

Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2020

August 6, 2019

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

URL: <https://www.unitika.co.jp/e/home.htm>

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Expected submission of quarterly report: August 9, 2019

Expected commencement date for paying dividend: –

Preparation of supplementary explanation documents for quarterly financial results: No

Holding of an analyst meeting for quarterly financial results: No

(Figures rounded down to nearest million yen.)

1. Consolidated performance for 1st quarter of fiscal year ending March 31, 2020 (April 1, 2019 to June 30, 2019)

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

	Net sales		Operating profit		Ordinary profit		Quarterly profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1 of FY ending March 31, 2020	30,311	(5.4)	1,464	(43.9)	1,091	(56.8)	(2,044)	—
Q1 of FY ended March 31, 2019	32,036	2.1	2,612	(22.9)	2,525	(18.0)	2,242	(9.2)

(Note) Comprehensive income Q1 of FY ending March 31, 2020: (1,853) million yen [-%]
Q1 of FY ended March 31, 2019: 1,100 million yen [(49.5%)]

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
Q1 of FY ending March 31, 2020	(36.85)	—
Q1 of FY ended March 31, 2019	37.18	22.68

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q1 of FY ending March 31, 2020	197,283	39,177	18.1
FY ended March 31, 2019	199,093	41,352	19.0

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2020: 35,705 million yen
Fiscal year ended March 31, 2019: 37,873 million yen

2. Dividend payment

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2019	—	0.00	—	0.00	0.00
FY ending March 31, 2020	—				
FY ending March 31, 2020 (forecast)		0.00	—	0.00	0.00

(Note) Revision of the latest dividend forecast: None

(Note) The above *Dividend payment* refers to dividends paid to the holders of common stock. For details of dividend payment to the holders of class shares (unlisted), the rights of which are different from those of common stock, please refer to *Dividend payment to the holders of class shares* mentioned below.

3. Forecast of consolidated performance for fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Percentages represent changes from same period in previous year)

	Net sales		Operating profit		Ordinary profit		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, 2020	63,000	(0.6)	2,700	(38.8)	2,000	(53.0)	(1,800)	—	(34.01)
FY ending March 31, 2020	132,000	2.2	6,500	(20.2)	5,200	(26.7)	200	(96.2)	(2.11)

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

* Notes

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

New companies: — (company name)

Excluded companies: — (company name)

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

① Changes in accounting policies due to revisions of accounting standards: No

② Changes of accounting policies other than the above: No

③ Changes in accounting estimates: No

④ Retrospective restatement: No

(4) Number of shares outstanding (Common stock)

① Number of shares outstanding at end of term (including treasury stock):

1st quarter of the fiscal year ending March 31, 2020: 57,752,343 shares

Fiscal year ended March 31, 2019: 57,752,343 shares

② Number of treasury stocks at end of term

1st quarter of the fiscal year ending March 31, 2020: 93,925 shares

Fiscal year ended March 31, 2019: 93,637 shares

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

1st quarter of the fiscal year ending March 31, 2020: 57,658,526 shares

1st quarter of the fiscal year ended March 31, 2019: 57,660,093 shares

* This brief report of quarterly financial statements is not subject to audit procedures by a certified public accountant or an independent auditor.

* Explanation on appropriate use of forecasts of performance and other special items

The forward-looking statements in this document concerning forecasting of performance etc. are based on currently available information and assumptions considered by the Company to be reasonable. Such statements are neither promises nor guarantees of future performance. The actual performance may be significantly different from forecasts due to various factors. Concerning assumptions used as a basis for forecasting business performance and precautionary statements when using the forecast of performance, please refer to *1. Qualitative Information on Quarterly Results* (3) *Explanation of future forecast information including forecast of consolidated performance* on page 3 of the attachment.

