

# Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2021

August 6, 2020

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 12, 2020

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, 2021 (April 1, 2020 to June 30, 2020)

### (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, 2021	27,290	(10.0)	1,566	7.0	903	(17.3)	315	—
Q1 of FY ended March 31, 2020	30,311	(5.4)	1,464	(43.9)	1,091	(56.8)	(2,044)	—

(Note) Comprehensive income Q1 of FY ending March 31, 2021: 512 million yen [—%]

Q1 of FY ended March 31, 2020: (1,853) million yen [—%]

	Quarterly profit per share	Diluted quarterly profit per share
	Yen	Yen
Q1 of FY ending March 31, 2021	4.09	2.16
Q1 of FY ended March 31, 2020	(36.85)	—

### (2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q1 of FY ending March 31, 2021	190,553	39,124	18.7
FY ended March 31, 2020	193,726	38,933	18.3

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2021: 35,694 million yen

Fiscal year ended March 31, 2020: 35,481 million yen

## 2. Dividend payment

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2020	—	0.00	—	0.00	0.00
FY ending March 31, 2021	—	—	—	—	—
FY ending March 31, 2021 (forecast)	—	—	—	—	—

(Note) Revision of the latest dividend forecast: None

(Note) The abovementioned *Dividend payment* refers to dividends paid to the holders of common stock. The Company will announce its dividend forecast for the fiscal year ending March 31, 2021 immediately after the calculation of the forecast of operational results becomes possible. 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, 2021 (April 1, 2020 to March 31, 2021)

The Company has left the forecast of consolidated performance for the fiscal year ending March 31, 2021 as undetermined, since it is difficult for its management team to reasonably estimate the impact of the spread of the COVID-19 outbreak on the Company's business activities and operational results at the present moment. The Company will announce the forecast immediately after the calculation of the forecast of operational results becomes possible.

\* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying change of scope of consolidation): Yes

New companies: — (company name)

Excluded companies: One (company name) COSOF Co., Ltd.

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

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

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

② Changes of accounting policies other than the above: No

③ Changes in accounting estimates: No

④ Retrospective restatement: No

(4) Number of shares outstanding (Common stock)

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

1st quarter of the fiscal year ending March 31, 2021: 57,752,343 shares

Fiscal year ended March 31, 2020: 57,752,343 shares

② Number of treasury shares at end of term

1st quarter of the fiscal year ending March 31, 2021: 94,402 shares

Fiscal year ended March 31, 2020: 94,343 shares

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

1st quarter of the fiscal year ending March 31, 2021: 57,657,967 shares

1st quarter of the fiscal year ended March 31, 2020: 57,658,526 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, 2020	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2021	—				
FY ending March 31, 2021 (forecast)		0.00	—	12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2020	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2021	—				
FY ending March 31, 2021 (forecast)		0.00	—	23,740.00	23,740.00

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## 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 entered into a recession because of a sharp decline in production and sales in a wide variety of industries, including automobiles, the evaporation of demand from foreign visitors to Japan, and a fall in demand on the backdrop of self-restraint concerning nonessential outings due to the spread of the COVID-19 outbreak. Meanwhile, the global economy evidently faced a downturn in economic activity due to the impact of the new coronavirus pandemic. In addition, nobody was able to predict when COVID-19 will be fully under control. Just like the Japanese economy, the global economic cycle also entered a contraction phase, since concerns grew over further expansion of the pandemic and its lingering negative impact.

Under these circumstances, the Unitika Group has been endeavoring to realize the *building of strong business portfolios, promotion of global business development, and a change in business culture and mind-set*, the Group's basic policies that place the strengthening of the foundation for a growth phase at the highest priority under *G-STEP30, the 1st*, a new three-year medium-term management plan announced in May 2020.

Consequently, the Group reported net sales of 27,290 million yen (down 10.0% year on year), operating profit of 1,566 million yen (up 7.0% year on year), ordinary profit of 903 million yen (down 17.3% year on year), and profit attributable to owners of parent of 315 million yen (versus loss attributable to owners of parent of 2,044 million yen in the previous year) in the consolidated fiscal year under review.

