

Financial Report for Fiscal Year ended March 31, 2018 [Japanese GAAP] (Consolidated)

May 11, 2018

Company name: Unitika Ltd.

Listed stock exchange: Tokyo Stock Exchange

Code number: 3103 URL: <http://www.unitika.co.jp/e/home.htm>

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Expected date for holding a regular shareholders meeting: June 28, 2018

Expected date for submitting securities report: June 28, 2018

Expected commencement date for paying dividend: –

Preparation of the attachment of Financial Report: Yes

Holding of a results presentation: Yes (for securities analysts and institutional investors)

(Figures rounded down to nearest million yen.)

1. Consolidated performance for fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)**(1) Consolidated business results** (Percentages represent changes from same period in previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended March 31, 2018	128,388	1.7	11,658	(7.0)	9,972	(4.9)	8,081	9.4
FY ended March 31, 2017	126,219	(13.8)	12,538	20.0	10,483	53.7	7,389	6.6

(Note) Comprehensive income FY ended March 31, 2018: 8,280 million yen [2.2%]

FY ended March 31, 2017: 8,103 million yen [14.7%]

	Net income per share	Diluted net income per share	Return on equity	Return on asset	Ratio of operating income to sales
	Yen	Yen	%	%	%
FY ended March 31, 2018	133.25	89.40	20.5	4.8	9.1
FY ended March 31, 2017	110.82	57.47	19.3	4.9	9.9

(Reference) Equity in earnings/losses of affiliates FY ended March 31, 2018: (54) million yen

FY ended March 31, 2017: 13 million yen

(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. *Net income per share* and *Diluted 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	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY ended March 31, 2018	203,326	40,729	18.3	160.75
FY ended March 31, 2017	211,872	45,264	19.7	58.00

(Reference) Shareholders' equity: FY ended March 31, 2018: 37,165 million yen

FY ended March 31, 2017: 41,841 million yen

(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. *Net assets per share* were calculated on the assumption that the relevant share consolidation had been implemented at the beginning of the previous consolidated fiscal year.**(3) Consolidated cash flows situation**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at period end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY ended March 31, 2018	9,739	(3,231)	(17,207)	26,169
FY ended March 31, 2017	18,111	(4,158)	(19,089)	36,890

2. Dividend payment

	Annual dividend per share					Annual dividends paid (Total)	Dividend payout ratio (consolidated)	Dividend ratio of net assets (consolidated)
	End of Q1	End of Q2	End of Q3	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY ended March 31, 2017	—	0.00	—	0.00	0.00	—	—	—
FY ended March 31, 2018	—	0.00	—	0.00	0.00	—	—	—
FY ending March 31, 2019 (forecast)	—	0.00	—	0.00	0.00	—	—	—

(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, 2019 (April 1, 2018 to March 31, 2019)

(Percentages 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
1st half of FY ending March 31, 2019	64,000	1.5	5,200	(10.3)	4,500	(15.6)	3,400	(28.5)	55.51
FY ending March 31, 2019	131,500	2.4	11,500	(1.4)	10,000	0.3	7,000	(13.4)	114.50

* 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) Changes in accounting policies, changes in accounting estimates and retrospective restatement

(i) Changes in accounting policies due to revisions of accounting standards: No

(ii) Changes of accounting policies other than the above: No

(iii) Changes in accounting estimates: No

(iv) Retrospective restatement: No

(3) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at end of term (including treasury stock):

Fiscal year ended March 31, 2018: 57,752,343 shares

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

(ii) Number of treasury stocks at end of term

Fiscal year ended March 31, 2018: 91,653 shares

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

(iii) Average number of shares outstanding during the term

Fiscal year ended March 31, 2018: 57,668,251 shares

Fiscal year ended March 31, 2017: 57,671,306 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 term*, the *Number of treasury stocks at end of 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.

(Reference) Summary of non-consolidated performance

Non-consolidated performance for fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(1) Non-consolidated business results

(Percentages represent changes from same period in previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended March 31, 2018	81,112	2.6	9,537	(2.9)	8,362	3.4	5,715	(27.2)
FY ended March 31, 2017	79,040	(7.9)	9,823	10.2	8,088	36.2	7,845	6.7

	Net income per share		Diluted net income per share	
	Yen		Yen	
FY ended March 31, 2018	92.21		63.22	
FY ended March 31, 2017	118.75		61.02	

(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. *Net income per share* and *Diluted net income per share* were calculated on the assumption that the relevant share consolidation had been implemented at the beginning of the previous fiscal year.

