

# Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2013

February 6, 2013

Listed stock exchanges: Tokyo Stock Exchange, Osaka Securities 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: February 13, 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 3rd quarter of fiscal year ending March 31, 2013 (April 1, 2012 to December 31, 2012)

### (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	%
Q3 of FY ending March 31, 2013	113,812	(12.1)	3,835	(47.1)	1,946	(50.1)	37	(98.4)
Q3 of FY ended March 31, 2012	129,504	(2.3)	7,251	(0.2)	3,898	0.0	2,292	0.6

(Note) Comprehensive income Q3 of FY ending March 31, 2013: -195 million yen [—%]

Q3 of FY ended March 31, 2012: 1,788 million yen [-21.4%]

	Quarterly net income per share	Quarterly net income per share after full dilution
	Yen	Yen
Q3 of FY ending March 31, 2013	0.06	—
Q3 of FY ended March 31, 2012	4.20	4.04

### (2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of FY ending March 31, 2013	270,257	31,963	10.6
FY ended March 31, 2012	268,486	32,207	10.6

(Reference) Shareholders' equity 3rd quarter of fiscal year ending March 31, 2013: 28,566 million yen

Fiscal year ended March 31, 2012: 28,511 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, 2012	—	0.00	—	0.00	0.00
FY ending March 31, 2013	—	0.00	—		
FY ending March 31, 2013 (forecast)				0.00	0.00

(Note) Revision of the latest dividend forecast: None

## 3. Forecast of consolidated performance for fiscal year ending March 31, 2013 (April 1, 2012 to March 31, 2013)

(% 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	%	Millions of yen
FY ending March 31, 2013	160,000	(8.4)	6,000	(37.4)	3,000	(47.9)	700	(46.1)	1.21

(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):
    - 3rd quarter of the fiscal year ending March 31, 2013: 577,523,433 shares
    - Fiscal year ended March 31, 2012: 572,960,324 shares
  - ② Number of treasury stocks at end of term
    - 3rd quarter of the fiscal year ending March 31, 2013: 762,810 shares
    - Fiscal year ended March 31, 2012: 570,138 shares
  - ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
    - 3rd quarter of the fiscal year ending March 31, 2013: 576,361,394 shares
    - 3rd quarter of the fiscal year ended March 31, 2012: 545,509,365 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 the forecast 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) Qualitative information on the forecast of consolidated results* on page 3 of the attachment.

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## 1. Qualitative Information on Quarterly Results

### (1) Qualitative Information on Consolidated Results

In the third quarter of the fiscal year ending March 31, 2013 (April 1, 2012 to December 31, 2012), stock prices were on a recovery track in the expectation of an economic bottoming-out against a backdrop of demand for reconstruction and the yen's depreciation after the change in administrations. However, the Japanese economy was in reality far from a full-fledged recovery and remained in a difficult situation, because consumer spending and employment conditions did not improve and the deflationary trend persisted. Under these circumstances, the Unitika Group reported net sales of 113,812 million yen (down 12.1% year-on-year), operating income of 3,835 million yen (down 47.1% year-on-year) and ordinary income of 1,946 million yen (down 50.1% year-on-year) because of a decline in sales volume in the Polymers business, etc. Net income amounted to 37 million yen (down 98.4% year-on-year), because tax expenses increased due to the reversal of deferred tax assets in the second quarter of this fiscal year.

Here is an overview of the business results by segment.

#### [Polymers]

In the Films business, a recovery in demand after inventory adjustment was moderate in the packaging sector. Demand did not fully recover in the industrial sector, though demand for component-related applications, such as information terminals, rebounded. Earnings decreased in both sectors, though there were signs that demand hit the bottom.

In the Resin business, shipments of nylon for automotive applications remained robust in the first half of the period, but demand for polyester and polyarylate resin for electric and electronics equipment and office equipment applications did not recover. Earnings decreased in the Resin business.

In the Non-Woven Fabric business, shipments of polyester spunbond for carpets, civil engineering and roofing applications were steady, but those for sewing threads for tatami mats and agriculture nets remained sluggish. In addition, in the cotton spunlace sector, inventory adjustment began in wet sheet application that had grown in the previous year. Earnings dropped in the Non-Woven Fabric business.

Consequently, the Polymers business posted operating income of 5,087 million yen (down 26.3% year-on-year) on net sales of 45,793 million yen (down 11.2% year-on-year).

#### [Advanced Materials]

In the Glass Fibers business, shipments for building and civil engineering refurbishment grew steadily in the industrial material sector, but shipments of IC cloth in the electronic material sector stagnated due to an adverse market climate. Earnings declined in the Glass Fibers business. In the Glass Beads business, shipments for reflective materials applications, with some exceptions, remained sluggish, while those for industrial applications and road marking applications did not recover. Earnings diminished in the Glass Beads business. In the Activated Carbon Fibers business, shipments for water purifiers, such as those built into faucets, were robust, but those for wastewater treatment applications were weak due to slow recovery in demand.