Here is an overview of the business results by segment.

From the first quarter of the current fiscal year, the Company has changed its reportable segment classification. For a year-on-year comparison of operational results mentioned below, the change applies retrospectively to the results for the previous fiscal year. For details, please refer to "2. Quarterly Consolidated Financial Statements and Main Notes (3) Notes on quarterly consolidated financial statements (Segment information, etc.)."

#### [Polymers]

The Polymers business saw sales decrease in automotive applications, etc. due to the spread of the COVID-19 outbreak.

In the Films business, the packaging sector saw demand related to foreign visitors to Japan, such as confectionery souvenir applications, remain weak. However, demand grew steadily in food and liquid detergent refill applications, supported by demand from people staying at home due to self-restraint concerning nonessential outings, telecommuting, and the suspension of classes. P.T.EMBLEM ASIA, a subsidiary in Indonesia, also performed solidly. Furthermore, sales of high-value-added products, such as *EMBLEM HG*, a barrier nylon film, continued to grow robustly in Japan and overseas. In the industrial sector, demand was, in general, sluggish in automotive applications, etc. However, sales of high-value-added products, such as *Uni-peel*, a silicon-free mold release PET film, increased steadily.

In the Plastics business, sales of nylon resins were poor due to a fall in demand caused by the decline of production in automotive, electrical and electronics, and machinery applications and sluggish markets. Furthermore, sales of *U-Polymer*, a polyarylate resin, faced an uphill battle due to stagnant demand for information terminal equipment applications. Sales of raw materials for other functional resins were also sluggish.

Consequently, the Polymers business posted operating profit of 1,364 million yen (down 18.0% year on year) on net sales of 10,123 million yen (down 14.4% year on year).

#### [Advanced Materials]

The Advanced Materials business saw sales of materials for medical gowns and sanitary goods increase due to the spread of COVID-19 outbreak, but sales for many applications, chiefly the automotive, and building and civil engineering fields, stagnated.

In the Activated Carbon Fibers business, sales for automotive applications decreased in addition to a fall in overseas sales. Furthermore, sales for water purifier applications, mainly for housing, also diminished.

In the Glass Fibers business, the industrial materials sector saw sales of transparent incombustible sheets grow steadily, but sales of products for building and civil engineering, environment-related, and automotive applications were weak. In the electronic materials sector, sales of IC cloth for information terminal equipment applications stagnated, but sales of products for personal computer and semiconductor applications grew robustly due to the increase in telecommuting. Sales of high-value-added products, such as super-thin products and materials with low thermal expansion, were also strong.

In the Glass Beads business, sales of products for road applications decreased due to the suspension and postponement of road construction projects. Sales of products for industrial applications, mainly automotive applications, were sluggish. Furthermore, demand for products for reflective material applications also remained weak.

In the Non-woven Fabrics business, sales of spunbond non-woven fabrics for building and automotive applications were sluggish, including fabrics produced by THAI UNITIKA SPUNBOND CO., LTD. (TUSCO), a subsidiary in Thailand, while sales for daily product applications increased steadily due to a rise in demand for medical gowns, etc. Meanwhile, sales of spunlace non-woven fabrics for medical gown and disinfectant sheet applications grew strongly, making up for a decrease in sales for skin-care goods applications.

In the Industrial Materials business, sales of polyester staple fibers for building material, automotive, and daily product applications were weak, despite steady sales for sanitary material applications. In addition, sales of ultra-high-strength polyester filament yarns were sluggish for building and civil engineering applications.

Consequently, the Advanced Materials business posted operating profit of 189 million yen (versus an operating loss of 43 million yen in the previous year) on net sales of 7,495 million yen (down 9.1% year on year).

#### [Industrial Fibers & Textiles]

In the Garments, Lifestyle Materials and Bedding business, sales were very weak in each sector, including women's clothing, due to the spread of the COVID-19 outbreak. Sales in the uniform sector, a mainstay of this business, also stagnated, but demand was strong for medical gown and protective clothing applications. Furthermore, sales of denim for overseas remained poor.

