concerns over international affairs.

In this environment, the Unitika Group tried 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 that started last fiscal year. In addition, we have completed most of the business portfolio restructuring of low-profit-margin businesses based on the medium-term management plan. During the first nine months of the current consolidated fiscal year, we finished selling real estate affiliated with the Toyohashi plant which the Group owns. In addition, we dissolved UNITIKA EMBLEM CHINA LTD., which was a consolidated subsidiary. We also decided to merge UNIMORE LTD. another consolidated subsidiary, into our firm.

As a result, during the first nine months of the current consolidated fiscal year, the Unitika Group reported net sales of 106,777 million yen (down 7.2% year-on-year), operating income of 7.049 million yen (up 27.2% year-on-year), ordinary income of 5,120 million yen (up 2.7% year-on-year) and profit attributable to owners of parent of 6,161 million yen (net loss of 20,202 million yen in the same period of the previous year).

Here is a summary of business by segment.

From the first quarter of the current accounting year, Unitika reclassified its reporting segments. The statements referring to the comparison below are based on reclassified figures of the same period of the previous year. For details, please see 3. *Quarterly Consolidated Financial Statements*, (3) *Notes on quarterly consolidated financial statements (Segment information)*.

[Polymers]

In the Films business, domestic demand in the packaging sector maintained steady growth, although it was affected by the economic slowdown overseas, mainly in China. Sales in the industrial sector declined for electric and electronic equipment applications and automobile applications, but sales of high-value-added products such as highly heat-resistant polyamide film grew robustly. Overall, profit increased due to various cost-cutting measures and a drop in crude oil prices.

In the Resin business, sales volume of nylon resins grew steadily, thanks to a recovery in demand from Japanese automakers. Sales of the Company's original polyarylate resin for information terminal applications grew robustly. Meanwhile, demand the environmentally friendly water-based polyolefin cationic emulsion maintained steady growth due to sales of use in solar batteries.

In the Non-woven Fabrics business, sales of polyester spunbond fabrics increased for daily product applications. But sales declined mainly in the agricultural and building material applications. Meanwhile, sales of cotton spunlace suffered weak exports, but enjoyed growth in skin care products in the backdrop of expanding inbound demand.

Consequently, the Polymers business posted operating income of 5,702 million yen (up 33.2% year-on-year) on net sales of 41,808 million yen (down 0.2% year-on-year).

[Advanced Materials]

In the Glass Fibers business, sales in the industrial materials sector, mainly building-related materials, generally remained strong. In the electronic materials sector, sales of IC cloth, continued to see weak sales in information terminal applications in and outside of Japan. In the Glass Beads business, sales for industrial applications generally grew strong. Sales of reflective material applications continued to increase both domestically and internationally. Meanwhile, the Activated Carbon Fibers business was robust. Gas phase applications continued to suffer, but demand for mainstay water purifier applications recovered.

Consequently, the Advanced Materials business posted operating income of 1,082 million yen (up 3.7% year-on-year) on net sales of 8,927 million yen (down 4.0% year-on-year).

[Fibers and Textiles]

In the Industrial Materials business, sales of ultra-high strength polyester filament yarn remained weak in the mainstay field of civil engineering. However, profits improved due to efforts to transferring our business resources to high-profit-margin products such as composite fiber. In the short-fiber polyester business, profitability improved substantially due to the near completion of shrinking low-profit-margin businesses in line with structural reforms that led to transferring the focus to high-value-added products.

In the Garments, Lifestyle Materials, and Bedding business, denim exports remained at previous-year levels,

but domestic sales in the uniform field were weak, resulting in a decline in sales.

Consequently, the Fibers and Textiles business posted operating income of 797 million yen (up 180.6% year-on-year) on net sales of 48,038 million yen (down 12.1% year-on-year).

[Others]

The Others category posted an operating loss of 555 million yen (operating loss of 43 million yen in the same period of the previous year) on net sales of 8,003 million yen (down 12.8% year-on-year) due to the effects of transfer of equities and businesses and liquidation associated with the business portfolio restructuring.

(2) Explanation of financial situation

Total assets declined by 6,280 million yen from the end of the previous consolidated fiscal year to 229,601 million yen. This is due mainly to a decline in inventories and property, plant and equipment despite an increase in cash and deposits. Liabilities decreased by 11,656 million yen from the end of the previous consolidated fiscal year to 192,634 million yen. This is mainly due to a decline in notes and accounts payable-trade and provisions. Net assets increased by 5,376 million yen from the end of the previous consolidated fiscal year to 36,967 million yen. This is mainly due to an increase in retained earnings stemming from the booking of profit attributable to owners of parent.

