Financial Report for Fiscal Year ended March 31, 2017 [Japanese GAAP] (Consolidated)

May 12, 2017

Company name: Unitika Ltd. Listed stock exchange: Tokyo Stock Exchange
Code number: 3103 URL: http://www.unitika.co.jp/e/home.htm
Representative: Hiroyuki Shime, President and Chief Executive Officer
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Expected date for holding a regular shareholders meeting: June 29, 2017
Expected date for submitting securities report: June 29, 2017
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 less than one million yen were omitted.)

1. Consolidated performance for fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(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, 2017	126,219	(13.8)	12,538	20.0	10,483	53.7	7,389	6.6
FY ended March 31, 2016	146,474	(8.0)	10,450	17.2	6,821	(11.2)	6,933	—

(Note) Comprehensive income FY ended March 31, 2017: 8,103 million yen [14.7%]
FY ended March 31, 2016: 7,062 million yen [—%]

	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, 2017	11.08	5.75	19.3	4.9	9.9
FY ended March 31, 2016	10.29	5.50	22.0	3.0	7.1

(Reference) Equity in earnings/losses of affiliates FY ended March 31, 2017: 13 million yen
FY ended March 31, 2016: (3) million yen

(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, 2017	211,872	45,264	19.7	5.80
FY ended March 31, 2016	219,957	37,936	15.7	(6.76)

(Reference) Shareholders' equity: FY ended March 31, 2017: 41,841 million yen
FY ended March 31, 2016: 34,598 million yen

(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, 2017	18,111	(4,158)	(19,089)	36,890
FY ended March 31, 2016	11,661	4,124	(5,010)	42,023

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, 2016	—	0.00	—	0.00	0.00	—	—	—
FY ended March 31, 2017	—	0.00	—	0.00	0.00	—	—	—
FY ending March 31, 2018 (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, 2018 (April 1, 2017 to March 31, 2018)

(% figures represent changes from same period in the 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, 2018	63,500	1.5	4,900	(21.9)	3,400	(17.7)	2,300	(35.9)	3.64
FY ending March 31, 2018	131,000	3.8	10,700	(14.7)	7,300	(30.4)	4,900	(33.7)	78.07

(Note) The forecast for net income per share for the fiscal year ending March 31, 2018 is the value after reflecting the impact of the share consolidation.
For details, please refer to the section on *Explanation on appropriate use of forecasts of performance and other special items*.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying change of scope of consolidation): Yes
New companies: 1 company; (company name): UNITIKA ADVANCE (THAILAND) Co., LTD.
Excluded companies: 2 companies; (company name): Unitika Realty Co., Ltd. and Unimore Ltd.

(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 the term (including treasury stock):
Fiscal year ended March 31, 2017: 577,523,433 shares
Fiscal year ended March 31, 2016: 577,523,433 shares
(ii) Number of treasury stocks at end of the term
Fiscal year ended March 31, 2017: 817,969 shares
Fiscal year ended March 31, 2016: 805,686 shares
(iii) Average number of shares outstanding during the term
Fiscal year ended March 31, 2017: 576,713,061 shares
Fiscal year ended March 31, 2016: 576,723,333 shares

(Reference) Summary of non-consolidated performance

1. Non-consolidated performance for fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(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, 2017	79,040	(7.9)	9,823	10.2	8,088	36.2	7,845	6.7
FY ended March 31, 2016	85,838	(8.6)	8,917	29.1	5,939	7.1	7,355	—

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended March 31, 2017	11.87	6.10
FY ended March 31, 2016	11.02	5.83

(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, 2017	192,061	46,236	24.1	13.42
FY ended March 31, 2016	203,043	39,157	19.3	1.15

(Reference) Shareholders' equity: FY ended March 31, 2017: 46,236 million yen
FY ended March 31, 2016: 39,157 million yen

* Quarterly reports of financial results are not subject to audit.

* 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.

(Forecast of business performance after the share consolidation)

The Board of Directors of the Company resolved at its meeting held on May 12, 2017 that consolidation of shares be proposed to shareholders at the 207th General Meeting of Shareholders to be held on June 29, 2017 and upon obtaining approval from shareholders at the general meeting, the Company will implement share consolidation effective as of October 1, 2017 by consolidating 10 common shares of the Company into one common share.

