

Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2015

February 6, 2015

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

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Expected submission of quarterly report: February 13, 2015

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, 2015 (April 1, 2014 to December 31, 2014)

(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, 2015	115,007	(3.9)	5,542	13.5	4,988	36.3	(20,202)	—
Q3 of FY ended March 31, 2014	119,732	5.2	4,884	27.4	3,658	88.0	2,279	—

(Note) Comprehensive income Q3 of FY ending March 31, 2015: (20,243) million yen [—%]
Q3 of FY ended March 31, 2014: 2,785 million yen [—%]

	Quarterly net income per share	Quarterly net income per share after full dilution
	Yen	Yen
Q3 of FY ending March 31, 2015	(35.57)	—
Q3 of FY ended March 31, 2014	3.95	—

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of FY ending March 31, 2015	245,695	38,050	14.0
FY ended March 31, 2014	254,181	19,368	6.1

(Reference) Shareholders' equity 3rd quarter of fiscal year ending March 31, 2015: 34,371 million yen
Fiscal year ended March 31, 2014: 15,540 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, 2014	—	0.00	—	0.00	0.00
FY ending March 31, 2015	—	0.00	—		
FY ending March 31, 2015 (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, 2015 (April 1, 2014 to March 31, 2015)

(% 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, 2015	165,000	1.4	8,000	17.7	6,000	27.3	(37,000)	—	(64.15)

(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: 1 company; (company name): Unitika Logistics Co., Ltd.

(Note) For details, please refer to 2. *Matters concerning Summary Information (Notes) (1) Changes in significant subsidiaries during the period* on Page 3 of the summary of financial statements (attachment).

(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, 2015: 577,523,433 shares

Fiscal year ended March 31, 2014: 577,523,433 shares

② Number of treasury stocks at end of term

3rd quarter of the fiscal year ending March 31, 2015: 791,639 shares

Fiscal year ended March 31, 2014: 782,356 shares

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

3rd quarter of the fiscal year ending March 31, 2015: 576,736,511 shares

3rd quarter of the fiscal year ended March 31, 2014: 576,751,243 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, 2014	—	—	—	—	—
FY ending March 31, 2015	—	0.00	—		
FY ending March 31, 2015 (forecast)				—	—
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2014	—	—	—	—	—
FY ending March 31, 2015	—	0.00	—		
FY ending March 31, 2015 (forecast)				—	—
Class C share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2014	—	—	—	—	—
FY ending March 31, 2015	—	0.00	—		
FY ending March 31, 2015 (forecast)				—	—

(Note) Dividends per share for fiscal year ending March 31, 2015 have not yet been decided.

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1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

In the first nine months of the fiscal year ending March 31, 2015 (April 1, 2014 to December 31, 2014), the Japanese economy continued to recover gradually, although it suffered a backlash that followed robust sales induced by last-minute demand prior to the consumption tax rate increase. Recovery was maintained because corporate earnings increased; capital expenditure grew; and employment conditions improved due to the continuation of the monetary easing policy by the Bank of Japan and economic stimulus measures by the government. Meanwhile, the economies of emerging countries including China slowed down, but those of developed countries centering on the United States continued to improve.

In this environment, the Unitika Group tried to strengthen its foundation as a functional materials manufacturer centering on the Polymers business and to reform the structure of low-profit businesses and non-core businesses 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 the current fiscal year.

Consequently, in the first nine months of the fiscal year ending March 31, 2015, the Unitika Group reported net sales of 115,007 million yen (down 3.9% year-on-year), operating income of 5,542 million yen (up 13.5% year-on-year) and ordinary income of 4,988 million yen (up 36.3% year-on-year), and net loss of 20,202 million yen (net income of 2,279 million yen in the previous year).

Here is an overview of the business results by segment.

