

Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2023

August 5, 2022

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: August 10, 2022

Expected commencement date for paying dividend: –

Preparation of supplementary explanation documents for quarterly financial results: None

Holding of an analyst meeting for quarterly financial results: None

(Figures rounded down to nearest million yen.)

1. Consolidated performance for 1st quarter of fiscal year ending March 31, 2023 (April 1, 2022 to June 30, 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	%
Q1 of FY ending March 31, 2023	29,599	5.5	987	(53.2)	2,806	57.5	2,040	62.0
Q1 of FY ended March 31, 2022	28,057	—	2,109	34.6	1,781	97.2	1,259	298.6

(Note) Comprehensive income Q1 of FY ending March 31, 2023: 1,410 million yen [(39.2%)]
Q1 of FY ended March 31, 2022: 2,317 million yen [352.5%]

	Quarterly profit per share	Diluted quarterly profit per share
	Yen	Yen
Q1 of FY ending March 31, 2023	34.09	16.36
Q1 of FY ended March 31, 2022	20.45	10.56

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q1 of FY ending March 31, 2023	192,874	44,178	22.0
FY ended March 31, 2022	191,399	43,071	21.6

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2023: 42,413 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	—	—	—	—	—
FY ending March 31, 2023 (forecast)	—	0.00	—	0.00	0.00

(Note) Revision of the latest dividend forecast: None

(Note) The above-mentioned *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
1st half of FY ending March 31, 2023 (cumulative)	60,000	8.1	2,100	(38.1)	1,500	(48.7)	700	(68.4)	9.51
FY ending March 31, 2023	126,000	9.8	5,500	(8.4)	3,300	(48.4)	1,500	(32.5)	20.77

(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): 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: None

(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: None

③ Changes in accounting estimates: None

④ Retrospective restatement: None

(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, 2023: 57,752,343 shares

Fiscal year ended March 31, 2022: 57,752,343 shares

② Number of treasury shares at end of term

1st quarter of the fiscal year ending March 31, 2023: 95,827 shares

Fiscal year ended March 31, 2022: 95,761 shares

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

1st quarter of the fiscal year ending March 31, 2023: 57,656,564 shares

1st quarter of the fiscal year ended March 31, 2022: 57,657,096 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, 2022	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2023	—				
FY ending March 31, 2023 (forecast)		0.00	—	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	—				
FY ending March 31, 2023 (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 position	3
(3) Explanation of future forecast information including forecast of consolidated performance	3
2. Quarterly Consolidated Financial Statements and Main Notes	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	6
Quarterly consolidated statements of income	
Three-month period ended June 30, 2022	6
Quarterly consolidated statements of comprehensive income	
Three-month period ended June 30, 2022	7
(3) Notes on quarterly consolidated financial statements	8
(Notes on assumption of going concern).....	8
(Notes on a significant change in shareholders' equity).....	8
(Changes in accounting policies).....	8
(Segment information, etc.).....	8

1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

During the first quarter of the consolidated fiscal year under review (April 1, 2022 to June 30, 2022), looking at the Japanese economy, manufacturing industries lost momentum because of a rise in production costs due to continuing high raw material prices and a weakening yen and disrupted supply chains caused by the lockdown in Shanghai, China, while non-manufacturing industries, mainly service industries, began to recover after the semi-emergency coronavirus measures were cancelled. However, the economic outlook turned uncertain since there were rising concerns that a manifestation of geopolitical risk and price increases following a hike in resource prices and a weaker yen were likely to put downward pressure on the domestic economy.

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 under G-STEP30, the 1st, a medium-term management plan announced in May 2020 that is in the final year.

In the first quarter of the consolidated fiscal year under review, the Group reported net sales of 29,599 million yen (up 5.5% year on year), supported by an increase in demand that recovered from the COVID-19 pandemic. On the other hand, operating profit decreased to 987 million yen (down 53.2% year on year) since the Company was not able to absorb the impact of production cost increases caused by continuing high raw material and fuel prices and a weak yen, despite its efforts, including price hikes and cost reduction.

Furthermore, ordinary profit grew to 2,806 million yen (up 57.5% year on year) and profit attributable to owners of parent rose to 2,040 million yen (up 62.0% year on year) since the Company posted a foreign-exchange valuation gain of assets denominated in foreign currencies due to a rise in the U.S. dollar against the yen (the yen continuing a downward trend).

Here is an overview of the business results by segment.

[Polymers Segment]

The Polymers Segment had tough times since both soaring natural resources prices and the depreciation of the yen drove up costs greatly.

