

Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2023

February 7, 2023

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

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

Representative: Shuji Ueno, President and Chief Executive Officer

Contact: Masumi Fujimoto, General Manager of Accounting Department

TEL: +81-6-6281-5721

Expected submission of quarterly report: February 13, 2023

Expected commencement date for paying dividend: –

Preparation of supplementary explanation documents for quarterly financial results: No

Holding of an analyst meeting for quarterly financial results: No

(Figures rounded down to nearest million yen.)

1. Consolidated performance for 3rd quarter of fiscal year ending March 31, 2023 (April 1, 2022 to December 31, 2022)

(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	%
Q3 of FY ending March 31, 2023	88,173	5.0	1,769	(63.9)	2,414	(46.6)	1,101	(64.9)
Q3 of FY ended March 31, 2022	83,991	—	4,895	9.8	4,525	53.7	3,136	(32.1)

(Note) Comprehensive income Q3 of FY ending March 31, 2023: 3,898 million yen [(2.7%)]
Q3 of FY ended March 31, 2022: 4,006 million yen [(22.3%)]

	Quarterly profit per share	Diluted quarterly profit per share
	Yen	Yen
Q3 of FY ending March 31, 2023	15.15	8.83
Q3 of FY ended March 31, 2022	50.20	25.37

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of FY ending March 31, 2023	198,021	46,667	22.5
FY ended March 31, 2022	191,399	43,071	21.6

(Reference) Shareholders' equity 3rd quarter of fiscal year ending March 31, 2023: 44,591 million yen
Fiscal year ended March 31, 2022: 41,296 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, 2022	—	0.00	—	0.00	0.00
FY ending March 31, 2023	—	0.00	—		
FY ending March 31, 2023 (forecast)				0.00	0.00

(Note) Revision of the latest dividend forecast: None

(Note) The abovementioned *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, 2023 (April 1, 2022 to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY ending March 31, 2023	123,000	7.2	2,400	(60.0)	1,800	(71.9)	500	(77.5)	3.44

(Note) Revision of the latest forecasts of operational results: Yes

* 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) Unitika Plant Engineering 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: Yes
 - ② Changes of accounting policies other than the above: No
 - ③ Changes in accounting estimates: No
 - ④ Retrospective restatement: No
- (4) Number of shares outstanding (Common stock)
- ① Number of shares outstanding at end of term (including treasury stock):
3rd quarter of the fiscal year ending March 31, 2023: 57,752,343 shares
Fiscal year ended March 31, 2022: 57,752,343 shares
 - ② Number of treasury stocks at end of term
3rd quarter of the fiscal year ending March 31, 2023: 96,309 shares
Fiscal year ended March 31, 2022: 95,761 shares
 - ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
3rd quarter of the fiscal year ending March 31, 2023: 57,656,347 shares
3rd quarter of the fiscal year ended March 31, 2022: 57,656,940 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

(Note on forward-looking statements)

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 numerous 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, 2022	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2023	—	0.00	—		
FY ending March 31, 2023 (forecast)				12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2022	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2023	—	0.00	—		
FY ending March 31, 2023 (forecast)				23,740.00	23,740.00

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1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

During the first nine-month period of the consolidated fiscal year under review (April 1, 2022 to December 31, 2022), the Japanese economy as a whole continued to show a gradual recovering trend. Non-manufacturing industries, chiefly service businesses, showed a sign of recovery after the government's coronavirus measures entered a new stage seeking coexistence with COVID-19. On the other hand, manufacturing industries suffered negative effects because of a global fall in demand due to the tightening of credit in the United States and Europe and re-expansion of infections in China and continuing high production costs, including raw material and fuel prices.

Under these circumstances, the Unitika Group has been endeavoring to realize "Building a robust business portfolio," "Promotion of the global business," and "Reformation of the corporate culture and awareness" under "G-STEP30, the 1st," a medium-term management plan that is in its final year.

Consequently, in the first nine-month period of the consolidated fiscal year under review, the Group reported net sales of 88,173 million yen (up 5.0% year on year). On the other hand, operating profit decreased to 1,769 million yen (down 63.9% year on year) due to the great impact of production cost increases caused by continuing high raw material and fuel prices and a weak yen. Furthermore, ordinary profit decreased to 2,414 million yen (down 46.6% year on year) and profit attributable to owners of parent fell to 1,101 million yen (down 64.9% year on year) since the Company posted a foreign-exchange valuation gain of assets denominated in foreign currencies due to a weaker yen compared to the beginning of the current fiscal year.

Here is an overview of the business results by segment.

[Polymers Segment]

The Polymers Segment had difficulty in securing profitability since demand, which had been strong, stagnated and there were negative effects of soaring raw material and fuel prices and a weak yen, despite its efforts to raise prices against sharp cost increases.

