

# Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2014

February 6, 2014

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

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

Representative: Kenji Yasue, President and Chief Executive Officer

Contact: Shoji Ishikawa, General Manager of Accounting Department

TEL: +81-6-6281-5721

Expected submission of quarterly report: February 13, 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 3rd quarter of fiscal year ending March 31, 2014 (April 1, 2013 to December 31, 2013)

### (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, 2014	119,732	5.2	4,884	27.4	3,658	88.0	2,279	—
Q3 of FY ended March 31, 2013	113,812	(12.1)	3,835	(47.1)	1,946	(50.1)	37	(98.4)

(Note) Comprehensive income Q3 of FY ending March 31, 2014: 2,785 million yen [—%]  
Q3 of FY ended March 31, 2013: -195 million yen [—%]

	Quarterly net income per share	Quarterly net income per share after full dilution
	Yen	Yen
Q3 of FY ending March 31, 2014	3.95	—
Q3 of FY ended March 31, 2013	0.06	—

### (2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of FY ending March 31, 2014	258,809	24,102	7.9
FY ended March 31, 2013	255,054	21,317	7.0

(Reference) Shareholders' equity 3rd quarter of fiscal year ending March 31, 2014: 20,420 million yen  
Fiscal year ended March 31, 2013: 17,809 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, 2013	—	0.00	—	0.00	0.00
FY ending March 31, 2014	—	0.00	—		
FY ending March 31, 2014 (forecast)				0.00	0.00

(Note) Revision of the latest dividend forecast: None

## 3. Forecast of consolidated performance for fiscal year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(% 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	%	Yen
FY ending March 31, 2014	165,000	3.0	7,500	35.9	4,000	3.8	2,000	—	3.47

(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): 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, 2014: 577,523,433 shares
    - Fiscal year ended March 31, 2013: 577,523,433 shares
  - ② Number of treasury stocks at end of term
    - 3rd quarter of the fiscal year ending March 31, 2014: 779,008 shares
    - Fiscal year ended March 31, 2013: 766,802 shares
  - ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
    - 3rd quarter of the fiscal year ending March 31, 2014: 576,751,243 shares
    - 3rd quarter of the fiscal year ended March 31, 2013: 576,361,394 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 third quarter of the fiscal year ending March 31, 2014 (April 1, 2013 to December 31, 2013), the Japanese economy gradually recovered due to a upturn of exports and a pickup in personal consumption, supported by the government's active economic stimulus measures and the Bank of Japan's monetary relaxation policy. However, there were still downside risks to Japan's economy, such as soaring raw material and fuel prices caused by the fluctuation of foreign exchange rates, an economic slowdown in emerging countries, and declines in consumer confidence due to the scheduled consumption tax increase in April 2014.

Under these circumstances, the Unitika Group reported operating income of 4,884 million yen (up 27.4% year-on-year) on net sales of 119,732 million yen (up 5.2% year-on-year) because sales volumes, on the whole, recovered in the Polymers business and the Others category. Ordinary income totaled 3,658 million yen (up 88.0% year-on-year) and net income amounted to 2,279 million yen (net income of 37 million yen in the previous year), due to an increase in non-operating income, such as foreign exchange gains.

Here is an overview of the business results by segment.

#### [Polymers]

In the Films business, demand continued to recover gradually in the packaging sector, resulting in a rise in sales volumes. However, sales volumes decreased in the industrial sector due to lingering weak demand for electrical and electronics equipment applications. In addition, the penetration of the price revision took longer and raw material and fuel prices rose higher due to the further depreciation of the yen. Consequently, profits decreased in the Films business.

In the Resins business, sales of polyarylate resin for automobile and information terminal device applications grew solidly, while shipments of nylon for the automobile applications also increased steadily. In addition, the Company accelerated the promotion of a new polyester material for direct blow bottle applications. As a result, profits increased in the Resins business.

In the Non-woven Fabrics business, earnings of polyester spunbond fabrics increased because sales volumes for agriculture, daily product materials, and civil engineering applications grew and the profitability of the export business improved. In addition, sales of cotton spunlace for wet sheet applications remained solid.

Consequently, the Polymers business posted operating income of 4,764 million yen (down 6.3% year-on-year) on net sales of 48,652 million yen (up 6.2% year-on-year).