The Films business suffered negative impacts of rising raw material prices. Demand remained robust both in the packaging and industrial sectors. In the packaging sector, sales of high-value-added products, such as “EMBLEM-HG,” a barrier nylon film, and environmentally friendly chemically recycled nylon films, increased strongly. In the industrial sector, sales of high-value-added products, such as “UNIPEEL,” a silicon-free release PET film, expanded. In general, sales were steady, but the impact of a rise in raw material and fuel prices was huge. Accordingly, the Films business saw net sales increase but profit decrease.

The Plastics business had an uphill battle since raw material and fuel prices rose, supply chains were disrupted in the automobile industry, and exports to China decreased due to the COVID-19 lockdown. Although the business strove to minimize the impact of soaring raw material and fuel prices by revising sales prices, the efforts had a limited effect on profitability. Accordingly, the Plastics business saw net sales grow and profit decline.

Consequently, the Polymers segment posted operating profit of 1,356 million yen (down 38.3% year on year) on net sales of 13,089 million yen (up 4.7% year on year).

[Performance Materials Segment]

The Performance Materials Segment saw sales recover since demand for construction and civil engineering applications picked up. Furthermore, as demand remained brisk in the electronic material sector, sales of high-value-added products grew steadily.

In the Activated Carbon Fibers business, sales for automobile applications suffered the negative impact of the lockdown in China and production reduction, but demand for mainstay water purifier applications continued to be strong.

In the Glass Fibers business, in the industrial materials sector, sales for building and civil engineering applications, such as incombustible tents, recovered. In the electronic materials sector, sales of IC cloth, mainly high-value-added products, including super-thin products and materials with low thermal expansion, expanded.

In the Glass Beads business, sales for road applications and reflective material applications were sluggish. Although sales for industrial applications were steady, the business suffered soaring energy prices significantly.

In the Non-woven Fabrics business, sales for skin care applications continued to be sluggish from the previous year since the effects of self-restraint in going out still remained. The decline in automotive production affected sales for automotive applications. Although sales for agriculture and building applications partially recovered, soaring raw material and fuel prices weighed heavily on profitability.

In the Industrial fibers business, sales for building and civil engineering applications picked up, and among high-value-added products, nylon hollow-fiber membranes sold steadily. However, sales for automobile applications were weak; profitability was greatly affected by soaring raw material and fuel prices.

Consequently, the Performance Materials segment posted operating profit of 142 million yen (up 73.5% year on year) on net sales of 8,937 million yen (up 5.8% year on year).

[Fibers and Textiles Segment]

The Garments, Lifestyle Materials and Bedding business had difficulty in maintaining profitability because of a delay in passing a steep rise in production costs, which were caused by soaring raw materials and fuel prices, processing charges and logistics costs, as well as the yen's depreciation, on to sales prices. Although sales in the uniform sector, a mainstay of this business, picked up to some extent, sales in bedding and sport clothing sectors continued to be weak.

Consequently, the Fibers & Textiles segment posted an operating loss of 511 million yen (versus an operating loss of 165 million yen in the previous year) on net sales of 7,554 million yen (up 6.5% year on year).

[Others]

The Others category posted an operating loss of 8 million yen (versus an operating loss of 1 million yen in the previous year) on net sales of 18 million yen (up 25.3% year on year).

(2) Explanation of financial position

Total assets increased by 1,475 million yen from the end of the previous consolidated year to 192,874 million yen mainly due to a rise in inventories and property, plant and equipment despite a decrease in cash and deposits. Liabilities rose by 367 million yen from the end of the previous consolidated year to 148,695 million yen. This was primarily due to an increase in notes and accounts payable-trade despite a decline in interest-bearing debt. Net assets grew by 1,107 million yen from the end of the previous consolidated year to 44,178 million yen. This was mainly due to a rise in retained earnings caused by the posting of profit attributable to owners of parent.