In the Films business, demand leveled off both in the packaging and industrial sectors. Orders decreased along with the adjustment of inventories in distribution channels. Even in such an environment, sales of high-value-added products, such as "EMBLEM-HG," a barrier nylon film, and "UNIPEEL," a silicon-free release PET film, continued to expand. Although the business revised its selling prices to cope with soaring raw material and fuel prices, profitability worsened since costs rose faster than price hikes. Accordingly, the Films business saw net sales increase but profit decrease.

In the Plastics business, sales increased supported by steady sales for leisure applications and the revision of sales prices, although the COVID-19 lockdown and expansion of infection in China led to a decline in factory operations for each application. On the other hand, the impact of a sharp rise in raw material and fuel prices exceeded the effect of the sales price revision. Accordingly, the Plastics business saw net sales grow and profit decline.

Consequently, the Polymers segment posted operating profit of 3,372 million yen (down 39.3% year on year) on net sales of 38,803 million yen (up 2.4% year on year).

[Performance Materials Segment]

In the Performance Materials Segment, sales for building material applications remained robust, but sales for electronics material applications decreased sharply. The segment struggled to remain profitable due to lingering impacts of rising raw material and fuel prices and transportation costs.

In the Activated Carbon Fibers business, demand for mainstay water purifier applications stagnated and sales for automobile applications were also sluggish.

In the Glass Fibers business, in the building sector, sales for incombustible tent and sheet applications were steady.

In the electronic materials sector, demand for IC cloth declined drastically in the third quarter due to a worsening semiconductor market.

In the Glass Beads business, demand for road applications gradually recovered, but sales for retro-reflective material applications were weak.

In the Non-woven Fabrics business, sales almost remained unchanged in Japan, but export sales steadily grew. In addition, there were signs of recovery in demand for skin care applications.

In the Industrial Fibers business, sales decreased since demand for each application slackened. Furthermore, profitability worsened greatly due to soaring raw material and fuel prices.

Consequently, the Performance Materials segment posted operating loss of 51 million yen (versus an operating profit of 67 million yen in the previous year) on net sales of 26,210 million yen (up 2.8% year on year).

[Fibers and Textiles Segment]

In the Garments, Lifestyle Materials and Bedding business, business confidence deteriorated in Europe, retarding a recovery of export sales, while demand primarily for uniforms, a mainstay of this business, and women's clothing recovered in Japan. On the other hand, profitability deteriorated substantially due to higher cost factors throughout the supply chain, including surging raw material and fuel prices, the yen's depreciation, and soaring logistics costs.

Consequently, the Fibers & Textiles segment posted an operating loss of 1,491 million yen (versus an operating loss of 689 million yen in the previous year) on net sales of 23,103 million yen (up 12.4% year on year).

[Others]

The Others category posted an operating loss of 41 million yen (versus an operating loss of 29 million yen in the previous year) on net sales of 55 million yen (up 19.5% year on year).

(2) Explanation of financial position

Total assets increased by 6,621 million yen from the end of the previous consolidated year to 198,021 million yen mainly due to a rise in inventories and property, plant and equipment despite a decrease principally in cash and deposits, notes and accounts receivable-trade, and contract assets. Liabilities rose by 3,025 million yen from the end of the previous consolidated year to 151,353 million yen. This was primarily due to an increase in notes and accounts payable-trade. Net assets grew by 3,595 million yen from the end of the previous consolidated year to 46,667 million yen. This was mainly due to a rise in foreign currency translation adjustment.

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

Concerning the forecast of consolidated performance for the fiscal year ending March 31, 2023, please refer to the Company's notice announced on February 7, 2023, "Notice Concerning Posting of Non-Operating Income (Foreign Exchange Gains) and Revision of Forecast of Consolidated Performance for the Fiscal Year Ending March 31, 2023."

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly consolidated balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2022)	Q3 of current consolidated fiscal year ending March 2023 (December 31, 2022)
Assets		
Current assets		
Cash and deposits	18,985	13,509
Notes and accounts receivable-trade, and contract assets	29,495	26,861
Inventories	29,398	37,455
Other	3,134	4,664
Allowance for doubtful accounts	(87)	(59)
Total current assets	80,926	82,431
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	19,269	27,549
Land	62,584	62,798
Other, net	22,274	18,444
Total property, plant and equipment	104,128	108,791
Intangible assets		
Other	2,238	2,249
Total intangible assets	2,238	2,249
Investments and other assets		
Other	4,210	4,661
Allowance for doubtful accounts	(104)	(113)
Total investments and other assets	4,106	4,548
Total non-current assets	110,472	115,589
Total assets	191,399	198,021