#### [Advanced Materials]

In the Glass Fibers business, shipments for building and civil engineering applications increased steadily in the industrial material sector. In the electronic material sector, sales for information terminal device applications grew, improving profitability. In the Glass Beads business, sales for road marking applications jumped because of a recovery of demand, while in shipments for reflective materials applications, exports to the European market continued to be sluggish. Meanwhile, in the Activated Carbon Fibers business, shipments for water purifiers applications, mainly those built into faucets, and automobiles applications continued to be strong.

Consequently, the Advanced Materials business posted operating income of 1,253 million yen (up 64.2% year-on-year) on net sales of 10,741 million yen (up 1.9% year-on-year).

#### [Fibers and Textiles]

In the Industrial Materials business, earnings of ultra-high strength polyester filament yarn did not improve yet because intensifying competition continued in the field of building and civil engineering, its main applications. Meanwhile, in the short-fiber polyester business, sales of binder fiber products, its differentiated products, expanded and the profitability of exports also improved. Sales volumes of vinylon fiber, a replacement for asbestos, increased due to expanded sales to emerging countries, although demand remained sluggish in the European market.

In the Garments, Lifestyle Materials, and Bedding business, earnings decreased in the Japanese market, including the uniform field, because overseas procurement costs increased, although exports, including denims, grew steadily.

Consequently, the Fibers and Textiles business posted operating loss of 233 million yen (operating loss of 307 million yen in the same period of the previous year) on net sales of 49,015 million yen (down 0.3% year-on-year).

[Others]

In the Healthcare & Amenity business, sales of functional dietary materials, such as lactobionic acid, were solid, while those of health foods and feed materials were sluggish. In the Medical business, earnings increased because of steady sales of its mainstay product, catheters for the treatment of circulatory system diseases and growing sales of new “chitin” products in the medical product field, and expanding sales of clinical diagnostic reagents in the biochemical field.

In the Real Estate business, earnings increased because sales of condominiums remained solid.

Consequently, the Others category posted operating income of 1,008 million yen (up 132.6% year-on-year) on net sales of 11,323 million yen (up 35.8% year-on-year).

(2) Explanation of financial situation

Total assets increased by 3,755 million yen from the end of the previous consolidated fiscal year to 258,809 million yen. This was mainly due to an increase in notes and accounts receivable-trade and inventory despite a decrease in cash and deposits. Liabilities grew by 971 million yen from the end of the previous consolidated fiscal year to 234,707 million yen. This was mainly due to an increase in loans payable. Net assets increased by 2,784 million yen from the end of the previous consolidated fiscal year to 24,102 million yen, mainly as a result of an increase in retained earnings.

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

Though non-operating income increased due to foreign exchange gains during the third quarter of the fiscal year ending March 31, 2014, we did not revise the forecast of consolidated performance for the fiscal year ending March 31, 2014 because the business outlook remains unclear.

If we judge that we need to revise the forecast in the future, we will immediately announce this.

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. Critical events, etc., regarding the assumption of a going concern

The Unitika Group's shareholders' equity amounted to 18,663 million yen in the previous consolidated fiscal year, because the Group posted a net loss of 10,875 million yen for the previous consolidated fiscal year. Consequently, the Unitika Group was in violation of restrictive financial covenants (criteria for shareholders' equity on the last day of the fiscal year or the second quarter of the fiscal year) on some of the long-term loans (outstanding balance of 4,600 million yen at the end of the previous consolidated fiscal year). However, management does not consider that there will be any critical uncertainties regarding the assumption of a going concern, since the Group fully repaid such long-term loans in the first six-month period of the fiscal year ending March 31, 2014.

In order to bring about a radical change in earnings, the Unitika Group continues promoting the revamping of its business structure and the reduction of fixed costs. The Group also will concentrate its resources on growth areas, mainly the polymers and advanced materials fields, and promote a growth strategy for improving and strengthening its organic growth to turn its business performance around.