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

Regarding revisions to the forecasts of our consolidated performance, please refer to the "Notice of revisions to the full-term estimates" released today (Feb. 5, 2016).

2. Matters concerning Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

From the first quarter of the current consolidated accounting year, Unitika Berkshire Co., Ltd., Unitika Information Systems Co., Ltd., Diabond Industry Co., Ltd., and Unitika Environmental Technical Center Ltd. were excluded from consolidation as a result of divestiture of their shares.

From the second quarter of the current consolidated accounting year, Unitika NP Cloth Co., Ltd. was excluded from consolidation as a result of the completion of liquidation.

(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 Business Combination)

From the first quarter of the current consolidated accounting year, the Company adopted the Accounting Standard for Business Combination (ASBJ Statement No. 21, September 13, 2013, hereinafter the "Business Combination Accounting Standards"), the Accounting Standards for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter the "Consolidated Accounting Standards"), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter the "Business Divestitures Accounting Standards"). In response to the adoption of these standards, the Company changed the accounting treatment of the Company's equity in subsidiaries under the control of the Company. Specifically, differences resulting from the Company's acquisition of shares of subsidiaries are recorded as a capital surplus, and the costs related to those acquisitions are recorded as expenses for the fiscal year in which the acquisitions are made. For business combinations in and after the first quarter of the current consolidated accounting year, the method to allocate acquisition costs has changed. The acquisition cost modified by temporary accounting is allocated to the consolidated financial statements for the quarter in which the business combination is implemented. In addition, the presentation of net income has also changed. And the presentation as a "minority interests" has changed to "non-controlling interests." To reflect these changes, presentations in the consolidated financial statements for the first nine months and the full year of the previous consolidated fiscal year were reclassified.

In adopting the Business Combination Accounting Standards, etc., the Company adopts the transitional treatments as stipulated in Article 58-2 (4) of the same Standards, Article 44-5 (4) of the Consolidated Accounting Standards, and Article 57-4 (4) of the Business Divestiture Accounting Standards in and after the beginning of the first quarter of the current consolidated accounting year.

As a result, this third quarter consolidated fiscal reporting period saw an increase of 7 million yen in operating income, and 26 million yen declines each in both ordinary income and net income before income taxes for the first nine months of the current consolidated accounting year. In addition, capital surplus as of the end of this third quarter declined by 94 million yen.

3. Quarterly Consolidated Financial Statements

(1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2015)	Q3 of FY ending March 2016 (December 31, 2015)
Assets		
Current assets		
Cash and deposits	31,738	36,224
Notes and accounts receivable-trade	39,059	38,736
Inventories	37,377	34,922
Other	4,800	4,537
Allowance for doubtful accounts	(161)	(143)
Total current assets	112,814	114,276
Non-current assets		
Property, plant and equipment		
Land	76,904	69,260
Other, net	39,538	39,275
Total property, plant and equipment	116,443	108,535
Intangible assets		
Goodwill	4	1
Other	1,480	1,601
Total intangible assets	1,485	1,602
Investments and other assets		
Other	5,382	5,294
Allowance for doubtful accounts	(243)	(106)
Total investments and other assets	5,138	5,187
Total non-current assets	123,067	115,325
Total assets	235,882	229,601

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2015)	Q3 of FY ending March 2016 (December 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	20,368	17,657
Short-term loans payable	2,072	1,926
Current portion of long-term loans payable	1,703	1,126
Income taxes payable	461	184
Provision for bonuses	1,531	698
A product repair reserve fund	3,947	3,041
Provision for business structure improvement	1,751	1,173
Other	12,005	10,367
Total current liabilities	43,842	36,176
Non-current liabilities		
Long-term loans payable	130,127	129,035
Provision for directors' retirement benefits	26	7
Net defined benefit liability	12,353	11,161
Other	17,941	16,253
Total non-current liabilities	160,449	156,457
Total liabilities	204,291	192,634
Net assets		
Shareholders' equity		
Capital stock	100	100
Capital surplus	60,275	28,401
Retained earnings	(31,138)	4,563
Treasury shares	(45)	(46)
Total shareholders' equity	29,191	33,018
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	468	613
Deferred gains or losses on hedges	(224)	(172)
Revaluation reserve for land	5,165	6,671
Foreign currency translation adjustment	(2,807)	(3,274)
Remeasurements of defined benefit plans	(3,439)	(3,185)
Total accumulated other comprehensive income	(837)	652
Non-controlling interests	3,236	3,295
Total net assets	31,590	36,967
Total liabilities and net assets	235,882	229,601