Consequently, the Industrial Fibers & Textiles business posted operating profit of 82 million yen (versus an operating loss of 30 million yen in the previous year) on net sales of 9,663 million yen (down 4.6% year on year).

#### [Others]

The Others category posted an operating loss of 10 million yen (versus an operating loss of 121 million yen in the previous year) on net sales of 8 million yen (down 92.1% year on year).

#### (2) Explanation of financial position

Total assets decreased by 3,172 million yen from the end of the previous consolidated year to 190,553 million yen, mainly due to decreases in cash and deposits and notes and accounts receivable-trade. Liabilities fell by 3,363 million yen from the end of the previous consolidated year to 151,429 million yen. This was primarily due to a decline in notes and accounts payable-trade. Net assets increased by 191 million yen from the end of the previous consolidated year to 39,124 million yen. This was mainly due to a rise in accumulated other comprehensive income.

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

The Company has left the forecast of consolidated performance for the fiscal year ending March 31, 2021 as undetermined, since it is difficult for its management team to reasonably estimate the impact of the spread of the COVID-19 pandemic on the Company's business activities and performance at the present moment. The Company will announce the forecast immediately after calculation of the forecast of operational results becomes possible.

## 2. Quarterly Consolidated Financial Statements and Main Notes

## (1) Quarterly consolidated balance sheet

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2020)	Q1 of current consolidated fiscal year ending March 31, 2021 (June 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	18,860	17,618
Notes and accounts receivable-trade	30,953	28,381
Inventories	29,498	30,284
Other	2,961	2,916
Allowance for doubtful accounts	(48)	(46)
Total current assets	82,225	79,155
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	21,543	21,405
Land	65,191	65,085
Other, net	18,711	18,950
Total property, plant and equipment	105,447	105,440
Intangible assets		
Other	1,756	1,749
Total intangible assets	1,756	1,749
Investments and other assets		
Other	4,380	4,274
Allowance for doubtful accounts	(84)	(64)
Total investments and other assets	4,296	4,209
Total non-current assets	111,500	111,398
Total assets	193,726	190,553

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2020)	Q1 of current consolidated fiscal year ending March 31, 2021 (June 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	14,922	12,376
Short-term borrowings	2,288	2,336
Current portion of long-term borrowings	2,675	2,660
Income taxes payable	284	210
Provision for bonuses	1,710	946
A Product repair reserve fund	42	42
Other	9,313	9,769
Total current liabilities	31,237	28,342
Non-current liabilities		
Long-term borrowings	94,631	93,895
Provision for loss on litigation	2,566	2,592
Retirement benefit liability	14,333	14,395
Other	12,024	12,204
Total non-current liabilities	123,554	123,086
Total liabilities	154,792	151,429
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	13,218	13,218
Retained earnings	21,559	21,554
Treasury shares	(56)	(56)
Total shareholders' equity	34,821	34,816
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	361	400
Deferred gains or losses on hedges	(11)	(16)
Revaluation reserve for land	6,412	6,412
Foreign currency translation adjustment	(3,521)	(3,440)
Remeasurements of defined benefit plans	(2,581)	(2,477)
Total accumulated other comprehensive income	660	878
Non-controlling interests	3,451	3,429
Total net assets	38,933	39,124
Total liabilities and net assets	193,726	190,553



## (2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(Three-month period ended June 30, 2020)

(Unit: Millions of yen)

