



Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2018

February 7, 2018

Listed stock exchanges: Tokyo Stock 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, 2018

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, 2018 (April 1, 2017 to December 31, 2017)

(1) Consolidated performance (accumulation) (Percentages represent changes from same period in previous year.)

	Net sales		Operating income		Ordinary income		Quarterly net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q3 of FY ending March 31, 2018	95,234	3.3	8,803	(4.5)	8,057	(3.9)	6,960	10.7
Q3 of FY ended March 31, 2017	92,187	(13.7)	9,220	30.8	8,387	63.8	6,285	2.0

(Note) Comprehensive income Q3 of FY ending March 31, 2018: 6,964 million yen [33.4%]

Q3 of FY ended March 31, 2017: 5,219 million yen [-14.3%]

	Quarterly net income per share		Diluted quarterly net income per share	
	Yen		Yen	
Q3 of FY ending March 31, 2018	115.50		76.12	
Q3 of FY ended March 31, 2017	95.95		48.62	

(Note) The Company implemented a 1-for-10 share consolidation effective as of October 1, 2017 by consolidating 10 common shares of the Company into one common share. *Quarterly net income per share* and *Diluted quarterly net income per share* were calculated on the assumption that the relevant share consolidation had been implemented at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of FY ending March 31, 2018	200,857	39,277	17.9
FY ended March 31, 2017	211,872	45,264	19.7

(Reference) Shareholders' equity 3rd quarter of fiscal year ending March 31, 2018: 35,871 million yen

Fiscal year ended March 31, 2017: 41,841 million yen

2. Dividend payment

	Dividends per share					
	End of Q1	End of Q2	End of Q3	Year end	Total	
	Yen		Yen		Yen	
FY ended March 31, 2017	—	0.00	—	0.00	0.00	0.00
FY ending March 31, 2018	—	0.00	—			
FY ending March 31, 2018 (forecast)				0.00	0.00	0.00

(Note) Revision of the latest dividend forecast: None

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, 2018 (April 1, 2017 to March 31, 2018)

(% 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, 2018	131,000	3.8	11,000	(12.3)	9,800	(6.5)	7,500	1.5	123.16

(Note) Revision of the latest forecasts of operational results: None

The forecast for net income per share for the fiscal year ending March 31, 2018 (full year) is the value after reflecting the impact of the share consolidation.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying change of scope of consolidation): No

New companies: — (company name)

Excluded companies: — (company name)

(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, 2018: 57,752,343 shares

Fiscal year ended March 31, 2017: 57,752,343 shares

② Number of treasury stocks at end of term

3rd quarter of the fiscal year ending March 31, 2018: 86,461 shares

Fiscal year ended March 31, 2017: 81,796 shares

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

3rd quarter of the fiscal year ending March 31, 2018: 57,669,782 shares

3rd quarter of the fiscal year ended March 31, 2017: 57,671,494 shares

(Note) The Company implemented a 1-for-10 share consolidation effective as of October 1, 2017 by consolidating 10 common shares of the Company into one common share. The number of shares outstanding at end of the term, the number of shares of treasury stock at the end of the term, and the average number of shares outstanding during the term were calculated on the assumption that the relevant share consolidation had been implemented at the beginning of the previous consolidated fiscal year.

* The quarterly reports of financial results are not subject to quarterly review procedures.

* 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, 2017	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2018	—	0.00	—		
FY ending March 31, 2018 (forecast)				12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2017	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2018	—	0.00	—		
FY ending March 31, 2018 (forecast)				23,740.00	23,740.00
Class C share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2017	—	—	—	60,000.00	60,000.00
FY ending March 31, 2018	—	—	—		
FY ending March 31, 2018 (forecast)			—	—	—

(Note) The Company acquired and retired all outstanding Class C shares as of June 30, 2017. Accordingly, there will be no dividend payment for Class C shares from the fiscal year ending March 31, 2018.