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
 (Consolidated quarterly statements of income)
 (Nine-month period ended December 31, 2015)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2014 (April 1, 2014 to December 31, 2014)	Nine-month period ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Net sales	115,007	106,777
Cost of sales	92,156	84,176
Gross profit	22,850	22,601
Selling, general and administrative expenses	17,308	15,551
Operating income	5,542	7,049
Non-operating income		
Interest income	101	41
Dividend income	72	82
Foreign exchange gains	1,772	—
Share of profit of entities accounted for using equity method	7	12
Rent income	66	234
Other	340	369
Total non-operating income	2,362	739
Non-operating expenses		
Interest expenses	2,051	1,790
Other	864	878
Total non-operating expenses	2,916	2,668
Ordinary income	4,988	5,120
Extraordinary income		
Gain on sales of non-current assets	—	1,206
Gain on sales of shares of subsidiaries and associates	—	375
Other	—	43
Total extraordinary income	—	1,625
Extraordinary losses		
Loss on disposal of non-current assets	401	340
Impairment loss	2,894	—
Business structure improvement expenses	21,102	609
Other	481	89
Total extraordinary losses	24,880	1,039
Income (loss) before income taxes and minority interests	(19,892)	5,706
Income taxes-current	765	120
Income taxes-deferred	(368)	(604)
Total income taxes	397	(483)
Profit (loss)	(20,289)	6,190
Profit (loss) attributable to non-controlling interests	(87)	28
Profit (loss) attributable to owners of parent	(20,202)	6,161

(Consolidated quarterly statements of comprehensive income)

(Nine-month period ended December 31, 2015)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2014 (April 1, 2014 to December 31, 2014)	Nine-month period ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Profit (loss)	(20,289)	6,190
Other comprehensive income		
Valuation difference on available-for-sale securities	57	145
Deferred gains or losses on hedges	(224)	53
Revaluation reserve for land	—	(66)
Foreign currency translation adjustment	(813)	(483)
Remeasurements of defined benefit plans, net of tax	1,026	254
Total other comprehensive income	45	(97)
Comprehensive income	(20,243)	6,092
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(20,093)	6,078
Comprehensive income attributable to non- controlling interests	(149)	13

(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. Nine-month period ended December 31, 2014 (April 1, 2014 to December 31, 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	41,879	9,294	54,651	105,826	9,181	115,007	—	115,007
Inter-segment sales or transfers	8,847	680	766	10,295	1,308	11,603	(11,603)	—
Total	50,727	9,975	55,418	116,121	10,489	126,610	(11,603)	115,007
Segment income (loss)	4,280	1,044	284	5,608	(43)	5,564	(22)	5,542

- (Notes) 1. The *Other* category comprises business segments that are not included in reportable segments. It includes Environmental business, Medical business, Healthcare & Amenity business, and Real Estate-related business and the like.
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 quarterly consolidated statements of income.

II. Nine-month period ended December 31, 2015 (April 1, 2015 to December 31, 2015)

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	41,808	8,927	48,038	98,773	8,003	106,777	—	106,777
Inter-segment sales or transfers	8,107	877	623	9,608	885	10,493	(10,493)	—
Total	49,915	9,804	48,661	108,381	8,889	117,271	(10,493)	106,777
Segment income (loss)	5,702	1,082	797	7,582	(555)	7,026	22	7,049

- (Notes) 1. The *Other* category comprises business segments that are not included in reportable segments. It includes Environmental business, and Real Estate-related business and the like.
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.

2. Information related to the reclassification of reporting segments

In the first quarter of the current consolidated accounting year, Unitika reformed the organizational structure and business classifications for management purposes, with the aim of achieving the goals of the medium-term management plan. In response to these revisions, the classification of reporting segments for certain consolidated subsidiaries were also revised.

In addition, as for operating expenses, part of retirement benefit costs and part of R&D expenses, which were included in the adjustment item in the past, are allocated to relevant segments.

The segment information for the first nine months of the previous consolidated fiscal year was reclassified as segment information after this revision.