(2) Non-consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY ended March 31, 2018	183,401	39,007	21.3	192.70
FY ended March 31, 2017	192,061	46,236	24.1	134.21

(Reference) Shareholders' equity: FY ended March 31, 2018: 39,007 million yen

FY ended March 31, 2017: 46,236 million yen

(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. *Net assets per share* were calculated on the assumption that the relevant share consolidation had been implemented at the beginning of the previous fiscal year.

* The flash report of financial results is not subject to an audit by a certified public accountant or an accounting firm.

* 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. Overview of Business Performance (4) Future Forecast* on page 4 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 ended March 31, 2018	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2019 (forecast)	—	0	—	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 ended March 31, 2018	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2019 (forecast)	—	0	—	23,740.00	23,740.00
Class C share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2017	—	0.00	—	60,000.00	60,000.00
FY ended March 31, 2018	—	—	—	—	—
FY ending March 31, 2019 (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 ended March 31, 2018.

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1. Overview of Business Performance

(1) Overview of business performance of the year

In the year ended March 31, 2018, the Japanese economy continued to recover gradually, supported by a pickup in consumer spending against the backdrop of an improvement in corporate earnings and the employment environment. Meanwhile, the outlook for overseas economies remained unclear due to concerns about uncertainty caused by trade policy in Europe and the United States, impact of fluctuations in financial markets, and lingering geopolitical risk.

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 128,388 million yen (up 1.7% year on year), operating income of 11,658 million yen (down 7.0% year on year), ordinary income of 9,972 million yen (down 4.9% year on year) and profit attributable to owners of parent of 8,081 million yen (up 9.4% year on year) in this consolidated accounting year under review.

The following is an overview of the business results by segment.

[Polymers]

In the Films business, sales of the packaging sector were strong, supported by strong domestic sales of seasonal products and expansion in demand for products related to convenience store goods and consumption by inbound tourists to Japan. In addition, sales of high value-added products such as *EMBLEM HG*, a new barrier nylon film, contributed to growth in sales. In overseas markets, P.T. EMBLEM ASIA (EMBLEM ASIA), a subsidiary in Indonesia, saw its sales increase due to active markets in Asia. In the industrial sector, sales grew steadily in the area of electric and electronics applications, supported by strong demand in the semiconductor market. Furthermore, sales of high value-added products such as *Uni-peel*, a silicon-free mold release PET film, were also strong. Consequently, the Films business recorded a rise in sales and a fall in profit due to the negative impact of rising raw material and fuel prices.

In the Resin business, both sales and profit of *U-Polymer*, the Company’s original polyarylate resin, expanded greatly for information terminal applications and overseas automobile applications. In the nylon resins sector, sales also grew steadily for automobile applications, but rising raw material and fuel prices had a huge negative impact on profit. Meanwhile, 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. Consequently, the Resin business reported an increase in sales and a decrease in profit.

In the Non-woven Fabrics business, sales of polyester spunbond fabrics grew steadily for agricultural and building material applications, but remained weak for civil engineering application. THAI UNITIKA SPUNBOND CO., LTD. (TUSCO), a subsidiary in Thailand, saw sales of existing products increase steadily for civil engineering and carpet applications, since it consistently encouraged customers to adopt products manufactured by its new machinery at the stage of design. Sales of cotton spunlace continued to be strong for daily product applications, such as skin care goods. Its exports were also robust. As a result, the Polymers business saw net sales increase from the previous year, but it recorded a fall in profit due to the posting of depreciation related to a huge capital expenditure.

Consequently, the Polymers business posted operating income of 9,401 million yen (down 6.3% year on year) on net sales of 58,516 million yen (up 6.3% year on year).

[Advanced Materials]

In the Glass Fibers business, the industrial materials sector saw demand for products for building and civil engineering applications remain stagnated, but sales for environment-related applications grew steadily. In the electronic materials sector, sales of IC cloth, especially high-value-added ultra-thin ones, increased robustly, supported by robust demand for information terminal and network applications. In the Glass Beads business, sales for industrial application, such as electronic components and automobile components, remained strong. Sales for road marking applications also grew steadily. However, a rise in raw material and fuel prices affected profitability.

