

Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2017

February 7, 2017

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: February 13, 2017

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, 2017 (April 1, 2016 to December 31, 2016)

(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, 2017	92,187	(13.7)	9,220	30.8	8,387	63.8	6,285	2.0
Q3 of FY ended March 31, 2016	106,777	(7.2)	7,049	27.2	5,120	2.7	6,161	—

(Note) Comprehensive income Q3 of FY ending March 31, 2017: 5,219 million yen [-14.3%]

Q3 of FY ended March 31, 2016: 6,092 million yen [—%]

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
Q3 of FY ending March 31, 2017	9.59	4.86
Q3 of FY ended March 31, 2016	9.38	4.87

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of FY ending March 31, 2017	209,583	42,158	18.6
FY ended March 31, 2016	219,957	37,936	15.7

(Reference) Shareholders' equity 3rd quarter of fiscal year ending March 31, 2017: 38,955 million yen

Fiscal year ended March 31, 2016: 34,598 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, 2016	—	0.00	—	0.00	0.00
FY ending March 31, 2017	—	0.00	—		
FY ending March 31, 2017 (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, 2017 (April 1, 2016 to March 31, 2017)

(% 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, 2017	134,500	(8.2)	11,700	12.0	9,000	31.9	7,000	1.0	10.41

(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: 2 companies; (company name): Unitika Realty Co., Ltd. and Unimore 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):
 3rd quarter of the fiscal year ending March 31, 2017: 577,523,433 shares
 Fiscal year ended March 31, 2016: 577,523,433 shares
 ② Number of treasury stocks at end of term
 3rd quarter of the fiscal year ending March 31, 2017: 814,288 shares
 Fiscal year ended March 31, 2016: 805,686 shares
 ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
 3rd quarter of the fiscal year ending March 31, 2017: 576,714,949 shares
 3rd quarter of the fiscal year ended March 31, 2016: 576,724,606 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, 2016	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2017	—	0.00	—		
FY ending March 31, 2017 (forecast)				12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2016	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2017	—	0.00	—		
FY ending March 31, 2017 (forecast)				23,740.00	23,740.00
Class C share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2016	—	0.00	—	60,000.00	60,000.00
FY ending March 31, 2017	—	0.00	—		
FY ending March 31, 2017 (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
(4) Additional information.....	3
3. Quarterly 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	
Nine-month period ended December 31, 2016	6
Consolidated quarterly statements of comprehensive income	
Nine-month period ended December 31, 2016	7
(3) Notes on quarterly consolidated financial statements.....	8
(Notes on going concern assumption)	8
(Notes on significant changes in shareholders' equity)	8
(Segment information)	8

1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

In the first nine-month period of the consolidated fiscal year under review (April 1, 2016 to December 31, 2016), the Japanese economy gradually recovered, with signs of improvement in corporate earnings and in the employment and income environment. Meanwhile, the outlook for overseas economies remained unclear due to no sign of a turnaround in the deceleration of growth in China and emerging countries and growing economic uncertainty caused by Brexit (the exit of the United Kingdom from the EU) and the new U.S. Administration's economic policies.

Under these circumstances, the Unitika Group endeavored to strengthen its foundation as a functional materials manufacturer centering on the Polymers business and implement measures to improve profitability with the aim of achieving its targets at an early stage under the growth strategy stated in its new medium-term management plan, launched in May 2014.

Consequently, in the first nine-month period of the consolidated fiscal year under review, the Unitika Group reported net sales of 92,187 million yen (down 13.7% year on year), operating income of 9,220 million yen (up 30.8% year on year), ordinary income of 8,387 million yen (up 63.8% year on year), and profit attributable to owners of the parent company of 6,285 million yen (up 2.0% year on year).

Here is a summary of business by segment.

[Polymers]

In the Films business, the packaging sector saw sales in Japan continue to grow steadily in the third quarter of the current fiscal year. In overseas markets, net sales grew due to an increase in the production capacity of P.T. EMBLEM ASIA (EMBLEM ASIA), a subsidiary in Indonesia. In the industrial sector, demand hit a plateau for information terminal applications, but sales of high-value-added products, such as *Uniamide*, a heat-resistant polyamide film, expanded, contributing to the growth in earnings.

In the Resin business, high-value-added products, such as high-intensity metallic nano-composite nylon resins using the Company's proprietary method, found increased adoption in automobile applications. Sales of *elitel*, a thermoplastic saturated copolymeric polyester resin, grew steadily, supported by demand for solar cell applications in overseas markets. Sales of *U-Polymer*, the Company's original polyarylate resin, were also robust for information terminal applications in overseas markets. However, sales of general-purpose ester resins were sluggish.