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2022)	Q3 of current consolidated fiscal year ending March 2023 (December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	16,450	19,129
Short-term borrowings	2,065	3,965
Current portion of long-term borrowings	91,647	89,649
Income taxes payable	598	97
Provision for bonuses	1,742	955
Provision for product repairs	35	35
Other	9,228	10,124
Total current liabilities	121,768	123,956
Non-current liabilities		
Long-term borrowings	177	318
Retirement benefit liability	14,628	15,141
Other	11,753	11,937
Total non-current liabilities	26,559	27,397
Total liabilities	148,328	151,353
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	12,301	12,301
Retained earnings	27,597	28,396
Treasury shares	(57)	(57)
Total shareholders' equity	39,942	40,741
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	435	392
Deferred gains or losses on hedges	(1)	(19)
Revaluation reserve for land	6,313	6,313
Foreign currency translation adjustment	(4,184)	(1,813)
Remeasurements of defined benefit plans	(1,208)	(1,022)
Total accumulated other comprehensive income	1,354	3,850
Non-controlling interests	1,774	2,075
Total net assets	43,071	46,667
Total liabilities and net assets	191,399	198,021

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 (Nine-month period ended December 31, 2022)

	(Unit: Millions of yen)	
	Nine-month period ended December 31, 2021 (April 1, 2021 to December 31, 2021)	Nine-month period ended December 31, 2022 (April 1, 2022 to December 31, 2022)
Net sales	83,991	88,173
Cost of sales	62,823	69,378
Gross profit	21,167	18,795
Selling, general and administrative expenses	16,271	17,025
Operating profit	4,895	1,769
Non-operating income		
Interest income	28	31
Dividend income	58	60
Share of profit of entities accounted for using equity method	25	—
Foreign exchange gains	364	1,391
Other	337	332
Total non-operating income	812	1,816
Non-operating expenses		
Interest expenses	837	791
Share of loss of entities accounted for using equity method	—	0
Other	345	379
Total non-operating expenses	1,183	1,171
Ordinary profit	4,525	2,414
Extraordinary income		
Gain on sales of non-current assets	95	1
Insurance claim income	556	—
Total extraordinary income	652	1
Extraordinary losses		
Loss on disposal of non-current assets	779	644
Loss on tax purpose reduction entry of non-current assets	398	—
Other	28	150
Total extraordinary losses	1,206	795
Profit before income taxes	3,971	1,620
Income taxes – current	563	245
Income taxes – deferred	278	310
Total income taxes	842	555
Profit	3,129	1,064
Profit (loss) attributable to non-controlling interests	(7)	(37)
Profit attributable to owners of parent	3,136	1,101

(Quarterly consolidated statements of comprehensive income)

(Nine-month period ended December 31, 2022)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2021 (April 1, 2021 to December 31, 2021)	Nine-month period ended December 31, 2022 (April 1, 2022 to December 31, 2022)
Profit	3,129	1,064
Other comprehensive income		
Valuation difference on available-for-sale securities	(19)	(42)
Deferred gains or losses on hedges	(16)	(17)
Foreign currency translation adjustment	709	2,708
Remeasurements of defined benefit plans, net of tax	203	185
Total other comprehensive income	877	2,833
Comprehensive income	4,006	3,898
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,926	3,598
Comprehensive income attributable to non-controlling interests	80	300

(3) Notes on quarterly consolidated financial statements

(Notes on assumption of going concern)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Changes in accounting policies)

(Application of Accounting Standard for Fair Value Measurement, etc.)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Standard Implementation Guidance”) has been applied from the beginning of the first quarter of the consolidated fiscal year ending March 31, 2023. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Standard Implementation Guidance, the Company has decided to apply the new accounting policies set forth by the Fair Value Measurement Standard Implementation Guidance into the future. These changes had no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment Information]

I. Nine-month period ended December 31, 2021 (April 1, 2021 to December 31, 2021)

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	Performance Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	37,881	25,499	20,563	83,944	46	83,991	—	83,991
Inter-segment sales or transfers	3,935	1,267	161	5,364	—	5,364	(5,364)	—
Total	41,816	26,766	20,725	89,308	46	89,355	(5,364)	83,991
Segment income (loss)	5,553	67	(689)	4,930	(29)	4,900	(4)	4,895

(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 quarterly consolidated statements of income.

II. Nine-month period ended December 31, 2022 (April 1, 2022 to December 31, 2022)

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	Performance Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	38,803	26,210	23,103	88,118	55	88,173	—	88,173
Inter-segment sales or transfers	4,580	1,402	125	6,108	—	6,108	(6,108)	—
Total	43,384	27,613	23,229	94,227	55	94,282	(6,108)	88,173
Segment income (loss)	3,372	(51)	(1,491)	1,829	(41)	1,787	(18)	1,769

(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 and the adjustment of inventories.3. *Segment income (loss)* is adjusted with operating profit in consolidated statements of income.