Consequently, the Advanced Materials business posted operating income of 763 million yen (down 38.9% year-on-year) on net sales of 10,538 million yen (down 7.2% year-on-year).

#### [Fibers and Textiles]

In the Industrial Materials business, demand for ultra-high-strength polyester filament yarn for mainstay construction and civil engineering applications did not recover. The Company had difficulty in increasing shipments of short-fiber polyester because of fierce price competition with competing products, while it struggled to increase shipments of vinylon fiber, because market conditions in Europe, a main market for asbestos substitute reinforced concrete applications, remained challenging, despite its efforts to expand sales overseas including emerging countries.

In the Garments, Lifestyle Materials, and Bedding business, earnings improved, because shipments of uniforms continued strong and the lineup of high-functional materials was expanded in other fields. Meanwhile, the Company had difficulty in maintaining earnings in some subsidiaries including overseas subsidiaries due to the effects of unfavorable markets.

Consequently, the Fibers and Textiles business posted operating loss of 307 million yen (operating income of 562 million yen in the same period of the previous year) on net sales of 49,142 million yen (down 11.9% year-on-year).

[Others]

In the Health & Amenity business, sales of raw materials for functional food, such as L-arabinose and newly-released lactobionic acid, were robust, but sales of health food and feed materials were relatively sluggish. In the Medical business, sales of catheters for the treatment of circulatory system diseases and catheters for thoracic drainage grew in the medical product sector. In addition, sales of clinical diagnostic reagents were on the whole steady, while sales of enzymes were weak in the biochemical sector. In the Real Estate business, sales of condominiums were in line with the plan.

Consequently, the Others category posted operating income of 433 million yen (up 32.8% year-on-year) on net sales of 8,337 million yen (down 22.7% year-on-year).

(2) Qualitative information on financial positions

Total assets increased by 1,771 million yen from the end of the previous consolidated fiscal year to 270,257 million yen. This was mainly due to an increase in cash and deposits. Liabilities grew by 2,015 million yen from the end of the previous consolidated fiscal year to 238,293 million yen. This was mainly due to an increase in loans payable. Net assets decreased by 244 million yen from the end of the previous consolidated fiscal year to 31,963 million yen, mainly as a result of a decrease in foreign currency translation adjustment.

(3) Qualitative information on the forecast of consolidated results

The Company announced on December 17, 2012 that a product defect occurred at UNITIKA Plant Engineering Co., Ltd., a subsidiary of the Company. UNITIKA Plant Engineering is responding to customers' inquiries and trying to fix the problem accordingly. The Company has already factored the expenses for this incident into its budget. The negative effect on business results for the third quarter of the fiscal year ending March 31, 2013 is estimated to be minimal. If the Company finds the impact of the incident on its full-year consolidated business results is likely to be significant, it will immediately announce it.

Consequently, the Company did not revise its full-year forecasts of consolidated business results for the year ending March 31, 2013 (April 1, 2012 to March 31, 2013) announced on October 31, 2012.

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. Quarterly financial statements

## (1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2012)	Q3 of FY ending March 2013 (December 31, 2012)
Assets		
Current assets		
Cash and deposits	15,361	18,450
Notes and accounts receivable-trade	39,884	41,026
Inventories	47,797	47,321
Other	5,600	4,089
Allowance for doubtful accounts	(217)	(199)
Total current assets	108,425	110,688
Noncurrent assets		
Property, plant and equipment		
Land	104,766	104,752
Other, net	48,378	48,208
Total property, plant and equipment	153,145	152,961
Intangible assets		
Goodwill	21	16
Other	751	832
Total intangible assets	773	848
Investments and other assets		
Other	6,657	6,138
Allowance for doubtful accounts	(515)	(379)
Total investments and other assets	6,141	5,758
Total noncurrent assets	160,060	159,568
Total assets	268,486	270,257