Forecasts of the consolidated results (full year) for the fiscal year ending March 31, 2018 excluding the impact of the scheduled share consolidation are as follows:

- Net income per share for the fiscal year ending March 31, 2018 (full year): 7.81 yen

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 ended March 31, 2017	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2018 (forecast)	—	0.00	—	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 ended March 31, 2017	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2018 (forecast)	—	0.00	—	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 ended March 31, 2017	—	0.00	—	60,000.00	60,000.00
FY ending March 31, 2018 (forecast)	—	—	—	—	—

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1. Overview of Business Performance

(1) Overview of business performance of the year

In the year ended March 31, 2017, the Japanese economy showed signs of modest recovery, supported by improvement in corporate earnings and in the employment and income environment, although recovery in personal spending was slow. The outlook for overseas economies remained unclear due to the slow-down of growth in China and emerging countries and growing economic uncertainty caused by Brexit (the decision of the United Kingdom to leave 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 medium-term management plan, launched in 2014.

The Company has implemented measures to solidify its financial structure. As for loans from financial institutions, the Company had requested to maintain the balance by the end of September 2017. Since parts of these loans have been repaid and a syndicated loan was executed, the maintenance of the balance was terminated as of the end of March 2017, earlier than scheduled. Moreover, regarding Class C shares, the Company decided to buy back and retire all outstanding Class C shares (worth 10 billion yen) on June 30, 2017 pursuant to the Articles of Incorporation of the Company and the Companies Act.

In this consolidated fiscal year, the Unitika Group reported net sales of 126,219 million yen (down 13.8% year-on-year), operating income of 12,538 million yen (up 20.0% year-on-year), ordinary income of 10,483 million yen (up 53.7% year-on-year), and profit attributable to owners of parent of 7,389 million yen (up 6.6% year-on-year).

As for the consolidated year ended March 31, 2017, no dividends will be distributed for common shares; we seek your understanding in this regard.

Here is a summary of business by segment.

[Polymers]

In the Films business, sales of the packaging sector were strong, supported by strong sales of seasonal products and the increased sales of high value-added products such as *EMBLEM HG*, a new barrier nylon film. In overseas markets, both net sales and profit grew due to the recovery of the Asian market and an increase in the production capacity of P.T. EMBLEM ASIA (EMBLEM ASIA), a subsidiary in Indonesia. In the industrial sector, profit increased due to the sales expansion of high value-added products such as *Uni-peel*, a silicon-free mold release PET film and *Uni Amid*, heat-resistant polyamide film, while the sales volume of information terminal devices and others decreased slightly in the area of electric and electronics applications. Consequently, the Films business recorded increased sales and increased profit.

In the Resin business, 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. However, sales of general-purpose ester resins were sluggish. 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. Consequently, the Resin business recorded decreased sales and increased profit.

In the Non-woven Fabrics business, the sales volume of polyester spunbond fabrics grew for industrial material applications, such as interior and construction materials, but remained weak for other applications. In THAI UNITIKA SPUNBOND CO., LTD. (TUSCO), a subsidiary in Thailand, overseas sales of carpets and other products for industrial material applications were robust. Sales of cotton spunlace were strong for daily product applications, such as skin care goods, and the export volume also expanded. Consequently, the Non-woven Fabrics business recorded decreased sales and increased profit.

Consequently, the Polymers business posted operating income of 10,035 million yen (up 25.4% year-on-year) on net sales of 55,057 million yen (down 2.2% year-on-year).

[Advanced Materials]

In the Glass Fibers business, sales of products for civil engineering applications were weak in the industrial material sector, while sales for construction and environmental applications were strong. IC cloth in the electronic materials sector suffered weak sales due to the slow recovery in demand for information terminal applications.

In the Glass Beads business, orders for reflective material applications from some users have decreased, while sales for road marking applications in Japan and industrial applications, such as automotive parts, were robust. Improvements in the product lineup also supported the increase in earnings in general.

In the Activated Carbon Fibers business, the general demand for mainstay water purifiers was weak while sales of faucet built-in water purifiers were robust. On the other hand, sales for automotive VOC removal and industrial filter applications were strong.

Consequently, the Advanced Materials business posted operating income of 1,130 million yen (down 21.9% year-on-year) on net sales of 12,089 million yen (up 1.5% year-on-year).