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1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

During the first nine-month period of the consolidated accounting year under review, the Japanese economy continued to recover gradually, supported by a pickup in consumer spending and capital expenditures against the backdrop of an improvement in corporate earnings and the employment environment. Meanwhile, the global economy, centered on the United States, was on the path to gradual recovery. However, the economic outlook continued to be unclear due to concerns about policy developments in Europe and the United States, growing geopolitical risk, and the impact of fluctuations in resource prices.

Under these circumstances, the Unitika Group endeavored to realize the three *Gs* (*Growth, Global, and Governance*) promoted under the “*G*” round 20—to *The Next Stage*, its medium-term management plan announced in May 2017. Consequently, the Group reported net sales of 95,234 million yen (up 3.3% year on year), operating income of 8,803 million yen (down 4.5% year on year), ordinary income of 8,057 million yen (down 3.9% year on year) and profit attributable to owners of parent of 6,960 million yen (up 10.7% year on year) in the first nine-month period of the consolidated accounting year under review.

Here is an overview of the business results by segment.

[Polymers]

In the Films business, sales in the packaging sector continued to grow from the previous fiscal year, supported by steady demand for winter goods in Japan. In overseas markets, P.T. EMBLEM ASIA, a subsidiary in Indonesia, performed well due to an increase in exports. In the industrial sector, demand was steady for information terminal applications, and sales of high value-added products such as *Uni-peel*, a silicon-free mold release PET film, remained robust.

In the Resin business, sales of *elitel*, a thermoplastic saturated copolymeric polyester resin, and *ARROWBASE*, a range of environmentally friendly water-based polyolefin cationic emulsions, were sluggish due to weak demand for solar cell applications. However, the sales volume of *U-Polymer*, the Company’s original polyarylate resin, expanded greatly for information terminal applications and overseas automobile applications. Sales of nylon resins also grew steadily for automobile applications.

In the Non-woven Fabrics business, sales of polyester spunbond fabrics grew steadily for agricultural and industrial applications such as building materials, but remained weak for civil engineering and interior-related product applications. THAI UNITIKA SPUNBOND CO., LTD. (TUSCO), a subsidiary in Thailand, saw sales of existing products increase steadily, since it consistently encouraged customers to adopt products manufactured by its new machine at the stage of design. Sales of cotton spunlace continued to be strong for daily product applications, such as skin care goods.

The Polymers business saw profit decrease from the previous year due to a rise in costs, such as raw material and fuel prices.

Consequently, the Polymers business posted operating income of 7,262 million yen (down 7.7% year on year) on net sales of 43,672 million yen (up 7.0% year on year).

[Advanced Materials]

In the Glass Fibers business, the industrial materials sector saw sales of products for building and civil engineering applications remain weak, but sales for environment-related applications grew steadily. In the electronic materials sector, sales of IC cloth increased, supported by robust demand for information terminal applications.

In the Glass Beads business, sales for automobile applications and electronic component applications continued growing steadily, but a rise in raw material and fuel prices affected profitability.

In the Activated Carbon Fibers business, sales for industrial filter applications remained strong and sales for water purifier (including faucet built-in water purifiers) and VOC removal applications continued growing robustly.

Consequently, the Advanced Materials business posted operating income of 935 million yen (up 14.3% year on year) on net sales of 9,367 million yen (up 6.1% year on year).

[Fibers and Textiles]

In the Industrial Materials business, the size of the business became smaller due to the implementation of structural reform. However, the short-fiber polyester business maintained its sales at the same level as the previous fiscal year, since it expanded sales of high value-added products, such as composite fibers. In the ultra-high-strength polyester filament yarn business, demand for building material applications did not recover, but profit was in line with the Company’s initial plan due to its efforts to focus on sales of high value-added products.

In the Garments, Lifestyle Materials and Bedding business, sales in the uniform sector continued to be steady, supported by demand from corporate customers. Sales in the women’s clothing sector remained weak, since demand did not pick up. Overseas sales were strong due to the increase in sales volume of denim.