In the Activated Carbon Fibers business, sales for water purifier application, a mainstay of this business, especially faucet built-in water purifiers, were strong. Sales for VOC removal and industrial applications also continued growing robustly.

Consequently, the Advanced Materials business posted operating income of 1,227 million yen (up 8.6% year on year) on net sales of 12,536 million yen (up 3.7% 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 civil engineering applications remained weak, but profit was in line with the Company's initial plan, since sales of high value-added products increased.

In the Garments, Lifestyle Materials and Bedding business, sales in the uniform sector continued to be steady, especially for corporate customers. Sales of bedding goods were also strong due to a recovery of demand, but sales in the women's clothing and raw fiber sectors decreased since demand continued to be sluggish. Overseas sales were strong due to a pickup in demand for denim.

Consequently, the Fibers and Textiles business posted operating income of 1,290 million yen (down 33.2% year on year) on net sales of 53,612 million yen (down 3.5% year on year).

[Others]

The Others category posted an operating loss of 277 million yen (compared to an operating loss of 578 million yen in the previous year) on net sales of 3,723 million yen (up 5.3% year on year).

(2) Overview of financial position

Total assets decreased by 8,546 million yen from the end of the previous consolidated year to 203,326 million yen, mainly due to a decline in cash and deposits. Liabilities fell by 4,012 million yen from the end of the previous consolidated year to 162,596 million yen, mainly due to a decrease in interest-bearing liabilities. Net assets declined by 4,534 million yen from the end of the previous consolidated year to 40,729 million yen. This was mainly due to a fall in capital surplus caused by the purchase and retirement of Class C shares.

(3) Overview of cash-flow

Cash and cash equivalents (hereinafter referred to as “net cash”) as of March 31, 2018 decreased by 10,721 million yen to 26,169 million yen.

(Net cash provided by [used in] operating activities)

Cash flows from operating activities increased by 9,739 million yen during the current consolidated fiscal year (down 46.2% year-on-year) mainly due to cash-in-flow, which added depreciation to profit before income taxes.

(Net cash provided by [used in] investing activities)

Cash flows from investing activities decreased by 3,231 million yen during the current consolidated fiscal year (decreased by 4,158 million yen in the previous consolidated fiscal year) due to the posting of expenses related to capital expenditures.

(Net cash provided by [used in] financing activities)

Cash flows from financing activities decreased by 17,207 million yen during the current consolidated fiscal year (decreased by 19,089 million yen in the previous consolidated fiscal year), mainly due to the purchase and retirement of Class C shares.

(Reference) Changes in cash flow-related indicators

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2016
(i) Shareholders' equity ratio (%)	18.3	19.7	15.7
(ii) Shareholders' equity ratio on market value basis (%)	18.9	25.3	14.2
(iii) Ratio of interest-bearing debt to cash flow	11.1	6.2	11.1
(iv) Interest coverage ratio	7.3	8.8	4.9

(Notes) Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on market value basis: Market capitalization/Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flow/Interest expense

*1. Each indicator is calculated based on consolidated financial results.

*2. Cash flow is net cash provided by operating activities.

*3. Interest-bearing debt includes all liabilities, reported on the consolidated balance sheet, on which interest is paid.

(4) Future forecast

The Unitika Group will solidify the foundation and continue to implement growth measures to realize the three Gs (Growth, Global, and Governance) promoted under the “G” round 20—to The Next Stage, its medium-term management plan launched in FY ended March 2018.

By steadily implementing the measures contemplated in the medium-term management plan, we forecast that we can record net sales of 131,500 million yen, operating income of 11,500 million yen, ordinary income of 10,000 million yen and profit attributable to owners of parent of 7,000 million yen in the year ending March 31, 2019.

(5) Basic policy for profit distribution and dividends for the fiscal year ended March 31, 2018 and the fiscal year ending March 31, 2019

The Unitika Group considers profit distribution to its shareholders to be an important aspect of its business, but management intends to cancel payment of dividends on common stock for the fiscal year ended March 31, 2018, giving due consideration to the business results and financial situation at the end of the fiscal year.