Dividend payment to the holders of class shares

The breakdown of dividends per share related to class shares, the rights of which are different from those of common stock, is as follows:

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year end	Total
Class A share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2019	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2020	—				
FY ending March 31, 2020 (forecast)		0.00	—	12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2019	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2020	—				
FY ending March 31, 2020 (forecast)		0.00	—	23,740.00	23,740.00

○ Table of contents for the attachment

1. Qualitative Information on Quarterly Results	2
(1) Explanation of operational results.....	2
(2) Explanation of financial situation	3
(3) Explanation of future forecast information including forecast of consolidated performance	3
2. Quarterly Consolidated Financial Statements and Major Notes to Consolidated Financial Statements	4
(1) Consolidated quarterly balance sheets	4
(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income	6
Consolidated quarterly statements of income Three-month period ended June 30, 2019.....	6
Consolidated quarterly statements of comprehensive income Three-month period ended June 30, 2019.....	7
(3) Notes on quarterly consolidated financial statements	8
(Notes on going concern assumption)	8
(Notes on significant changes in shareholders' equity)	8
(Additional information).....	8
(Segment information).....	9

1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

During the first quarter of the consolidated fiscal year under review, the Japanese economy grew steadily, supported by good employment and income environment and the effects of the long holidays commemorating the change of era name to Reiwa. Meanwhile, the outlook for the global economy remained unclear, although the U.S. economy continued to grow robustly. This was due to intensifying trade friction between the U.S. and China and lingering geopolitical risks, such as unstable situations in the Middle East, as well as negative factors, including the slowdown of the Chinese economy, sluggish demand for semiconductors, and the deterioration of market conditions.

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. Consequently, the Group reported net sales of 30,311 million yen (down 5.4% year on year), operating profit of 1,464 million yen (down 43.9% year on year), and ordinary profit of 1,091 million yen (down 56.8% year on year) in the three-month period of the consolidated accounting year under review.

Meanwhile, citizens of Toyohashi City filed a lawsuit claiming that the Company’s sale of land for industrial use (the land transferred by the City to the Company in 1951) to a third party was a breach of the land transfer contract and requested the Mayor of the City to exercise a claim for damages against the Company. In the court of the second instance, the Nagoya High Court ordered the Mayor to request the Company to pay the proceeds equivalent to a part of the land the Company had abandoned and delinquency charges. Accordingly, the Group posted 2,500 million yen of provision for loss on litigation, as an extraordinary loss, resulting in loss attributable to owners of parent of 2,044 million yen in the three-month period of the consolidated accounting year under review (vs. profit attributable to owners of parent of 2,242 million yen in the previous year).

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

[Polymers]

The Polymers business saw the occurrence of fire at the Uji Plant in January 2019 affect production and sales of the Films business and nylon products in the Plastics businesses.

In the Films business, sales in the packaging sector were partly affected by the fire. However, seasonal products sold steadily and sales of high value-added products, such as *EMBLEM HG*, a barrier nylon film, grew robustly in Japan and overseas. In the industrial sector, sales were sluggish due to the deterioration of market conditions in the area of semiconductor and electronics applications both at home and abroad. Meanwhile, sales of high value-added products, such as *Uni-peel*, a silicon-free mold release PET film, and *Uni-amide*, a highly heat resistant thermoplastic aromatic polyamide, were strong.

In the Plastics business, sales of nylon resins decreased due to a decrease in demand caused by stagnated automobile and semiconductor markets and the impact of the fire at the Uji Plant. Furthermore, sales of *U-Polymer*, a polyarylate resin, faced an uphill battle for information terminal equipment applications and automobile applications overseas. Sales of raw materials for other functional resins were also sluggish.

In the Non-woven Fabrics business, sales of polyester spunbond fabrics, in general, grew steadily for daily product applications and overseas, despite poor sales for civil engineering and interior applications. THAI UNITIKA SPUNBOND CO., LTD. (TUSCO), a subsidiary in Thailand, saw its efforts to encourage customers to adopt its products at the stage of design pay off for automobile and interior applications, but overall sales were sluggish due to customers’ inventory adjustment for some applications. Sales of cotton spunlace grew strongly, supported by steady demand for daily product applications such as skin care goods, both at home and abroad.

Consequently, the Polymers business posted operating profit of 1,524 million yen (down 34.7% year on year) on net sales of 14,700 million yen (down 6.6% year on year).

[Advanced Materials]

In the Glass Fibers business, the industrial materials sector saw sales of products for electric and electronics applications grow steadily, despite poor sales for civil engineering applications. In the electronic materials sector, sales of IC cloth were weak for information terminal equipment applications, but sales of high value-added products, such as super thin products and materials with a low thermal expansion, increased robustly.

In the Glass Beads business, sales of products for reflective material and industrial applications, in general, were sluggish, but sales of products for road applications continued to be strong.

In the Activated Carbon Fibers business, sales for our mainstay water purifier applications, especially faucet built-in water purifiers, remained robust and sales for VOC removal applications also continued to grow steadily. However, sales for industrial applications remained sluggish.