	Three-month period ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three-month period ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Net sales	30,311	27,290
Cost of sales	23,429	20,559
Gross profit	6,882	6,731
Selling, general and administrative expenses	5,417	5,164
Operating profit	1,464	1,566
Non-operating income		
Interest income	32	14
Dividend income	37	40
Rental income	31	21
Other	145	134
Total non-operating income	247	211
Non-operating expenses		
Interest expenses	299	290
Share of loss of entities accounted for using equity method	1	18
Foreign exchange losses	213	463
Other	106	102
Total non-operating expenses	620	875
Ordinary profit	1,091	903
Extraordinary income		
Gain on sales of non-current assets	—	79
Total extraordinary income	—	79
Extraordinary losses		
Loss on disposal of non-current assets	225	253
Loss on valuation of investment securities	42	24
Provision for loss on litigation	2,500	26
Other	—	6
Total extraordinary losses	2,768	310
Profit (loss) before income taxes	(1,677)	672
Income taxes-current	97	131
Income taxes-deferred	278	234
Total income taxes	375	366
Profit (loss)	(2,052)	305
Profit (loss) attributable to non-controlling interests	(8)	(10)
Profit (loss) attributable to owners of parent	(2,044)	315

## (Quarterly consolidated statements of comprehensive income)

(Three-month period ended June 30, 2020)

(Unit: Millions of yen)

	Three-month period ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three-month period ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Profit (loss)	(2,052)	305
Other comprehensive income		
Valuation difference on available-for-sale securities	(28)	38
Deferred gains or losses on hedges	(49)	(4)
Foreign currency translation adjustment	180	69
Remeasurements of defined benefit plans, net of tax	97	103
Total other comprehensive income	199	206
Comprehensive income	(1,853)	512
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(1,846)	534
Comprehensive income attributable to non-controlling interests	(6)	(21)

(3) Notes on quarterly consolidated financial statements

(Notes on assumption of going concern)

Not applicable

(Notes on a significant change in shareholders' equity)

Not applicable

(Additional information)

The spread of the COVID-19 outbreak has had a pervasive impact on economic and corporate activities. In addition, it is quite difficult to predict the future development of the outbreak and the timing of its successful containment. Thus, based on information available from external sources, the Unitika Group made accounting estimates on impairment of non-current assets and recoverability of deferred tax assets etc. on the assumption that the Group business will continue to be affected by COVID-19 for a certain period in the fiscal year ending March 31, 2021.

The assumption used for the said estimates has not significantly changed from the one that the Group described in the Securities Report for the previous consolidated fiscal year.

As there is a high level of uncertainty with this incident, the Group may incur losses in the future if the impact lingers on.

(Segment information, etc.)

[Segment information]

## I. 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 Quarterly consolidated statements of income (Note 3)
	Polymers	Advanced Materials	Industrial Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	11,823	8,248	10,127	30,199	112	30,311	—	30,311
Inter-segment sales or transfer	1,949	1,027	135	3,113	18	3,131	(3,131)	—
Total	13,773	9,276	10,262	33,312	130	33,443	(3,131)	30,311
Segment income (loss)	1,663	(43)	(30)	1,589	(121)	1,468	(3)	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.

## II. Three-month period ended June 30, 2020 (April 1, 2020 to June 30, 2020)

## 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 Quarterly consolidated statements of income (Note 3)
	Polymers	Advanced Materials	Industrial Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	10,123	7,495	9,663	27,282	8	27,290	—	27,290
Inter-segment sales or transfer	2,060	1,143	50	3,255	—	3,255	(3,255)	—
Total	12,184	8,639	9,714	30,537	8	30,546	(3,255)	27,290
Segment income (loss)	1,364	189	82	1,636	(10)	1,626	(59)	1,566

(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.

## 2. Matters concerning the revision of reportable segments

From the first quarter of the current fiscal year, the Company has changed its organizational management system and has reviewed the Group's management classification to promote its new medium-term management plan. Accordingly, it has changed its reportable segment classification to "Polymers," "Advanced Materials," and "Industrial Fibers & Textiles" from "Polymers," "Advanced Materials," and "Fibers & Textiles."

For your information, segment information for the three-month period ended June 30, 2019 (April 1, 2019 to June 30, 2019) was prepared in accordance with the new reportable segment classification.

(Material subsequent events)

Concerning 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 pursue damages against the Company (the Company participated in the lawsuit as an assisting intervener), the Supreme Court 3rd Petty Bench dismissed the Company's final appeal and petition for acceptance of final appeal and decided not to accept the petition as the final appellate court on July 21, 2020.