For the future, Unitika's basic dividend policy is to conduct profit distribution to shareholders as appropriate to the Company's financial results. At the same time, the Company intends to decide dividend payment after considering the improvement of financial position and enhancing of internal reserve for securing profit for shareholders from a long-term perspective.

Regarding dividends for the classified stock issued through third party allocations in July 2014, the Company plans to provide the following dividends based on the classified stock issuance guidelines determined at the time of issuance: 12,000 yen per class A share and 23,740 yen per class B share.

2. Basic Approach to the Selection of Accounting Standards

The Unitika Group adopts Japanese Accounting Standards (Japanese GAAP), since the Group intends to ensure the comparability of performance with competitors in Japan.

3. Consolidated Financial Statements and Major Notes to Consolidated Financial Statements

(1) Consolidated balance sheets

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (March 31, 2017)	Current consolidated fiscal year (March 31, 2018)
Assets		
Current assets		
Cash and deposits	37,030	26,395
Notes and accounts receivable-trade	34,116	36,552
Inventories	25,704	27,202
Deferred tax assets	1,457	2,074
Other	3,375	2,899
Allowance for doubtful accounts	(89)	(84)
Total current assets	101,595	95,039
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,349	10,939
Machinery, equipment and vehicles, net	21,393	23,081
Tools, furniture and fixtures, net	920	1,060
Land	66,496	65,071
Leased assets, net	121	346
Construction in progress	3,508	1,155
Total property, plant and equipment	103,791	101,654
Intangible assets		
Other	2,035	2,139
Total intangible assets	2,035	2,139
Investments and other assets		
Investment securities	2,929	2,840
Investments in capital	8	8
Long-term loans receivable	40	285
Net defined benefit asset	12	18
Deferred tax assets	281	139
Other	1,205	1,220
Allowance for doubtful accounts	(26)	(20)
Total investments and other assets	4,450	4,492
Total non-current assets	110,277	108,286
Total assets	211,872	203,326

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (March 31, 2017)	Current consolidated fiscal year (March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	17,506	18,968
Short-term loans payable	3,438	2,450
Current portion of long-term loans payable	2,756	2,720
Lease obligations	117	57
Income taxes payable	1,167	676
Provision for bonuses	1,451	1,576
A product repair reserve fund	1,670	704
Provision for business structure improvement	152	20
Provision for loss on anti-monopoly act	980	—
Other	8,954	8,509
Total current liabilities	38,194	35,685
Non-current liabilities		
Long-term loans payable	103,132	100,081
Lease obligations	483	674
Deferred tax liabilities	9,191	9,551
Deferred tax liabilities for land revaluation	3,580	3,580
Provision for directors' retirement benefits	4	4
Net defined benefit liability	11,209	12,218
Other	810	799
Total non-current liabilities	128,414	126,911
Total liabilities	166,608	162,596
Net assets		
Shareholders' equity		
Capital stock	100	100
Capital surplus	28,400	16,451
Retained earnings	12,117	19,201
Treasury shares	(47)	(55)
Total shareholders' equity	40,572	35,698
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	480	491
Deferred gains or losses on hedges	8	(2)
Revaluation reserve for land	6,415	6,415
Foreign currency translation adjustment	(2,856)	(2,793)
Remeasurements of defined benefit plans	(2,779)	(2,644)
Total accumulated other comprehensive income	1,269	1,467
Non-controlling interests	3,422	3,564
Total net assets	45,264	40,729
Total liabilities and net assets	211,872	203,326

(2) Consolidated income statement and consolidated comprehensive income statement
(Consolidated income statement)