[Fibers and Textiles]

In the Industrial Materials business, the component ratio of high value-added products, such as compound fibers, increased in the product line-up of ultra-high-strength polyester filament yarn. The demand for civil engineering and construction applications also recovered in the second half of the year. Mainly due to these factors, sales of ultra-high-strength polyester filament yarn increased. 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 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, sales of the uniform sector improved, supported by the demand of corporate customers and the reduction of procurement costs. In the women’s clothing sector, *ZEROG*, a highly chromogenic and rebounding polyester, became a hit product in the women’s clothing market. On the other hand, sales of raw materials for sportswear, bedding goods and innerwear 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 1,932 million yen (up 21.8% year-on-year) on net sales of 55,535 million yen (down 15.1% year-on-year).

[Others]

The Others category posted an operating loss of 578 million yen (an operating loss of 630 million yen in the previous year) on net sales of 3,536 million yen (down 72.4% year on year), due to the effects of the transfer of shares, the liquidation of subsidiaries and the transfer of businesses associated with the business portfolio restructuring implemented in the previous year.

(2) Overview of financial position

Total assets decreased by 8,084 million yen from the end of the previous consolidated year to 211,872 million yen, mainly due to the decrease in cash and deposits and inventories. Liabilities decreased by 15,412 million yen to 166,608 million yen, mainly due to the decrease in interest-bearing liabilities while trade payables increased. Net assets increased by 7,327 million yen to 45,264 million yen. This was mainly due to an increase in retained earnings by booking profit attributable to owners of parent.

(3) Overview of cash-flow

Cash and cash equivalents (hereinafter referred to as “net cash”) as of March 31, 2017 decreased by 5,133 million yen to 36,890 million yen.

(Net cash provided by [used in] operating activities)
Cash flows from operating activities increased by 18,111 million yen during the current consolidated fiscal year (up 55.3% 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 4,158 million yen during the current consolidated fiscal year (increased by 4,124 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 19,089 million yen during the current consolidated fiscal year (decreased by 5,010 million yen in the previous consolidated fiscal year), mainly due to the repayment of loans payable.

(Reference) Changes in cash flow-related indicators

	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2015
(i) Shareholders’ equity ratio (%)	19.7	15.7	12.0
(ii) Shareholders’ equity ratio on market value basis (%)	25.3	14.2	13.4
(iii) Ratio of interest-bearing debt to cash flow	6.2	11.1	22.5
(iv) Interest coverage ratio	8.8	4.9	2.3

(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 has implemented businesses under the medium-term management plan launched in 2014. Since the planned structural reform has almost been completed and we achieved the solidification of the financial structure earlier than scheduled, we have established a new medium-term management plan called “G round 20—to The Next Stage” comprising the three pillars of “Growth,” “Global” and “Governance,” to solidify the foundation for a further stride of growth. By steadily implementing the measures contemplated in the new medium-term management plan, we forecast that we can record net sales of 131,000 million yen, operating profit of 10,700 million yen, ordinary profit of 7,300 million yen and profit attributable to owners of parent of 4,900 million yen in the year ending March 31, 2018.

(5) Basic policy for profit distribution and dividends for the fiscal year ended March 31, 2017 and the fiscal year ending March 31, 2018

The Unitika Group considers that the profit distribution to its shareholders is an important aspect of its business, but management intends to cancel payment of dividends on common stock for the fiscal year ended March 31, 2017, 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 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; 23,740 yen per class B share; and 60,000 yen per class C 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, 2016)	Current consolidated fiscal year (March 31, 2017)
Assets		
Current assets		
Cash and deposits	42,101	37,030
Notes and accounts receivable-trade	35,811	34,116
Inventories	27,566	25,704
Deferred tax assets	1,306	1,457
Other	2,921	3,375
Allowance for doubtful accounts	(106)	(89)
Total current assets	109,601	101,595
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,355	11,349
Machinery, equipment and vehicles, net	22,068	21,393
Tools, furniture and fixtures, net	911	920
Land	66,869	66,496
Leased assets, net	171	121
Construction in progress	2,791	3,508
Total property, plant and equipment	104,168	103,791
Intangible assets		
Other	1,714	2,035
Total intangible assets	1,714	2,035
Investments and other assets		
Investment securities	2,963	2,929
Investments in capital	9	8
Long-term loans receivable	62	40
Net defined benefit asset	13	12
Deferred tax assets	283	281
Other	1,171	1,205
Allowance for doubtful accounts	(32)	(26)
Total investments and other assets	4,473	4,450
Total non-current assets	110,356	110,277
Total assets	219,957	211,872