[Polymers]

In the Films business, the packaging sector in Japan suffered from sluggish consumer spending following the consumption tax rate increase, but exports grew. Sales increased in the industrial sector, supported by a recovery in demand for electrical and electronics equipment applications. A newly-launched product, a highly heat-resistant film, also contributed to sales growth. As a result, sales and profits increased in the Films business.

In the Resins business, sales of nylon resins for automobile applications were stagnant. Sales of *U-Polymer*, the Company's original polyarylate resin, for office equipment-related applications remained robust, while those for information terminal device applications remained sluggish. Meanwhile, sales of *Arrow Base*, polyolefin cationic emulsion, expanded, since its functionality was highly evaluated. As a result, sales increased but profits decreased in the Resins business.

In the Non-woven Fabrics business, exports of polyester spunbond fabrics grew steadily, but their sales in Japan, centering on daily product and agriculture applications, decreased. Meanwhile, sales of cotton spunlace increased, because demand for wet sheet applications continued to be strong. As a result, sales decreased but profits increased in the Non-woven Fabrics business.

Consequently, the Polymers business posted operating income of 5,017 million yen (up 5.3% year-on-year) on net sales of 48,477 million yen (down 0.4% year-on-year).

[Advanced Materials]

In the Glass Fibers business, sales of building-related materials continued to be robust in the industrial materials sector. In the electronic materials sector, sales of IC cloth, especially ultra thin ones for semiconductor and smartphone applications, also continued to grow steadily. In the Glass Beads business, shipments for industrial applications increased solidly, although sales for road marking applications were stagnant. Meanwhile, in the Activated Carbon Fibers business, shipments for water purifier applications and air purifying equipment applications, etc. remained weak.

Consequently, the Advanced Materials business posted operating income of 1,409 million yen (up 12.4% year-on-year) on net sales of 11,026 million yen (up 2.7% year-on-year).

[Fibers and Textiles]

In the Industrial Materials business, sales of ultra-high strength polyester filament yarn increased steadily due to robust demand in the field of building and civil engineering, its main applications. In the short-fiber polyester business, profitability improved substantially due to efforts to reduce the marketing of low-profit products. Profitability of vinylon fiber for reinforced concrete applications, a replacement for asbestos, improved due to progress in the shift to high-profit products in exports to Europe and emerging countries. However, the Company needs to reduce costs to raise profitability further.

In the Garments, Lifestyle Materials, and Bedding business, sales in the sports field remained sluggish in Japan, but sales in the uniform field increased due to a recovery of demand for uniforms for factory workers. Meanwhile, in women's clothing fields, sales of both clothing materials and finished products remained steady.

Consequently, the Fibers and Textiles business posted operating income of 629 million yen (operating loss of 233 million yen in the same period of the previous year) on net sales of 48,229 million yen (down 1.6% year-on-year).

[Others]

In the Healthcare & Amenity business, sales of health food, such as *Byakugen Houou*, suffered from a backlash against strong sales that had been supported by last-minute demand before the consumption tax rate hike, but sales of functional dietary materials and feed materials centering on Ceramide remained strong.

In the Medical business, sales of catheters and clinical diagnostic reagents were solid, although sales of *Beschitin* were sluggish.

In the Real Estate business, sales decreased because the completion of newly developed properties fell from the previous year.

Consequently, the Others category posted operating income of 304 million yen (down 69.8% year-on-year) on net sales of 7,273 million yen (down 35.8% year-on-year).

(2) Explanation of financial situation

Total assets decreased by 8,486 million yen from the end of the previous consolidated fiscal year to 245,695 million yen. This was mainly due to a decrease in property, plant and equipment despite an increase in cash and deposits. Liabilities decreased by 27,168 million yen from the end of the previous consolidated fiscal year to 207,644 million yen. This was mainly due to a fall in interest-bearing debts. Net assets increased by 18,681 million yen from the end of the previous consolidated fiscal year to 38,050 million yen. This was mainly due to an increase in shareholders' equity by the issuance of common shares.