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (April 1, 2017 to March 31, 2018)
Net sales	126,219	128,388
Cost of sales	94,189	96,515
Gross profit	32,029	31,873
Selling, general and administrative expenses	19,491	20,214
Operating profit	12,538	11,658
Non-operating income		
Interest income	47	73
Dividend income	76	74
Rent income	240	143
Gain on valuation of interest rate swaps	17	76
Share of profit of entities accounted for using equity method	13	—
Reversal of provision for loss on anti-monopoly	—	94
Gain on bad debts recovered	266	—
Other	303	176
Total non-operating income	966	639
Non-operating expenses		
Interest expenses	1,951	1,331
Share of loss of entities accounted for using equity method	—	54
Foreign exchange losses	21	288
Other	1,048	650
Total non-operating expenses	3,021	2,325
Ordinary profit	10,483	9,972
Extraordinary income		
Gain on sales of non-current assets	784	763
Gain on sales of investment securities	224	58
Total extraordinary income	1,009	822
Extraordinary losses		
Loss on disposal of non-current assets	862	349
Business structure improvement expenses	1,223	1,316
Loss on anti-monopoly act	1,203	—
Other	151	—
Total extraordinary losses	3,440	1,666
Profit before income taxes	8,052	9,128
Income taxes-current	1,064	1,133
Income taxes-deferred	(271)	(117)
Total income taxes	793	1,015
Profit	7,258	8,113
Profit (loss) attributable to non-controlling interests	(130)	31
Profit attributable to owners of parent	7,389	8,081

(Consolidated comprehensive income statement)

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (April 1, 2017 to March 31, 2018)
Profit	7,258	8,113
Other comprehensive income		
Valuation difference on available-for-sale securities	46	11
Deferred gains or losses on hedges	216	(11)
Revaluation reserve for land	(41)	—
Foreign currency translation adjustment	(206)	32
Remeasurements of defined benefit plans, net of tax	829	134
Total other comprehensive income	844	167
Comprehensive income	8,103	8,280
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,242	8,279
Comprehensive income attributable to non-controlling interests	(138)	1

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	100	28,401	5,708	(46)	34,164
Changes of items during period					
Dividends of surplus			(997)		(997)
Profit attributable to owners of parent			7,389		7,389
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					
Retirement of treasury shares					
Purchase of shares of consolidated subsidiaries		(0)			(0)
Reversal of revaluation reserve for land			17		17
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	6,409	(0)	6,407
Balance at end of current period	100	28,400	12,117	(47)	40,572

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	433	(203)	6,474	(2,662)	(3,608)	434	3,338	37,936
Changes of items during period								
Dividends of surplus								(997)
Profit attributable to owners of parent								7,389
Purchase of treasury shares								(0)
Disposal of treasury shares								
Retirement of treasury shares								
Purchase of shares of consolidated subsidiaries								(0)
Reversal of revaluation reserve for land			(17)			(17)		—
Net changes of items other than shareholders' equity	46	212	(41)	(194)	829	853	84	937
Total changes of items during period	46	212	(58)	(194)	829	835	84	7,327
Balance at end of current period	480	8	6,415	(2,856)	(2,779)	1,269	3,422	45,264

Current consolidated fiscal year (April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	100	28,400	12,117	(47)	40,572
Changes of items during period					
Dividends of surplus			(997)		(997)
Profit attributable to owners of parent			8,081		8,081
Purchase of treasury shares				(11,957)	(11,957)
Disposal of treasury shares		0		0	0
Retirement of treasury shares		(11,949)		11,949	—
Purchase of shares of consolidated subsidiaries					
Reversal of revaluation reserve for land					
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(11,949)	7,084	(8)	(4,873)
Balance at end of current period	100	16,451	19,201	(55)	35,698

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	480	8	6,415	(2,856)	(2,779)	1,269	3,422	45,264
Changes of items during period								
Dividends of surplus								(997)
Profit attributable to owners of parent								8,081
Purchase of treasury shares								(11,957)
Disposal of treasury shares								0
Retirement of treasury shares								—
Purchase of shares of consolidated subsidiaries								
Reversal of revaluation reserve for land								
Net changes of items other than shareholders' equity	11	(11)		62	134	197	141	339
Total changes of items during period	11	(11)	—	62	134	197	141	(4,534)
Balance at end of current period	491	(2)	6,415	(2,793)	(2,644)	1,467	3,564	40,729