## 4. Quarterly Financial Statements

## (1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	Q3 of FY ending March 2014 (December 31, 2013)
Assets		
Current assets		
Cash and deposits	19,668	15,583
Notes and accounts receivable-trade	36,339	40,652
Inventories	39,776	43,182
Other	4,660	4,381
Allowance for doubtful accounts	(170)	(175)
Total current assets	100,274	103,624
Noncurrent assets		
Property, plant and equipment		
Land	103,163	103,019
Other, net	45,265	46,137
Total property, plant and equipment	148,428	149,157
Intangible assets		
Goodwill	14	11
Other	800	1,036
Total intangible assets	815	1,047
Investments and other assets		
Other	5,860	5,263
Allowance for doubtful accounts	(325)	(283)
Total investments and other assets	5,535	4,979
Total noncurrent assets	154,779	155,184
Total assets	255,054	258,809

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	Q3 of FY ending March 2014 (December 31, 2013)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	22,067	21,267
Short-term loans payable	68,433	68,529
Current portion of long-term loans payable	32,925	31,961
Income taxes payable	756	810
Provision for bonuses	1,567	870
Provision for business structure improvement	1,087	524
Other	11,724	12,470
<b>Total current liabilities</b>	<b>138,562</b>	<b>136,435</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	65,162	67,348
Provision for retirement benefits	7,752	8,683
Provision for directors' retirement benefits	53	26
Other	22,205	22,213
<b>Total noncurrent liabilities</b>	<b>95,173</b>	<b>98,272</b>
<b>Total liabilities</b>	<b>233,736</b>	<b>234,707</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	26,298	26,298
Capital surplus	4,385	4,385
Retained earnings	(11,976)	(9,696)
Treasury stock	(44)	(44)
<b>Total shareholders' equity</b>	<b>18,663</b>	<b>20,942</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	114	233
Deferred gains or losses on hedges	6	3
Revaluation reserve for land	2,979	2,979
Foreign currency translation adjustment	(3,954)	(3,739)
<b>Total accumulated other comprehensive income</b>	<b>(854)</b>	<b>(521)</b>
<b>Minority interests</b>	<b>3,508</b>	<b>3,681</b>
<b>Total net assets</b>	<b>21,317</b>	<b>24,102</b>
<b>Total liabilities and net assets</b>	<b>255,054</b>	<b>258,809</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, 2013)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2012 (April 1, 2012 to December 31, 2012)	Nine-month period ended December 31, 2013 (April 1, 2013 to December 31, 2013)
Net sales	113,812	119,732
Cost of sales	92,333	97,342
Gross profit	21,479	22,390
Selling, general and administrative expenses	17,643	17,505
Operating income	3,835	4,884
Non-operating income		
Interest income	85	83
Dividends income	90	79
Foreign exchange gains	202	1,133
Equity in earnings of affiliates	—	10
Other	575	566
Total non-operating income	953	1,872
Non-operating expenses		
Interest expenses	2,301	2,241
Equity in losses of affiliates	53	—
Other	487	857
Total non-operating expenses	2,843	3,099
Ordinary income	1,946	3,658
Extraordinary income		
Gain on sales of noncurrent assets	816	—
Gain on sales of investment securities	—	275
Dividends from liquidation of securities	—	186
Gain on bargain purchase	48	—
Total extraordinary income	865	462
Extraordinary loss		
Loss on disposal of noncurrent assets	348	361
Loss on valuation of investment securities	151	—
Other	458	430
Total extraordinary loss	959	792
Income before income taxes and minority interests	1,852	3,328
Income taxes-current	399	817
Income taxes-deferred	1,399	182
Total income taxes	1,798	1,000
Income before minority interests	54	2,328
Minority interests in income	16	48
Net income	37	2,279



## (Consolidated quarterly statements of comprehensive income)

(Nine-month period ended December 31, 2013)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2012 (April 1, 2012 to December 31, 2012)	Nine-month period ended December 31, 2013 (April 1, 2013 to December 31, 2013)
Income before minority interests	54	2,328
Other comprehensive income		
Valuation difference on available-for-sale securities	26	119
Deferred gains or losses on hedges	(6)	(2)
Foreign currency translation adjustment	(263)	340
Share of other comprehensive income of associates accounted for using equity method	(5)	—
Total other comprehensive income	(249)	456
Comprehensive income	(195)	2,785
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(180)	2,611
Comprehensive income attributable to minority interests	(14)	173

## (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, 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.

## II. Nine-month period ended December 31, 2013 (April 1, 2013 to December 31, 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	48,652	10,741	49,015	108,409	11,323	119,732	—	119,732
Inter-segment sales or transfers	17	46	197	261	1,219	1,481	(1,481)	—
Total	48,670	10,787	49,213	108,671	12,543	121,214	(1,481)	119,732
Segment income (loss)	4,764	1,253	(233)	5,784	1,008	6,793	(1,908)	4,884

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

2. Adjustment of (1,908) 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.