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2016)	Current consolidated fiscal year (March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,322	17,506
Short-term loans payable	1,827	3,438
Current portion of long-term loans payable	363	2,756
Lease obligations	139	117
Income taxes payable	215	1,167
Provision for bonuses	1,256	1,451
A product repair reserve fund	2,630	1,670
Provision for business structure improvement	989	152
Provision for loss on anti-monopoly act	—	980
Other	9,159	8,954
Total current liabilities	31,904	38,194
Non-current liabilities		
Long-term loans payable	124,142	103,132
Lease obligations	642	483
Deferred tax liabilities	9,273	9,191
Deferred tax liabilities for land revaluation	3,547	3,580
Provision for directors’ retirement benefits	7	4
Net defined benefit liability	11,513	11,209
Other	989	810
Total non-current liabilities	150,116	128,414
Total liabilities	182,020	166,608
Net assets		
Shareholders’ equity		
Capital stock	100	100
Capital surplus	28,401	28,400
Retained earnings	5,708	12,117
Treasury shares	(46)	(47)
Total shareholders’ equity	34,164	40,572
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	433	480
Deferred gains or losses on hedges	(203)	8
Revaluation reserve for land	6,474	6,415
Foreign currency translation adjustment	(2,662)	(2,856)
Remeasurements of defined benefit plans	(3,608)	(2,779)
Total accumulated other comprehensive income	434	1,269
Non-controlling interests	3,338	3,422
Total net assets	37,936	45,264
Total liabilities and net assets	219,957	211,872

(2) Consolidated income statement and consolidated comprehensive income statement

(Consolidated income statement)

(Unit: Millions of yen)

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to March 31, 2017)
Net sales	146,474	126,219
Cost of sales	114,943	94,189
Gross profit	31,530	32,029
Selling, general and administrative expenses	21,080	19,491
Operating profit	10,450	12,538
Non-operating income		
Interest income	73	47
Dividend income	83	76
Rent income	317	240
Share of profit of entities accounted for using equity method	—	13
Gain on bad debts recovered	—	266
Other	469	320
Total non-operating income	943	966
Non-operating expenses		
Interest expenses	2,367	1,951
Share of loss of entities accounted for using equity method	3	—
Other	2,200	1,070
Total non-operating expenses	4,572	3,021
Ordinary profit	6,821	10,483
Extraordinary income		
Gain on sales of non-current assets	1,290	784
Gain on sales of investment securities	—	224
Gain on sales of shares of subsidiaries and associates	375	—
Gain on transfer of business	43	—
Reversal of provision for product repair warranties	198	—
Total extraordinary income	1,908	1,009
Extraordinary losses		
Loss on disposal of non-current assets	527	862
Impairment loss	226	—
Loss on sales of shares of subsidiaries and associates	2,098	—
Business structure improvement expenses	962	1,223
Loss on anti-monopoly act	—	1,203
Other	138	151
Total extraordinary losses	3,953	3,440
Profit before income taxes	4,775	8,052
Income taxes-current	215	1,064
Income taxes-deferred	(2,387)	(271)
Total income taxes	(2,171)	793
Profit	6,947	7,258
Profit (loss) attributable to non-controlling interests	13	(130)
Profit attributable to owners of parent	6,933	7,389

(Consolidated comprehensive income statement)

(Unit: Millions of yen)

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to March 31, 2017)
Profit	6,947	7,258
Other comprehensive income		
Valuation difference on available-for-sale securities	(35)	46
Deferred gains or losses on hedges	22	216
Revaluation reserve for land	123	(41)
Foreign currency translation adjustment	173	(206)
Remeasurements of defined benefit plans, net of tax	(168)	829
Total other comprehensive income	115	844
Comprehensive income	7,062	8,103
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,006	8,242
Comprehensive income attributable to non-controlling interests	56	(138)