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

The Company did not revise its forecast of consolidated performance for both the first half and full fiscal year ending March 31, 2023, which the Group announced via the Brief Report of Financial Statements for the Fiscal Year Ended March 31, 2022 released on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly consolidated balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2022)	Q1 of current consolidated fiscal year ending March 2023 (June 30, 2022)
Assets		
Current assets		
Cash and deposits	18,985	16,193
Notes and accounts receivable-trade, and contract assets	29,495	30,444
Inventories	29,398	31,336
Other	3,134	3,121
Allowance for doubtful accounts	(87)	(87)
Total current assets	80,926	81,007
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	19,269	19,571
Land	62,584	62,674
Other, net	22,274	23,422
Total property, plant and equipment	104,128	105,667
Intangible assets		
Other	2,238	2,247
Total intangible assets	2,238	2,247
Investments and other assets		
Other	4,210	4,065
Allowance for doubtful accounts	(104)	(113)
Total investments and other assets	4,106	3,951
Total non-current assets	110,472	111,866
Total assets	191,399	192,874

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2022)	Q1 of current consolidated fiscal year ending March 2023 (June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,450	17,762
Short-term borrowings	2,065	2,075
Current portion of long-term borrowings	91,647	90,995
Income taxes payable	598	288
Provision for bonuses	1,742	897
A product repair reserve fund	35	35
Other	9,228	9,655
Total current liabilities	121,768	121,711
Non-current liabilities		
Long-term borrowings	177	166
Retirement benefit liability	14,628	14,792
Other	11,753	12,025
Total non-current liabilities	26,559	26,984
Total liabilities	148,328	148,695
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	12,301	12,301
Retained earnings	27,597	29,335
Treasury shares	(57)	(57)
Total shareholders' equity	39,942	41,680
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	435	404
Deferred gains or losses on hedges	(1)	1
Revaluation reserve for land	6,313	6,313
Foreign currency translation adjustment	(4,184)	(4,840)
Remeasurements of defined benefit plans	(1,208)	(1,146)
Total accumulated other comprehensive income	1,354	732
Non-controlling interests	1,774	1,765
Total net assets	43,071	44,178
Total liabilities and net assets	191,399	192,874

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 (Three-month period ended June 30, 2022)

(Unit: Millions of yen)

	Three-month period ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three-month period ended June 30, 2022 (April 1, 2022 to June 30, 2022)
Net sales	28,057	29,599
Cost of sales	20,664	23,007
Gross profit	7,393	6,592
Selling, general and administrative expenses	5,284	5,604
Operating profit	2,109	987
Non-operating income		
Interest income	16	14
Dividend income	26	28
Foreign exchange gains	—	1,956
Rental income	21	18
Other	157	172
Total non-operating income	222	2,190
Non-operating expenses		
Interest expenses	281	260
Share of loss of entities accounted for using equity method	2	3
Foreign exchange losses	153	—
Other	113	107
Total non-operating expenses	550	371
Ordinary profit	1,781	2,806
Extraordinary income		
Gain on sales of non-current assets	—	0
Insurance claim income	545	—
Total extraordinary income	545	0
Extraordinary losses		
Loss on disposal of non-current assets	143	218
Loss on tax purpose reduction entry of non-current assets	398	—
Other	20	3
Total extraordinary losses	562	221
Profit before income taxes	1,764	2,584
Income taxes-current	165	193
Income taxes-deferred	336	350
Total income taxes	501	544
Profit	1,262	2,040
Profit (loss) attributable to non-controlling interests	3	(0)
Profit attributable to owners of parent	1,259	2,040

(Quarterly consolidated statements of comprehensive income)
 (Three-month period ended June 30, 2022)

(Unit: Millions of yen)

	Three-month period ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three-month period ended June 30, 2022 (April 1, 2022 to June 30, 2022)
Profit	1,262	2,040
Other comprehensive income		
Valuation difference on available-for-sale securities	(23)	(31)
Deferred gains or losses on hedges	8	3
Foreign currency translation adjustment	1,001	(663)
Remeasurements of defined benefit plans, net of tax	67	61
Total other comprehensive income	1,055	(630)
Comprehensive income	2,317	1,410
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,206	1,419
Comprehensive income attributable to non-controlling interests	111	(9)

(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

(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. Three-month period ended June 30, 2021 (April 1, 2021 to June 30, 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	12,504	8,445	7,093	28,043	14	28,057	—	28,057
Inter-segment sales or transfer	1,315	439	51	1,806	—	1,806	(1,806)	—
Total	13,819	8,885	7,144	29,850	14	29,864	(1,806)	28,057
Segment income (loss)	2,198	82	(165)	2,114	(1)	2,113	(4)	2,109

- (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, 2022 (April 1, 2022 to June 30, 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	13,089	8,937	7,554	29,581	18	29,599	—	29,599
Inter-segment sales or transfer	1,464	496	31	1,992	—	1,992	(1,992)	—
Total	14,554	9,434	7,585	31,574	18	31,592	(1,992)	29,599
Segment income (loss)	1,356	142	(511)	987	(8)	979	8	987

- (Notes) 1. The *Other* segment includes business segments that are not included in reportable segments.
2. Adjustment for *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.