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2012)	Q3 of FY ending March 2013 (December 31, 2012)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	25,191	20,410
Short-term loans payable	69,993	69,061
Current portion of long-term loans payable	34,613	36,633
Income taxes payable	515	313
Provision for bonuses	1,848	853
Provision for loss on construction contracts	23	—
Provision for business structure improvement	142	40
Other	11,693	13,076
<b>Total current liabilities</b>	<b>144,022</b>	<b>140,388</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	68,601	73,268
Provision for retirement benefits	7,189	7,610
Provision for directors' retirement benefits	58	53
Other	16,405	16,972
<b>Total noncurrent liabilities</b>	<b>92,255</b>	<b>97,904</b>
<b>Total liabilities</b>	<b>236,278</b>	<b>238,293</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	26,298	26,298
Capital surplus	4,161	4,385
Retained earnings	(646)	(599)
Treasury stock	(55)	(43)
<b>Total shareholders' equity</b>	<b>29,757</b>	<b>30,039</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	26	53
Deferred gains or losses on hedges	4	(0)
Revaluation reserve for land	2,764	2,754
Foreign currency translation adjustment	(4,041)	(4,281)
<b>Total accumulated other comprehensive income</b>	<b>(1,245)</b>	<b>(1,473)</b>
<b>Minority interests</b>	<b>3,696</b>	<b>3,397</b>
<b>Total net assets</b>	<b>32,207</b>	<b>31,963</b>
<b>Total liabilities and net assets</b>	<b>268,486</b>	<b>270,257</b>

## (2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income

(Consolidated quarterly statements of income)

(Nine-month period ended December 31, 2012)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2011 (April 1, 2011 to December 31, 2011)	Nine-month period ended December 31, 2012 (April 1, 2012 to December 31, 2012)
Net sales	129,504	113,812
Cost of sales	104,140	92,333
Gross profit	25,364	21,479
Selling, general and administrative expenses	18,112	17,643
Operating income	7,251	3,835
Non-operating income		
Interest income	107	85
Dividends income	101	90
Foreign exchange gains	—	202
Other	719	575
Total non-operating income	928	953
Non-operating expenses		
Interest expenses	2,461	2,301
Equity in losses of affiliates	197	53
Other	1,622	487
Total non-operating expenses	4,282	2,843
Ordinary income	3,898	1,946
Extraordinary income		
Gain on sales of noncurrent assets	16	816
Gain on negative goodwill	—	48
Total extraordinary income	16	865
Extraordinary loss		
Loss on disposal of noncurrent assets	422	348
Loss on valuation of investment securities	9	151
Loss on abolishment of retirement benefit plan	299	—
Other	800	458
Total extraordinary loss	1,531	959
Income before income taxes and minority interests	2,384	1,852
Income taxes-current	331	399
Income taxes-deferred	(283)	1,399
Total income taxes	47	1,798
Income before minority interests	2,336	54
Minority interests in income	43	16
Net income	2,292	37



## (Consolidated quarterly statements of comprehensive income)

(Nine-month period ended December 31, 2012)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2011 (April 1, 2011 to December 31, 2011)	Nine-month period ended December 31, 2012 (April 1, 2012 to December 31, 2012)
Income before minority interests	2,336	54
Other comprehensive income		
Valuation difference on available-for-sale securities	(84)	26
Deferred gains or losses on hedges	(41)	(6)
Revaluation reserve for land	150	—
Foreign currency translation adjustment	(547)	(263)
Share of other comprehensive income of associates accounted for using equity method	(24)	(5)
Total other comprehensive income	(548)	(249)
Comprehensive income	1,788	(195)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,750	(180)
Comprehensive income attributable to minority interests	37	(14)

## (3) Notes on going concern assumption

Not applicable

## (4) Notes on significant changes in shareholders' equity

Not applicable

## (5) Segment information

[Segment Information]

Nine-month period ended December 31, 2011 (April 1, 2011 to December 31, 2011)

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	51,557	11,353	55,807	118,719	10,785	129,504	—	129,504
Inter-segment sales or transfers	14	34	176	225	1,446	1,672	(1,672)	—
Total	51,572	11,388	55,983	118,944	12,232	131,176	(1,672)	129,504
Segment income	6,900	1,249	562	8,711	326	9,038	(1,786)	7,251

- (Notes) 1. *Other* includes the Environmental Business, Medical Business, Health & Amenity Business, and Real Estate-related Business.  
2. Adjustment of 1,786 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.

Nine-month period ended December 31, 2012 (April 1, 2012 to December 31, 2012)

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	45,793	10,538	49,142	105,474	8,337	113,812	—	113,812
Inter-segment sales or transfers	18	41	170	230	1,722	1,953	(1,953)	—
Total	45,812	10,579	49,313	105,705	10,060	115,766	(1,953)	113,812
Segment income (loss)	5,087	763	(307)	5,542	433	5,976	(2,141)	3,835

- (Notes) 1. *Other* includes the Environmental Business, Medical Business, Health & Amenity Business, and Real Estate-related Business.  
2. Adjustment of 2,141 million yen for *Segment income(loss)* includes corporate expenses that are not allocated to each reportable segment.  
3. *Segment income (loss)* is adjusted with operating income in quarterly consolidated statements of income.