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	100	60,275	(31,138)	(45)	29,191
Changes of items during period					
Dividends of surplus-other capital surplus		(666)			(666)
Profit attributable to owners of parent			6,933		6,933
Purchase of treasury shares				(0)	(0)
Capital increase of consolidated subsidiaries		(47)			(47)
Purchase of shares of consolidated subsidiaries		(47)			(47)
Deficit disposition		(31,112)	31,112		—
Reversal of revaluation reserve for land			(1,198)		(1,198)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(31,874)	36,847	(0)	4,972
Balance at end of current period	100	28,401	5,708	(46)	34,164

	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 comprehen-sive income		
Balance at beginning of current period	468	(224)	5,165	(2,807)	(3,439)	(837)	3,236	31,590
Changes of items during period								
Dividends of surplus-other capital surplus								(666)
Profit attributable to owners of parent								6,933
Purchase of treasury shares								(0)
Capital increase of consolidated subsidiaries							47	—
Purchase of shares of consolidated subsidiaries								(47)
Deficit disposition								—
Reversal of revaluation reserve for land			1,198			1,198		—
Net changes of items other than shareholders' equity	(35)	21	110	144	(168)	72	55	128
Total changes of items during period	(35)	21	1,309	144	(168)	1,271	102	6,346
Balance at end of current period	433	(203)	6,474	(2,662)	(3,608)	434	3,338	37,936

Current 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)
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)
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

(4) Consolidated statements of cash flow

(Unit: Millions of yen)

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Profit before income taxes	4,775	8,052
Depreciation	4,831	4,526
Impairment loss	226	—
Business structure improvement expenses	962	1,223
Increase (decrease) in allowance for doubtful accounts	(253)	(23)
Increase (decrease) in net defined benefit liability	(803)	539
Increase (decrease) in provision for business structure improvement	(464)	(644)
Increase (decrease) in provision for product repair	(1,317)	(960)
Increase (decrease) in provision for loss on anti-monopoly act	—	980
Increase (decrease) in other provision	(170)	192
Interest expenses	2,367	1,951
Loss (gain) on disposal of non-current assets	527	862
Loss (gain) on sales of non-current assets	(1,290)	(784)
Gain on transfer of business	(43)	—
Loss (gain) on sales of investment securities	—	(224)
Loss (gain) on sales of shares of subsidiaries and associates	1,723	—
Decrease (increase) in notes and accounts receivable-trade	2,141	1,659
Decrease (increase) in inventories	6,084	1,829
Increase (decrease) in notes and accounts payable-trade	(2,805)	2,298
Other, net	(1,929)	(1,295)
Subtotal	14,561	20,183
Interest and dividend income received	154	124
Interest expenses paid	(2,371)	(2,058)
Income taxes paid	(683)	(137)
Net cash provided by (used in) operating activities	11,661	18,111
Cash flows from investing activities		
Decrease (increase) in time deposits	(49)	(60)
Purchase of investment securities	(20)	(10)
Proceeds from sales of investment securities	101	345
Purchase of property, plant and equipment	(5,476)	(5,099)
Proceeds from sales of property, plant and equipment	9,028	1,227
Proceeds from transfer of business	93	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	750	—
Other, net	(304)	(560)
Net cash provided by (used in) investing activities	4,124	(4,158)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	198	1,481
Proceeds from long-term loans payable	—	104,853
Repayments of long-term loans payable	(4,221)	(124,234)
Cash dividends paid	(666)	(997)
Other, net	(320)	(192)
Net cash provided by (used in) financing activities	(5,010)	(19,089)
Effect of exchange rate change on cash and cash equivalents	(459)	3
Net increase (decrease) in cash and cash equivalents	10,315	(5,133)
Cash and cash equivalents at beginning of period	31,708	42,023
Cash and cash equivalents at end of period	42,023	36,890

(5) Notes regarding consolidated financial statements

(Notes regarding assumption of a going concern)

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 the consolidated group,” “items related to the fiscal closing dates of consolidated subsidiaries,” and “items related to accounting policies” stated below.

(Scope of consolidation)

(1) Number of consolidated subsidiaries: 31 companies

Name of major consolidated subsidiaries:

NIPPON ESTER CO., LTD.

UNITIKA TRADING CO., LTD.

During the current consolidated accounting year, the number of consolidated subsidiaries has declined in the following ways: one subsidiary was newly established and included in the consolidation, and two companies were merged into the Company and excluded from the consolidation.