(4) Consolidated statements of cash flow

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	8,052	9,128
Depreciation	4,526	4,868
Business structure improvement expenses	1,223	1,316
Reversal of provision for loss on anti-monopoly	—	(94)
Increase (decrease) in allowance for doubtful accounts	(23)	(11)
Increase (decrease) in net defined benefit liability	539	1,157
Increase (decrease) in provision for business structure improvement	(644)	(110)
Increase (decrease) in provision for product repair	(960)	(965)
Increase (decrease) in provision for loss on anti-monopoly act	980	—
Increase (decrease) in other provision	192	125
Interest expenses	1,951	1,331
Loss (gain) on disposal of non-current assets	862	349
Loss (gain) on sales of non-current assets	(784)	(763)
Loss (gain) on sales of investment securities	(224)	(58)
Decrease (increase) in notes and accounts receivable-trade	1,659	(2,471)
Decrease (increase) in inventories	1,829	(1,534)
Increase (decrease) in notes and accounts payable-trade	2,298	1,473
Other, net	(1,294)	(470)
Subtotal	20,183	13,270
Interest and dividend income received	124	148
Interest expenses paid	(2,058)	(1,334)
Income taxes paid	(137)	(1,236)
Payment related to anti-monopoly act	—	(1,108)
Net cash provided by (used in) operating activities	18,111	9,739
Cash flows from investing activities		
Decrease (increase) in time deposits	(60)	(85)
Purchase of investment securities	(10)	(10)
Proceeds from sales of investment securities	345	126
Purchase of property, plant and equipment	(5,099)	(3,535)
Proceeds from sales of property, plant and equipment	1,227	1,044
Other, net	(560)	(771)
Net cash provided by (used in) investing activities	(4,158)	(3,231)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,481	(982)
Proceeds from long-term loans payable	104,853	95
Repayments of long-term loans payable	(124,234)	(3,155)
Cash dividends paid	(997)	(997)
Purchase of treasury shares (or class)	—	(11,949)
Other, net	(192)	(216)
Net cash provided by (used in) financing activities	(19,089)	(17,207)
Effect of exchange rate change on cash and cash equivalents	3	(22)
Net increase (decrease) in cash and cash equivalents	(5,133)	(10,721)
Cash and cash equivalents at beginning of period	42,023	36,890
Cash and cash equivalents at end of period	36,890	26,169

(5) Notes on consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Significant items that are the basis for preparation of consolidated financial statements)

There are no significant changes in our latest securities report, except for items related to the *Scope of consolidation* stated below.

(Scope of consolidation)

(1) Number of consolidated subsidiaries: 30 companies

Name of major consolidated subsidiaries:

NIPPON ESTER CO., LTD.

UNITIKA TRADING CO., LTD.

The number of consolidated subsidiaries decreased by one due to liquidation during the current consolidated accounting year.

(2) Name of non-consolidated subsidiaries

Name of non-consolidated subsidiaries:

Akoh Unitec Service Co., Ltd.

(Reasons the Company excludes such entities from the scope of consolidation)

Since the total assets, net sales, net income (loss) (corresponding to equity interest) and retained earnings (corresponding to equity interest) of non-consolidated subsidiaries are small and do not significantly influence the Company's consolidated financial statements, the Company excludes these entities from the scope of consolidation.

(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

1. Summary of reportable segment

Unitika's reportable segments are components of the Company for which separate financial information is available. These segments are subject to regular reviews by the Board of Directors to decide the distribution of managerial resources and evaluate business results.

The Company sets up divisions by product and service in its head office. Each division formulates comprehensive domestic and overseas strategies for its products and services and conducts business activities according to the strategies.

Unitika consists of segments by product and service based on divisions. The following three are its reportable segments: Polymers, Advanced Materials, and Fibers & Textiles.

The Polymers segment manufactures and markets films, resins, and non-woven fabrics. The Advanced Materials segment makes and sells glass fibers and so on. The Fibers & Textiles segment produces and distributes various types of fibers (threads, cotton, textiles and fabrics and the like).

2. Methods to calculate the amount of net sales, profit or loss, assets and other items by reportable segment

Methods of accounting treatment of reported business segments are almost the same as the descriptions in *Significant items that are the basis for preparation of consolidated financial statements*.

Inter-segment earnings and transfers are based on prevailing market prices.