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

The Unitika Group will promote its growth strategy and carry out its business portfolio restructuring as targets for the first year of its new medium-term management plan announced on May 26, 2014.

The Company has not changed the forecast of consolidated performance for fiscal year ending March 31, 2015 announced on May 26, 2014 in accordance with the new medium-term management plan.

2. Matters concerning Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

The Company absorbed Unitika Logistics Co., Ltd. and became the surviving company during the third quarter of the current consolidated accounting year. As a result, Unitika Logistics Co., Ltd. was terminated and removed from the scope of consolidation.

(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 Retirement Benefits)

Effective from the first quarter of the current consolidated accounting year, the Unitika Group has applied the *Accounting Standard for Retirement Benefits* (ASBJ Statement No.26, issued May 17, 2012; hereinafter, the *Accounting Standard*) and the *Guidance on the Accounting Standard for Retirement Benefits* (ASBJ Guidance No.25, issued May 17, 2012; hereinafter, the *Guidance*). In accordance with the provisions stipulated in the main clause of Article 35 of the Accounting Standards and in the main clause of Article 67 of the Guidance, the Group reviewed the method of calculation for retirement benefit obligations and service costs, and changed the method of attributing expected retirement benefit to periods from the fixed amount per period standard to the benefit formula standard; and changed the method of calculating discount rate from a method based on the number of years close to average remaining service periods for employees to a method using a single weighted average discount rate that reflects the estimated timing of benefit payment and amount of benefit payments by the estimated timing.

The Accounting Standards and Guidance have been applied in a transitional manner as provided in paragraph 37 of the Accounting Standard, and the effects from the changes in calculation method for retirement benefit obligations and service costs have been reflected in retained earnings at the beginning of the first nine months of the current consolidated accounting year.

Consequently, net defined benefit liability decreased by 1,426 million yen and retained earnings increased by 1,426 million yen at the beginning of the first nine months of the current consolidated accounting year. In addition, operating income, ordinary income, and net income before income taxes decreased by 164 million yen, respectively, in the first nine months of the current consolidated accounting year.

3. Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2014)	Q3 of FY ending March 2015 (December 31, 2014)
Assets		
Current assets		
Cash and deposits	19,587	28,378
Notes and accounts receivable-trade	35,324	37,081
Inventories	39,891	40,112
Other	4,736	5,828
Allowance for doubtful accounts	(169)	(175)
Total current assets	99,370	111,225
Non-current assets		
Property, plant and equipment		
Land	103,036	85,033
Other, net	45,551	42,733
Total property, plant and equipment	148,588	127,766
Intangible assets		
Goodwill	9	6
Other	1,191	1,431
Total intangible assets	1,201	1,438
Investments and other assets		
Other	5,294	5,539
Allowance for doubtful accounts	(273)	(274)
Total investments and other assets	5,020	5,264
Total non-current assets	154,811	134,469
Total assets	254,181	245,695

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2014)	Q3 of FY ending March 2015 (December 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	19,696	21,133
Short-term loans payable	70,125	2,013
Current portion of long-term loans payable	39,240	1,364
Income taxes payable	1,035	771
Provision for bonuses	1,595	830
A product repair reserve fund	1,284	1,038
Provision for business structure improvement	566	1,816
Other	11,012	12,446
Total current liabilities	144,555	41,415
Non-current liabilities		
Long-term loans payable	55,187	132,226
Provision for directors' retirement benefits	26	26
Net defined benefit liability	13,034	12,016
Other	22,008	21,959
Total non-current liabilities	90,257	166,229
Total liabilities	234,813	207,644
Net assets		
Shareholders' equity		
Capital stock	26,298	100
Capital surplus	4,385	60,275
Retained earnings	(11,392)	(24,322)
Treasury shares	(44)	(45)
Total shareholders' equity	19,245	36,008
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	265	323
Deferred gains or losses on hedges	(8)	(235)
Revaluation reserve for land	2,918	4,879
Foreign currency translation adjustment	(2,904)	(3,652)
Remeasurements of defined benefit plans	(3,977)	(2,950)
Total accumulated other comprehensive income	(3,705)	(1,636)
Minority interests	3,828	3,678
Total net assets	19,368	38,050
Total liabilities and net assets	254,181	245,695