(2) Name of major non-consolidated subsidiaries:

Major 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.

(Items related to the fiscal closing dates of consolidated subsidiaries)

Twelve consolidated companies adopt fiscal closing dates different from the fiscal closing date for the consolidated accounting, as follows:

December 31 --- P.T. EMBLEM ASIA and 10 other subsidiaries

February 28 --- UNITIKA (HONG KONG) LTD.

When creating consolidated financial statements of the Company, the financial statements as of the closing dates of these subsidiaries are used, and necessary adjustments are made for important transactions occurring in these subsidiaries after their closing dates until the closing date for the consolidated accounting.

(Items related to accounting policies)

Basis for Recognizing Important Provisions to Reserves and Allowances

Provision for loss on antitrust act proceedings

An amount reasonably estimated is provided to prepare for potential loss from any payment on antitrust act proceedings in the future.

(Additional information)

1. Buy-back and retirement of Class C shares
   At the meeting of the Board of Directors held on March 21, 2017, the Company resolved to acquire all outstanding shares of Class C of the Company (worth 10 billion yen in total) in exchange for payment of money pursuant to Article 13-4 (6) of the Articles of Incorporation (Acquisition in exchange for money) and retire the bought-back shares pursuant to Article 178 of the Companies Act.
   (1) Details of buy-back of Class C shares
      (i) Type of shares to be bought back: Class C shares
      (ii) Shareholder from which shares will be bought back: Japan Industrial Solutions Fund I (limited liability partnership)
      (iii) Total number of shares to be bought back: 10,000 shares
      (iv) Acquisition price: 1,194,958.9 yen per share
         Note) The acquisition price above is determined by multiplying the amount paid in for one Class C share (1,000,000 yen) by 1.18 and adding preferred dividends payable calculated on a daily basis (14,958.9 yen). This price is calculated on the assumption that the payment of preferred dividends for Class C shares for the year ended March 31, 2017 (60,000 yen per share) is approved at the general meeting of shareholders to be held in June 2017 and will be paid to shareholders of Class C shares, and that no accumulated dividends payable exist for Class C shares.
      (v) Total share acquisition price: 11,949,589,000 yen
      (vi) Buy-back date: June 30, 2017
   (2) Details of retirement of Class C shares
      (i) Type of shares to be retired: Class C shares
      (ii) Total number of shares to be retired: 10,000 shares
      (iii) Effective retirement date: June 30, 2017
         The retirement of Class C shares is implemented only when the Company completes the buy-back of the outstanding Class C shares in accordance with (1) above.

2. Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets
   From the current consolidated fiscal year, the Company has adopted the Implementation Guidance on Recoverability of Deferred Tax Assets (Corporate Accounting Standards Implementation Guidance No. 26, ASBJ, March 28, 2016).

(Segment information etc.)

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 those employed for making the 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
The previous fiscal year (April 1, 2015 to March 31, 2016)

(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	56,313	11,914	65,431	133,659	12,814	146,474	—	146,474
Inter-segment sales or transfer	10,459	928	952	12,341	1,130	13,472	(13,472)	—
Total	66,773	12,842	66,384	146,001	13,945	159,946	(13,472)	146,474
Segment income (loss)	8,002	1,447	1,586	11,036	(630)	10,405	44	10,450
Segment assets	100,337	17,630	47,176	165,144	16,089	181,233	38,723	219,957
Other items								
Depreciation and amortization	3,306	374	488	4,170	252	4,422	408	4,831
Increase in property, plant and equipment and intangible assets	4,230	379	506	5,116	270	5,386	1,139	6,526

(Note) 1. The "*Other*" segment includes business segments that are not included in the reporting segments, such as the environmental business, and the real estate business.
2. Adjustment details are as follows.
(1) Adjustment of *Segment income (loss)* of 44 million yen is attributable to the elimination of inter-segment transactions.
(2) Adjustment of 38,723 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 408 million yen for *Depreciation and amortization* is depreciation and amortization of common assets that are not allocated to each reportable segment.
(4) Adjustment of 1,139 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 statements of income.

Current 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 Consolidated 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 the reporting 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 consolidated statements of income.