3. Information on the amount of net sales, profit or loss, assets and other items by reportable segment
Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount posted in Consoli- dated financial statements (Note 3)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	55,057	12,089	55,535	122,682	3,536	126,219	—	126,219
Inter-segment sales or transfer	8,955	894	962	10,812	1,142	11,954	(11,954)	—
Total	64,013	12,983	56,497	133,494	4,679	138,174	(11,954)	126,219
Segment income (loss)	10,035	1,130	1,932	13,098	(578)	12,520	17	12,538
Segment assets	100,528	17,118	48,869	166,516	10,912	177,429	34,443	211,872
Other items								
Depreciation and amortization	3,165	368	541	4,074	66	4,140	385	4,526
Increase in property, plant and equipment and intangible assets	3,539	328	275	4,143	44	4,187	1,436	5,624

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

2. Adjustment details are as follows.

- (1) Adjustment of 17 million yen for *Segment income (loss)* is attributable to the elimination of inter-segment transactions.
- (2) Adjustment of 34,443 million yen for *Segment assets* includes investment of surplus funds (cash and deposits) by the parent company, long-term investment funds (investment securities) and assets, etc. related to the Administration and the Research and Development Division of the parent company.
- (3) Adjustment of 385 million yen for *Depreciation and amortization* is depreciation and amortization of common assets that are not allocated to each reportable segment.
- (4) Adjustment of 1,436 million yen for *Increase in property, plant and equipment and intangible assets* is an increase in common assets that are not allocated to each reportable segment.

3. *Segment income (loss)* is adjusted with operating income in the consolidated income statement.

Current consolidated fiscal year (April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount posted in Consoli- dated financial statements (Note 3)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	58,516	12,536	53,612	124,665	3,723	128,388	—	128,388
Inter-segment sales or transfer	9,486	912	792	11,191	1,167	12,359	(12,359)	—
Total	68,003	13,449	54,404	135,857	4,891	140,748	(12,359)	128,388
Segment income (loss)	9,401	1,227	1,290	11,919	(277)	11,642	16	11,658
Segment assets	107,088	17,478	46,287	170,855	8,767	179,623	23,702	203,326
Other items								
Depreciation and amortization	3,451	367	490	4,309	13	4,323	544	4,868
Increase in property, plant and equipment and intangible assets	2,658	403	340	3,402	48	3,450	1,203	4,654

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

2. Adjustment details are as follows.

(1) Adjustment of 16 million yen for *Segment income (loss)* is attributable to the elimination of inter-segment transactions.

(2) Adjustment of 23,702 million yen for *Segment assets* includes investment of surplus funds (cash and deposits) by the parent company, long-term investment funds (investment securities) and assets, etc. related to the Administration and the Research and Development Division of the parent company.

(3) Adjustment of 544 million yen for *Depreciation and amortization* is depreciation and amortization of common assets that are not allocated to each reportable segment.

(4) Adjustment of 1,203 million yen for *Increase in property, plant and equipment and intangible assets* is an increase in common assets that are not allocated to each reportable segment.

3. *Segment income (loss)* is adjusted with operating income in consolidated income statement.

(Per share information)

	Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (April 1, 2017 to March 31, 2018)
Net assets per share	58.00 yen	160.75 yen
Net income per share	110.82 yen	133.25 yen
Net income per share after full dilution	57.47 yen	89.40 yen

(Note) 1. The basis for the calculation of net assets per share is as follows:

	Previous consolidated fiscal year (March 31, 2017)	Current consolidated fiscal year (March 31, 2018)
Total net assets (millions of yen)	45,264	40,729
Amounts deducted from the total net assets (millions of yen)	41,919	31,460
[of which amounts to be paid in for shares of class stock (millions of yen)]	(37,499)	(27,499)
[of which preferred dividends (millions of yen)]	(997)	(397)
[of which non-controlling interests (millions of yen)]	(3,422)	(3,564)
Net assets at the end of the fiscal year attributable to common stock (millions of yen)	3,345	9,268
Number of common stock at the end of the fiscal year used for calculating net assets per share (thousand shares)	57,670	57,660

2. The basis for the calculation of net income per share and net income per share after full dilution is as follows:

	Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (April 1, 2017 to March 31, 2018)
Net income per share		
Net income attributable to owners of parent (millions of yen)	7,389	8,081
Amount not attributable to common stockholders (millions of yen)	997	397
[of which preferred dividends (millions of yen)]	(997)	(397)
Net income attributable to common share owners of parent (millions of yen)	6,391	7,684
Average number of common stock during the fiscal year (thousand shares)	57,671	57,668
Net income per share after full dilution		
Net diluted earnings attributable to owners of parent (millions of yen)	997	397
[of which preferred dividends (millions of yen)]	(997)	(397)
Increased number of common stock (thousand shares)	70,903	32,732
[of which preferred shares (thousand shares)]	(70,903)	(32,732)
Outline of potential common shares that were not included in the calculation of net income per share after full dilution due to their anti-dilutive effect.	—	—

(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. Net assets per share, Net income per share, and Net income per share after full dilution were calculated on the assumption that the relevant share consolidation had been implemented at the beginning of the previous consolidated fiscal year.