Consequently, the Advanced Materials business posted operating profit of 231 million yen (down 23.8% year on year) on net sales of 3,136 million yen (up 2.7% year on year).

[Fibers and Textiles]

In the Industrial Materials business, sales of polyester staple fibers were steady for daily product applications. Sales of ultra-high-strength polyester filament yarns also grew robustly for civil engineering and building applications. However, sales for other applications were sluggish across the board.

In the Garments, Lifestyle Materials and Bedding business, sales continued to be weak in the women's clothing and sports clothing sectors. In addition, sales of raw fibers for high-functional materials slowed down. However, sales in the uniform sector, a mainstay of this business, remained strong primarily for corporate customers. Furthermore, in the Overseas business, sales of denim remained poor.

Consequently, the Fibers and Textiles business posted operating loss of 168 million yen (vs. operating profit of 94 million yen in the previous year) on net sales of 12,362 million yen (down 3.8% year on year).

[Others]

The Others category posted an operating loss of 121 million yen (vs. operating loss of 123 million yen in the previous year) on net sales of 112 million yen (down 71.5% year on year).

(2) Explanation of financial situation

Total assets decreased by 1,809 million yen from the end of the previous consolidated year to 197,283 million yen, mainly due to a decrease in cash and deposits and notes and accounts receivable - trade. Liabilities increased by 365 million yen from the end of the previous consolidated year to 158,106 million yen, mainly due to the posting of provision for loss on litigation despite a decline in notes and accounts payable - trade. Net assets fell by 2,174 million yen from the end of the previous consolidated year to 39,177 million yen. This was mainly due to a decrease in retained earnings caused by the posting of loss attributable to owners of parent.

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

Regarding the forecast of consolidated performance, please refer to "Notice Regarding the Posting of Extraordinary Loss and Revision of the Forecast of Performance" released on July 29, 2019.

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

(1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2019)	Q1 of FY ending March 2020 (June 30, 2019)
Assets		
Current assets		
Cash and deposits	22,580	20,826
Notes and accounts receivable – trade	35,316	33,891
Inventories	29,639	30,646
Other	2,416	2,629
Allowance for doubtful accounts	(61)	(60)
Total current assets	89,891	87,932
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	23,002	23,027
Land	65,629	65,636
Other, net	14,235	14,530
Total property, plant and equipment	102,868	103,194
Intangible assets		
Other	1,927	1,911
Total intangible assets	1,927	1,911
Investments and other assets		
Other	4,444	4,284
Allowance for doubtful accounts	(37)	(38)
Total investments and other assets	4,406	4,245
Total non-current assets	109,202	109,351
Total assets	199,093	197,283

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2019)	Q1 of FY ending March 2020 (June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,056	16,781
Short-term borrowings	2,430	2,270
Current portion of long-term borrowings	99,993	99,331
Income taxes payable	589	196
Provision for bonuses	1,648	887
A product repair reserve fund	72	67
Other	8,743	9,601
Total current liabilities	131,534	129,135
Non-current liabilities		
Long-term borrowings	180	165
Provision for retirement benefits for directors (and other officers)	4	—
Provision for loss on litigation	—	2,500
Retirement benefit liability	13,184	13,401
Other	12,836	12,903
Total non-current liabilities	26,206	28,970
Total liabilities	157,740	158,106
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	13,218	13,218
Retained earnings	24,040	21,673
Treasury shares	(56)	(56)
Total shareholders' equity	37,302	34,935
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	363	335
Deferred gains or losses on hedges	(69)	(113)
Revaluation reserve for land	6,412	6,412
Foreign currency translation adjustment	(3,589)	(3,416)
Remeasurements of defined benefit plans	(2,545)	(2,448)
Total accumulated other comprehensive income	571	769
Non-controlling interests	3,479	3,472
Total net assets	41,352	39,177
Total liabilities and net assets	199,093	197,283

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
 (Consolidated quarterly statements of income)
 (Three-month period ended June 30, 2019)

(Unit: Millions of yen)