(Per share information)

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to March 31, 2017)
Net assets per share	(6.76) yen	5.80 yen
Net income per share	10.29 yen	11.08 yen
Net income per share after full dilution	5.50 yen	5.75 yen

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

	Previous consolidated fiscal year (March 31, 2016)	Current consolidated fiscal year (March 31, 2017)
Total net assets (million yen)	37,936	45,264
Amounts deducted from the total net assets (million yen)	41,834	41,919
[of which amounts to be paid in for shares of class stock (million yen)]	[37,499]	[37,499]
[of which preferred dividends (million yen)]	[997]	[997]
[of which non-controlling interests (million yen)]	[3,338]	[3,422]
Net assets at the end of the fiscal year attributable to common stock (million yen)	(3,898)	3,345
Number of common stock at the end of the fiscal year used for calculating net assets per share (thousand shares)	576,717	576,705

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, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to March 31, 2017)
Net income per share		
Profit attributable to owners of parent (million yen)	6,933	7,389
Amount not attributable to common stockholders (million yen)	997	997
[Of which preferred dividends (million yen)]	[997]	[997]
Profit attributable to common share owners of parent (million yen)	5,935	6,391
Average number of common stock during the fiscal year (thousand shares)	576,723	576,713
Net income per share after full dilution per share		
Net diluted earnings attributable to owners of parent (million yen)	997	997
[Of which preferred dividends (millions of yen)]	[997]	[997]
Increased number of common stock (thousand shares)	684,847	709,035
[including preferred dividends (thousand shares)]	[684,847]	[709,035]
Outline of potential common stock that was not included in the calculation of net income per share after full dilution due to the absence of a dilutive effect	—	—

(Material subsequent events)

The Board of Directors of the Company resolved today that the trading unit of Company shares be changed from 1,000 shares to 100 shares and that a share consolidation (consolidate 10 shares into one share) be proposed to the 207th General Meeting of Shareholders, to be held on June 29, 2017.

For details, please see the “Announcement on Change in the Trading Unit, Share Consolidation and Partial Revision of the Articles of Incorporation” published today.

4. Supplementary Materials

(1) Results (consolidated)

(Millions of yen)

			Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Consolidated	FY ended March 2016	Full year	146,474	10,450	6,821	6,933
	FY ended March 2017	Q2	62,571	6,273	4,133	3,585
		Full year	126,219	12,538	10,483	7,389
	FY ending March 2018	Q2 (Forecast)	63,500	4,900	3,400	2,300
		Full year (Forecast)	131,000	10,700	7,300	4,900
	Comparison with prior year	Q2 (Forecast)	929	(1,373)	(733)	(1,285)
		Full year (Forecast)	4,781	(1,838)	(3,183)	(2,489)

(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 2016	Net sales to outside customers	56,313	11,914	65,431	12,814	—	146,474
		Component ratio (%)	38.4	8.1	44.7	8.7	—	100.0
		Operating income	8,002	1,447	1,586	(630)	44	10,450
		Component ratio (%)	76.6	13.8	15.2	(6.0)	0.4	100.0
Results for current 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
Comparison with prior year		Net sales to outside customers	(1,256)	175	(9,896)	(9,278)	—	(20,255)
		Increase/decrease from prior year (%)	(2.2)	1.5	(15.1)	(72.4)	—	(13.8)
		Operating income	2,033	(317)	346	52	(27)	2,088
		Increase/decrease from prior year (%)	25.4	(21.9)	21.8	—	(61.4)	20.0
FY ending March 2018 (Forecast)	(Forecast)	Net sales to outside customers	60,000	12,500	56,000	2,500	—	131,000
		Component ratio (%)	45.8	9.5	42.7	1.9	—	100.0
		Operating income	8,500	1,200	1,500	(500)	0	10,700
		Component ratio (%)	79.4	11.2	14.0	(4.7)	0.0	100.0
	Comparison	Net sales to outside customers	4,943	411	465	(1,036)	—	4,781
		Increase/decrease from prior year (%)	9.0	3.4	0.8	(29.3)	—	3.8
		Operating income	(1,535)	70	(432)	78	(17)	(1,838)
		Increase/decrease from prior year (%)	(15.3)	6.2	(22.4)	—	(100.0)	(14.7)

(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 2015	Full year	4,808	4,715	3,940	133,903	(2,446)	4,458
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

(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 2015	Full year	6,080	(145)	5,870	31,708
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