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

(Consolidated quarterly statements of income)

(Nine-month period ended December 31, 2014)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2013 (April 1, 2013 to December 31, 2013)	Nine-month period ended December 31, 2014 (April 1, 2014 to December 31, 2014)
Net sales	119,732	115,007
Cost of sales	97,342	92,156
Gross profit	22,390	22,850
Selling, general and administrative expenses	17,505	17,308
Operating income	4,884	5,542
Non-operating income		
Interest income	83	101
Dividend income	79	72
Foreign exchange gains	1,133	1,772
Share of profit of entities accounted for using equity method	10	7
Other	566	407
Total non-operating income	1,872	2,362
Non-operating expenses		
Interest expenses	2,241	2,051
Other	857	864
Total non-operating expenses	3,099	2,916
Ordinary income	3,658	4,988
Extraordinary income		
Gain on sales of investment securities	275	—
Dividends from liquidation of securities	186	—
Total extraordinary income	462	—
Extraordinary losses		
Loss on disposal of non-current assets	361	401
Impairment loss	—	2,894
Business structure improvement expenses	134	21,102
Other	295	481
Total extraordinary losses	792	24,880
Income (loss) before income taxes and minority interests	3,328	(19,892)
Income taxes-current	817	765
Income taxes-deferred	182	(368)
Total income taxes	1,000	397
Income (loss) before minority interests	2,328	(20,289)
Minority interests in income (loss)	48	(87)
Net income (loss)	2,279	(20,202)

(Consolidated quarterly statements of comprehensive income)

(Nine-month period ended December 31, 2014)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2013 (April 1, 2013 to December 31, 2013)	Nine-month period ended December 31, 2014 (April 1, 2014 to December 31, 2014)
Income (loss) before minority interests	2,328	(20,289)
Other comprehensive income		
Valuation difference on available-for-sale securities	119	57
Deferred gains or losses on hedges	(2)	(224)
Foreign currency translation adjustment	340	(813)
Remeasurements of defined benefit plans, net of tax	—	1,026
Total other comprehensive income	456	45
Comprehensive income	2,785	(20,243)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,611	(20,093)
Comprehensive income attributable to minority interests	173	(149)

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

In conjunction with the payment of funds related to the issuance of class shares through a private placement on July 31, 2014, a resolution (the amount of capital stock, decrease in the amount of legal capital surplus and legal retained earnings, and disposal of surplus), which was passed at a regular shareholders meeting held on June 27, 2014, took effect. Accordingly, the Company transferred the funds as follows:

(1) Increase in capital stock, etc. by the issuance of class shares

Increase in capital stock: 18,749 million yen

Increase in legal capital surplus: 18,749 million yen

(2) Decrease in capital stock, etc.

Decrease in capital stock: 44,947 million yen

Decrease in legal capital surplus: 23,134 million yen

Increase in other capital surplus: 68,082 million yen

Decrease in legal retained earnings: 1,506 million yen

Increase in retained earnings brought forward: 1,506 million yen

(3) Disposal of surplus

Decrease in other capital surplus: 7,806 million yen

Decrease in general reserve: 1,150 million yen

Increase in retained earnings brought forward: 8,956 million yen

(Segment information)

Segment Information

I. 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.

II. 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	48,477	11,026	48,229	107,734	7,273	115,007	—	115,007
Inter-segment sales or transfers	48	40	157	246	949	1,196	(1,196)	—
Total	48,525	11,067	48,387	107,981	8,222	116,203	(1,196)	115,007
Segment income	5,017	1,409	629	7,057	304	7,362	(1,819)	5,542

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

2. Adjustment of (1,819) 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.