Consequently, the Fibers and Textiles business posted operating income of 836 million yen (down 16.8%

Unitika Ltd. (3103) Financial results for 3rd quarter of fiscal year ending March 31, 2018
year on year) on net sales of 39,270 million yen (down 1.5% year on year).

[Others]

The Others category posted an operating loss of 244 million yen (compared to an operating loss of 483 million yen the previous year) on net sales of 2,924 million yen (up 9.9% year on year).

(2) Explanation of financial situation

Total assets decreased by 11,015 million yen from the end of the previous consolidated year to 200,857 million yen, mainly due to a decline in cash and deposits. Liabilities fell by 5,028 million yen from the end of the previous consolidated year to 161,580 million yen, mainly due to a decrease in long-term loans payable. Net assets declined by 5,987 million yen from the end of the previous consolidated year to 39,277 million yen. This was mainly due to a fall in capital surplus caused by the purchase and retirement of Class C shares.

(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, 2018 announced on November 9, 2017.

2. Quarterly Consolidated Financial Statements and Major Notes to Consolidated Financial Statements

(1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2017)	Q3 of FY ending March 2018 (December 31, 2017)
Assets		
Current assets		
Cash and deposits	37,030	23,850
Notes and accounts receivable-trade	34,116	35,822
Inventories	25,704	27,774
Other	4,833	3,631
Allowance for doubtful accounts	(89)	(95)
Total current assets	101,595	90,985
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	21,393	23,363
Land	66,496	66,250
Other, net	15,901	13,622
Total property, plant and equipment	103,791	103,236
Intangible assets		
Other	2,035	2,138
Total intangible assets	2,035	2,138
Investments and other assets		
Other	4,477	4,517
Allowance for doubtful accounts	(26)	(20)
Total investments and other assets	4,450	4,496
Total non-current assets	110,277	109,872
Total assets	211,872	200,857

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2017)	Q3 of FY ending March 2018 (December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	17,506	17,834
Short-term loans payable	3,438	2,465
Current portion of long-term loans payable	2,756	2,720
Income taxes payable	1,167	413
Provision for bonuses	1,451	840
A product repair reserve fund	1,670	980
Provision for business structure improvement	152	29
Provision for loss on anti-monopoly act	980	—
Other	9,071	9,092
Total current liabilities	38,194	34,376
Non-current liabilities		
Long-term loans payable	103,132	100,745
Provision for directors' retirement benefits	4	4
Net defined benefit liability	11,209	11,791
Other	14,067	14,661
Total non-current liabilities	128,414	127,204
Total liabilities	166,608	161,580
Net assets		
Shareholders' equity		
Capital stock	100	100
Capital surplus	28,400	16,451
Retained earnings	12,117	18,080
Treasury shares	(47)	(51)
Total shareholders' equity	40,572	34,581
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	480	551
Deferred gains or losses on hedges	8	3
Revaluation reserve for land	6,415	6,415
Foreign currency translation adjustment	(2,856)	(3,157)
Remeasurements of defined benefit plans	(2,779)	(2,522)
Total accumulated other comprehensive income	1,269	1,290
Non-controlling interests	3,422	3,405
Total net assets	45,264	39,277
Total liabilities and net assets	211,872	200,857