(Material subsequent events)

Not applicable.

4. Supplementary Materials

(1) Results (consolidated)

(Millions of yen)

			Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
Consolidated	FY ended March 2017	Full year	126,219	12,538	10,483	7,389
	FY ended March 2018	Q2	63,064	5,797	5,334	4,752
		Full year	128,388	11,658	9,972	8,081
	FY ending March 2019	Q2 (Forecast)	64,000	5,200	4,500	3,400
		Full year (Forecast)	131,500	11,500	10,000	7,000
	Comparison with prior year	Q2 (Forecast)	936	(597)	(834)	(1,352)
Full year (Forecast)		3,112	(158)	28	(1,081)	

(2) Segment information (consolidated)

(Millions of yen)

			Polymers	Advanced Materials	Fibers & Textiles	Other	Elimination or corporate	Consolidated total	
Results for prior fiscal year	FY ended March 2017	Net sales to outside customers	55,057	12,089	55,535	3,536	—	126,219	
		Component ratio (%)	43.6	9.6	44.0	2.8	—	100.0	
		Operating income	10,035	1,130	1,932	(578)	17	12,538	
		Component ratio (%)	80.0	9.0	15.4	(4.6)	0.1	100.0	
Results for current fiscal year	FY ended March 2018	Net sales to outside customers	58,516	12,536	53,612	3,723	—	128,388	
		Component ratio (%)	45.6	9.8	41.8	2.9	—	100.0	
		Operating income	9,401	1,227	1,290	(277)	16	11,658	
		Component ratio (%)	80.6	10.5	11.1	(2.4)	0.1	100.0	
Comparison with prior year		Net sales to outside customers	3,459	447	(1,923)	187	—	2,169	
		Increase/decrease from prior year (%)	6.3	3.7	(3.5)	5.3	—	1.7	
		Operating income	(634)	97	(642)	301	(1)	(880)	
		Increase/decrease from prior year (%)	(6.3)	8.6	(33.2)	—	—	(7.0)	
FY ending March 2019 (Forecast)	(Forecast)	Net sales to outside customers	61,500	13,000	55,000	2,000	—	131,500	
		Component ratio (%)	46.8	9.9	41.8	1.5	—	100.0	
		Operating income	9,100	1,300	1,400	(300)	0	11,500	
		Component ratio (%)	79.1	11.3	12.2	(2.6)	0.0	100.0	
	Comparison		Net sales to outside customers	2,984	464	1,388	(1,723)	—	3,112
			Increase/decrease from prior year (%)	5.1	3.7	2.6	(46.3)	—	2.4
			Operating income	(301)	73	110	(23)	(16)	(158)
			Increase/decrease from prior year (%)	(3.2)	5.9	8.5	—	(100.0)	(1.4)

(3) Capital expenditures, Depreciation (Property, plant and equipment), R&D expenditures, Interest-bearing liabilities, Financial account balance, Number of permanent employees (consolidated)

(Millions of yen, persons)

		Capital expenditures	Depreciation (Property, plant and equipment)	R&D expenditures	Interest-bearing liabilities (end of fiscal year)	Financial account balance	Number of permanent employees (persons)
FY ended March 2016	Full year	5,968	4,555	3,203	126,334	(2,212)	3,906
FY ended March 2017	Full year	4,825	4,292	3,142	109,327	(1,826)	3,671
FY ended March 2018	Full year	4,129	4,448	3,274	105,252	(1,182)	3,677

(4) Cash flow (consolidated)

(Millions of yen)

		Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash and cash equivalents at end of fiscal year
FY ended March 2016	Full year	11,661	4,124	(5,010)	42,023
FY ended March 2017	Full year	18,111	(4,158)	(19,089)	36,890
FY ended March 2018	Full year	9,739	(3,231)	(17,207)	26,169