	Three-month period ended June 30, 2018 (April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (April 1, 2019 to June 30, 2019)
Net sales	32,036	30,311
Cost of sales	24,055	23,429
Gross profit	7,981	6,882
Selling, general and administrative expenses	5,368	5,417
Operating profit	2,612	1,464
Non-operating income		
Interest income	5	32
Dividend income	37	37
Rent income	35	31
Share of profit of entities accounted for using equity method	7	—
Foreign exchange gains	199	—
Other	76	145
Total non-operating income	360	247
Non-operating expenses		
Interest expenses	309	299
Share of loss of entities accounted for using equity method	—	1
Foreign exchange losses	—	213
Other	137	106
Total non-operating expenses	447	620
Ordinary profit	2,525	1,091
Extraordinary income		
Gain on liquidation of subsidiaries and associates	401	—
Total extraordinary income	401	—
Extraordinary losses		
Loss on disposal of non-current assets	126	225
Loss on valuation of investment securities	—	42
Provision for loss on litigation	—	2,500
Total extraordinary losses	126	2,768
Profit (loss) before income taxes	2,800	(1,677)
Income taxes-current	263	97
Income taxes-deferred	282	278
Total income taxes	545	375
Profit (loss)	2,254	(2,052)
Profit (loss) attributable to non-controlling interests	11	(8)
Profit (loss) attributable to owners of parent	2,242	(2,044)

(Consolidated quarterly statements of comprehensive income)

(Three-month period ended June 30, 2019)

(Unit: Millions of yen)

	Three-month period ended June 30, 2018 (April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (April 1, 2019 to June 30, 2019)
Profit (loss)	2,254	(2,052)
Other comprehensive income		
Valuation difference on available-for-sale securities	13	(28)
Deferred gains or losses on hedges	10	(49)
Foreign currency translation adjustment	(1,266)	180
Remeasurements of defined benefit plans, net of tax	89	97
Total other comprehensive income	(1,153)	199
Comprehensive income	1,100	(1,853)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,163	(1,846)
Comprehensive income attributable to non-controlling interests	(63)	(6)

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Additional information)

In a lawsuit filed by citizens of Toyohashi City, Aichi Prefecture (the "City") who claimed that Unitika's sale of land for industrial use to a third party was a breach of the land transfer contract—the land was transferred by the City to the Company in 1951—and requested the Mayor of the City to demand damages against the Company (the Company participated in the lawsuit as an assisting intervener), the Nagoya District Court ordered the Mayor to request the Company to pay 6,300 million yen of damages and delinquency charges on February 8, 2018. The Mayor appealed to the Nagoya High Court against the decision on February 20, 2018 (the Company participated in the lawsuit as an assisting intervener). On July 16, 2019, the Nagoya High Court sentenced the Mayor to request the Company to pay around 2,094 million yen of damages and delinquency charges. On July 29, 2019, the Mayor appealed to the Supreme Court against the judgement made by court of second instance and made a petition for acceptance of final appeal. Meanwhile, the Company made reasonable estimates to calculate the amount basing on the judgement by the High Court and posted 2,500 million yen of provision for loss on litigation.

(Segment information)

[Segment Information]

I. Three-month period ended June 30, 2018 (April 1, 2018 to June 30, 2018)

1. Information on net sales, income or loss by reportable segment

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount posted in Consolidated quarterly statements of income (Note 3)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	15,741	3,052	12,848	31,642	393	32,036	—	32,036
Inter-segment sales or transfers	2,279	234	143	2,657	298	2,956	(2,956)	—
Total	18,021	3,287	12,992	34,300	692	34,992	(2,956)	32,036
Segment income (loss)	2,333	304	94	2,732	(123)	2,608	3	2,612

- (Notes) 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 of *Segment income (loss)* is attributable to the elimination of inter-segment transactions.
3. *Segment income (loss)* is adjusted with operating profit in consolidated statements of income.

II. Three-month period ended June 30, 2019 (April 1, 2019 to June 30, 2019)

1. Information on net sales, income or loss by reportable segment

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount posted in Consolidated quarterly statements of income (Note 3)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	14,700	3,136	12,362	30,199	112	30,311	—	30,311
Inter-segment sales or transfers	2,251	175	135	2,563	18	2,581	(2,581)	—
Total	16,952	3,312	12,498	32,762	130	32,893	(2,581)	30,311
Segment income (loss)	1,524	231	(168)	1,587	(121)	1,466	(1)	1,464

- (Notes) 1. The *Other* segment includes business segments that are not included in reportable segments.
2. Adjustment of *Segment income (loss)* is attributable to the elimination of inter-segment transactions.
3. *Segment income (loss)* is adjusted with operating profit in consolidated statements of income.