In the Non-woven Fabrics business, the sales volume of polyester spunbond fabrics grew for industrial material applications, but remained weak for other applications. In overseas markets, THAI UNITIKA SPUNBOND CO., LTD. (TUSCO), a subsidiary in Thailand, saw sales in countries other than Thailand increase steadily for industrial material applications. Meanwhile, sales of cotton spunlace continued to grow in Japan for daily product applications, such as skin care goods. Export volumes also grew.

Consequently, the Polymers business posted operating income of 7,867 million yen (up 38.0% year-on-year) on net sales of 40,829 million yen (down 2.3% year-on-year).

[Advanced Materials]

In the Glass Fibers business, the industrial materials sector showed strong sales in building-related materials, whereas IC cloth in the electronic materials sector suffered weak sales due to a lack of recovery in demand for information terminal applications.

In the Glass Beads business, sales for reflective material applications remained weak to some customers, while sales for road marking and industrial applications were robust. Earnings in general increased for various reasons including improvements in the product lineup.

In the Activated Carbon Fibers business, demand for mainstay water purifier applications recovered, while demand for VOC removal and industrial filter applications remained strong.

Consequently, the Advanced Materials business posted operating income of 818 million yen (down 24.4% year on year) on net sales of 8,832 million yen (down 1.1% year on year).

[Fibers and Textiles]

In the Industrial Materials business, the component ratio of high value-added products, such as composite fibers, increased in the sales of ultra-high-strength polyester filament yarn, contributing to earnings growth. In the short-fiber polyester business, earnings were secured in line with the Company's initial plan due to efforts to expand sales of high-value-added products, although sales decreased substantially due to the downsizing of the business associated with the structural reform the Company completed by the previous year.

In the Garments, Lifestyle Materials and Bedding business, the uniform sector saw demand recovery for working wear, while the women's clothing sector achieved a sales increase through efforts to expand sales

of raw fabrics and secondary products. Both sectors recorded steady earnings growth. On the other hand, sales of raw materials for sportswear and bedding goods applications and exports of denim remained sluggish, leading to a decline in sales in the Garments, Lifestyle Materials and Bedding business. Consequently, the Fibers and Textiles business posted operating income of 1,005 million yen (up 26.1% year on year) on net sales of 39,866 million yen (down 17.0% year on year).

[Others]

The Others category posted an operating loss of 483 million yen (an operating loss of 555 million yen in the same period of the previous year) on net sales of 2,659 million yen (down 66.8% year on year), due to the effects of the transfer of shares, the liquidation of subsidiaries and the transfer of businesses associated with the implementation of business portfolio restructuring measures.

(2) Explanation of financial situation

Total assets amounted to 209,583 million yen, down 10,374 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease in cash and deposits. Liabilities totaled 167,424 million yen, down 14,595 million yen from the end of the previous consolidated fiscal year. This was primarily due to a decline in long-term loans payable. Net assets stood at 42,158 million yen, up 4,221 million yen from the end of the previous consolidated fiscal year. This was mainly owing to an increase in retained earnings from booking profit attributable to owners of the parent company.

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

The Unitika Group did not revise its full-year forecast of consolidated performance for the fiscal year ending March 31, 2017 announced on November 9, 2016.

2. Matters concerning Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

Two subsidiaries, Unitika Realty Co., Ltd. and Unimore Ltd., were excluded from the scope of consolidation because they were absorbed after the absorption-type merger implemented during the first quarter of the consolidated fiscal year under review, in which the Company is a surviving company.

(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

(4) Additional information

(Application of the Implementation Guidance on the Recoverability of Deferred Tax Assets)

The Implementation Guidance on the Recoverability of Deferred Tax Assets (ASBJ Implementation Guidance No. 26 issued on March 28, 2016) has been applied since the first quarter of the consolidated fiscal year under review.