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
 (Consolidated quarterly statements of income)
 (Nine-month period ended December 31, 2017)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2016 (April 1, 2016 to December 31, 2016)	Nine-month period ended December 31, 2017 (April 1, 2017 to December 31, 2017)
Net sales	92,187	95,234
Cost of sales	68,523	71,318
Gross profit	23,664	23,916
Selling, general and administrative expenses	14,443	15,112
Operating profit	9,220	8,803
Non-operating income		
Interest income	52	47
Dividend income	74	72
Foreign exchange gains	369	249
Share of profit of entities accounted for using equity method	17	—
Other	638	469
Total non-operating income	1,153	838
Non-operating expenses		
Interest expenses	1,501	1,021
Share of loss of entities accounted for using equity method	—	31
Other	484	530
Total non-operating expenses	1,985	1,584
Ordinary income	8,387	8,057
Extraordinary income		
Gain on sales of non-current assets	196	759
Total extraordinary income	196	759
Extraordinary losses		
Loss on disposal of non-current assets	432	265
Business structure improvement expenses	231	73
Provision for loss on anti-monopoly act	609	—
Other	20	1
Total extraordinary losses	1,293	340
Profit before income taxes	7,291	8,476
Income taxes-current	964	755
Income taxes-deferred	(38)	715
Total income taxes	926	1,470
Profit	6,365	7,005
Profit attributable to non-controlling interests	80	45
Profit attributable to owners of parent	6,285	6,960

(Consolidated quarterly statements of comprehensive income)

(Nine-month period ended December 31, 2017)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2016 (April 1, 2016 to December 31, 2016)	Nine-month period ended December 31, 2017 (April 1, 2017 to December 31, 2017)
Profit	6,365	7,005
Other comprehensive income		
Valuation difference on available-for-sale securities	197	70
Deferred gains or losses on hedges	160	(5)
Revaluation reserve for land	(41)	—
Foreign currency translation adjustment	(1,741)	(363)
Remeasurements of defined benefit plans, net of tax	279	256
Total other comprehensive income	(1,145)	(41)
Comprehensive income	5,219	6,964
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,355	6,981
Comprehensive income attributable to non-controlling interests	(135)	(17)

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

UNITIKA LTD. resolved at the meeting of the Board of Directors held on March 21, 2017 to acquire all outstanding Class C shares (worth 10,000 million yen) in exchange for cash payment in accordance with the provision of Article 13-4, Item 6 of the Articles of Incorporation of the Company (Call Options, the Consideration for Which Is Money) and to retire all outstanding Class C shares in accordance with the provision of Article 178 of the Companies Act subject to the said acquisition. The Company acquired and retired all outstanding Class C shares as of June 30, 2017.

(1) Details of acquisition of Class C shares

(i) Class of shares to be acquired: Class C shares

(ii) Counterparty in the transaction (shareholder): Japan Industrial Solutions Fund I

(iii) Total number of shares to be acquired: 10,000 shares

(iv) Share acquisition value: 1,194,958.9 yen per share

(Note) The above share acquisition value is calculated by adding the unpaid preferred dividend on a per diem basis (14,958.9 yen) to the amount obtained by multiplying the amount equivalent to the amount to be paid in per Class C share (1,000,000 yen) by 1.18.

(v) Total share acquisition value: 11,949,589,000 yen

(vi) Acquisition date: June 30, 2017

(2) Details of retirement of Class C shares

(i) Class of shares to be retired: Class C shares

(ii) Total number of shares to be retired: 10,000 shares

(iii) Effective date of retirement: June 30, 2017

(3) Impact of the retirement on net assets

Capital surplus to be decreased: 11,949,589,000 yen

(Segment information)

[Segment Information]

I. Nine-month period ended December 31, 2016 (April 1, 2016 to December 31, 2017)

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* segment includes business segments that are not included in the reporting segments, such as the design, construction, and maintenance businesses of plant projects.

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

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	43,672	9,367	39,270	92,310	2,924	95,234	—	95,234
Inter-segment sales or transfers	7,096	691	605	8,393	883	9,276	(9,276)	—
Total	50,769	10,058	39,875	100,703	3,807	104,511	(9,276)	95,234
Segment income (loss)	7,262	935	836	9,033	(244)	8,789	13	8,803

(Notes) 1. The *Other* segment includes business segments that are not included in the reporting segments, such as the design, construction, and maintenance businesses of plant projects.

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.