3. Quarterly Consolidated Financial Statements

(1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2016)	Q3 of FY ending March 2017 (December 31, 2016)
Assets		
Current assets		
Cash and deposits	42,101	33,048
Notes and accounts receivable-trade	35,811	34,196
Inventories	27,566	27,529
Other	4,228	4,350
Allowance for doubtful accounts	(106)	(98)
Total current assets	109,601	99,027
Non-current assets		
Property, plant and equipment		
Land	66,869	66,814
Other, net	37,298	36,917
Total property, plant and equipment	104,168	103,732
Intangible assets		
Other	1,714	2,066
Total intangible assets	1,714	2,066
Investments and other assets		
Other	4,505	4,786
Allowance for doubtful accounts	(32)	(29)
Total investments and other assets	4,473	4,757
Total non-current assets	110,356	110,555
Total assets	219,957	209,583

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2016)	Q3 of FY ending March 2017 (December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,322	16,619
Short-term loans payable	1,827	1,731
Current portion of long-term loans payable	363	308
Income taxes payable	215	1,052
Provision for bonuses	1,256	773
A product repair reserve fund	2,630	2,000
Provision for business structure improvement	989	651
Provision for loss on anti-monopoly act	—	609
Other	9,298	8,891
Total current liabilities	31,904	32,637
Non-current liabilities		
Long-term loans payable	124,142	108,956
Provision for directors' retirement benefits	7	4
Net defined benefit liability	11,513	11,633
Other	14,452	14,193
Total non-current liabilities	150,116	134,787
Total liabilities	182,020	167,424
Net assets		
Shareholders' equity		
Capital stock	100	100
Capital surplus	28,401	28,400
Retained earnings	5,708	10,996
Treasury shares	(46)	(46)
Total shareholders' equity	34,164	39,450
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	433	630
Deferred gains or losses on hedges	(203)	(44)
Revaluation reserve for land	6,474	6,433
Foreign currency translation adjustment	(2,662)	(4,185)
Remeasurements of defined benefit plans	(3,608)	(3,329)
Total accumulated other comprehensive income	434	(495)
Non-controlling interests	3,338	3,202
Total net assets	37,936	42,158
Total liabilities and net assets	219,957	209,583

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
 (Consolidated quarterly statements of income)
 (Nine-month period ended December 31, 2016)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2015 (April 1, 2015 to December 31, 2015)	Nine-month period ended December 31, 2016 (April 1, 2016 to December 31, 2016)
Net sales	106,777	92,187
Cost of sales	84,176	68,523
Gross profit	22,601	23,664
Selling, general and administrative expenses	15,551	14,443
Operating income	7,049	9,220
Non-operating income		
Interest income	41	52
Dividend income	82	74
Foreign exchange gains	—	369
Share of profit of entities accounted for using equity method	12	17
Other	603	638
Total non-operating income	739	1,153
Non-operating expenses		
Interest expenses	1,790	1,501
Other	878	484
Total non-operating expenses	2,668	1,985
Ordinary income	5,120	8,387
Extraordinary income		
Gain on sales of non-current assets	1,206	196
Gain on sales of shares of subsidiaries and associates	375	—
Other	43	—
Total extraordinary income	1,625	196
Extraordinary losses		
Loss on disposal of non-current assets	340	432
Business structure improvement expenses	609	231
Provision for loss on anti-monopoly act	—	609
Other	89	20
Total extraordinary losses	1,039	1,293
Profit before income taxes	5,706	7,291
Income taxes-current	120	964
Income taxes-deferred	(604)	(38)
Total income taxes	(483)	926
Profit	6,190	6,365
Profit attributable to non-controlling interests	28	80
Profit attributable to owners of parent	6,161	6,285

(Consolidated quarterly statements of comprehensive income)

(Nine-month period ended December 31, 2016)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2015 (April 1, 2015 to December 31, 2015)	Nine-month period ended December 31, 2016 (April 1, 2016 to December 31, 2016)
Profit	6,190	6,365
Other comprehensive income		
Valuation difference on available-for-sale securities	145	197
Deferred gains or losses on hedges	53	160
Revaluation reserve for land	(66)	(41)
Foreign currency translation adjustment	(483)	(1,741)
Remeasurements of defined benefit plans, net of tax	254	279
Total other comprehensive income	(97)	(1,145)
Comprehensive income	6,092	5,219
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,078	5,355
Comprehensive income attributable to non- controlling interests	13	(135)

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

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 quarterly consolidated statements of income.

II. Nine-month period ended December 31, 2016 (April 1, 2016 to December 31, 2016)

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	40,829	8,832	39,866	89,527	2,659	92,187	—	92,187
Inter-segment sales or transfers	6,579	682	708	7,970	860	8,830	(8,830)	—
Total	47,408	9,515	40,574	97,497	3,520	101,018	(8,830)	92,187
Segment income (loss)	7,867	818	1,005	9,691	(483)	9,207	13	9,220

(Notes) 1. The *Other* category, which includes design, construction, and maintenance businesses of plant projects, does not qualify as a reportable operating segment.

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.