

# Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2021

February 5, 2021

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: Masanori Onishi, General Manager of Accounting Department

TEL: +81-6-6281-5721

Expected submission of quarterly report: February 12, 2021

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, 2021 (April 1, 2020 to December 31, 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	%
Q3 of FY ending March 31, 2021	81,653	(8.0)	4,459	15.8	2,943	0.9	4,622	—
Q3 of FY ended March 31, 2020	88,764	(7.2)	3,850	(39.8)	2,917	(47.0)	(1,121)	—

(Note) Comprehensive income Q3 of FY ending March 31, 2021: 5,159 million yen [—%]

Q3 of FY ended March 31, 2020: (1,161) million yen [—%]

	Quarterly profit per share		Diluted quarterly profit per share	
	Yen		Yen	
Q3 of FY ending March 31, 2021	75.97		36.55	
Q3 of FY ended March 31, 2020	(23.64)		—	

### (2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of FY ending March 31, 2021	193,068	43,771	20.9
FY ended March 31, 2020	193,726	38,933	18.3

(Reference) Shareholders' equity 3rd quarter of fiscal year ending March 31, 2021: 40,326 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				
FY ended March 31, 2020	—	0.00	—	0.00	0.00
FY ending March 31, 2021	—	0.00	—		
FY ending March 31, 2021 (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, 2021 (April 1, 2020 to March 31, 2021)

(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, 2021	110,000	(8.0)	5,200	(4.9)	3,500	11.0	3,800	—	60.33

(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: One (company name) UNITIKA EUROPE GmbH  
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):  
3rd 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 stocks at end of term  
3rd quarter of the fiscal year ending March 31, 2021: 94,920 shares  
Fiscal year ended March 31, 2020: 94,343 shares
  - ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)  
3rd quarter of the fiscal year ending March 31, 2021: 57,657,784 shares  
3rd quarter of the fiscal year ended March 31, 2020: 57,658,375 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	—	0.00	—		
FY ending March 31, 2021(forecast)				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	—	0.00	—		
FY ending March 31, 2021(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, the Japanese economy worsened rapidly because economic activities were greatly restricted due to the spread of the COVID-19 pandemic. Thereafter, there were signs of gradual recovery along with a resumption of economic activities and rebound of exports. However, the economy still lacked momentum owing to a deterioration of the employment environment, a slowdown in the recovery of consumption, and persistent concerns over a re-expansion of the pandemic. Meanwhile, the global economic outlook continued to be uncertain since nobody was able to predict when the spread of the new coronavirus infections would be fully under control; the economic recovery slowed down due to the stagnation of economic activities.

Under these circumstances, the Unitika Group has been endeavoring to realize the building of strong business portfolios, promotion of global business development, a change in business culture and mind-set, and the Group's basic policies that place the strengthening of the foundation for a growth phase as 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 81,653 million yen (down 8.0% year on year), operating profit of 4,459 million yen (up 15.8% year on year), and ordinary profit of 2,943 million yen (up 0.9% year on year). Meanwhile, profit attributable to owners of parent amounted to 4,622 million yen (versus loss attributable to owners of parent of 1,121 million yen in the previous year) in the consolidated fiscal year under review since the Group posted insurance claim income related to a fire that broke out at the Uji Plant on January 8, 2019 as an extraordinary income.

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 Segment]

In the Polymers segment, sales decreased in the industrial field, such as automotive and electric and electronics applications, due to the spread of the COVID-19 pandemic.

In the Films business, the packaging sector saw sales grow steadily, supported by a temporary rise in demand for the food field since people spent more time at home, despite a fall in demand related to foreign visitors to Japan and holiday outings. 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 strong in the semiconductor field. Although sales of *Uni-amide*, a high heat-resistant polyamide film, decreased, sales of *UNIPEEL*, a silicon-free mold release PET film, increased steadily. Accordingly, the sector saw net sales fall but profit increase.

In the Plastics business, sales of nylon resins decreased in many applications, including electric and electronic applications, but gradually recovered in automotive applications from the third quarter despite a sharp fall in sales due to declining production. Sales of *U-Polymer*, a polyarylate resin, were sluggish in overseas sales as well as in information terminal equipment, office equipment, and daily commodities applications. Sales of raw materials for other functional resins also faced an uphill battle in automobile and daily commodities applications. Accordingly, the sector saw net sales and profit decline.

Consequently, the Polymers segment posted operating profit of 4,212 million yen (down 3.8% year on year) on net sales of 30,685 million yen (down 11.5% year on year).

## [Performance Materials Segment]

In the Performance Materials segment, sales of materials for medical gowns and sanitary goods increased due to the spread of the COVID-19 pandemic, but sales for many applications, chiefly the automotive, and the building and civil engineering fields stagnated.

In the Activated Carbon Fibers business, sales of faucet built-in water purifiers were robust, but sales of commercial-use products were weak in water purifier applications. Furthermore, sales for gas phase and environment applications diminished due to falling automobile production.

In the Glass Fibers business, in the industrial materials sector, sales for environment-related applications grew strongly, but sales of tents and sheets, etc. for building and civil engineering applications were sluggish. In the electronic materials sector, sales of IC cloth continued increasing steadily, supported by strong semiconductor markets. 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 declined due to a delay in the start of construction projects. Sales for industrial applications were sluggish due to a fall in demand for automotive- and machinery-component-related applications. Furthermore, sales of products for reflective material also remained weak.

In the Non-woven Fabrics business, sales for building and civil engineering applications were sluggish due to the impact of COVID-19 outbreak. Furthermore, sales for automotive and cosmetics applications remained weak despite a recovery trend. On the other hand, sales for daily product applications, such as medical gowns and disinfectant sheets, grew steadily.

In the Industrial Materials business, sales of polyester staple fibers for daily product and industrial product applications increased robustly, but their sales for building material and automotive applications were weak. Sales of ultra-high-strength polyester filament yarns decreased substantially for building and civil engineering applications due to the postponement and suspension of projects, etc.

Consequently, the Performance Materials segment posted operating profit of 456 million yen (versus an operating loss of 49 million yen in the previous year) on net sales of 21,798 million yen (down 10.3% year on year).

[Fibers and Textiles Segment]

In the Fibers and Textiles segment, the situation was very difficult for the Garments, Lifestyle Materials and Bedding business since sales were sluggish for hotels, restaurants, and offices in the uniform sector, a mainstay of this business, and sales also decreased in the other general clothing sector, due to the COVID-19 pandemic. On the other hand, sales grew for medical gown and protective clothing applications, supporting earnings.

Consequently, the Fibers & Textiles segment posted an operating loss of 133 million yen (versus an operating loss of 295 million yen in the previous year) on net sales of 29,147 million yen (down 1.7% year on year).

[Others]

The Others category posted an operating loss of 50 million yen (versus an operating loss of 181 million yen in the previous year) on net sales of 22 million yen (down 83.4% year on year).

(2) Explanation of financial position

Total assets decreased by 657 million yen from the end of the previous consolidated year to 193,068 million yen mainly due to a decrease in notes and accounts receivable – trade and inventories despite an increase in cash and deposits from the receipt of insurance claims related to the fire incident at the Uji Plant. Liabilities fell by 5,494 million yen from the end of the previous consolidated year to 149,297 million yen. This was primarily due to a decline in notes and accounts payable – trade and long-term borrowings and the reversal of provision for loss on litigation. Net assets increased by 4,837 million yen from the end of the previous consolidated year to 43,771 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

Although containment of the COVID-19 pandemic still cannot be foreseen, operating profit and ordinary profit for the full year of the fiscal year ending March 31, 2021 are expected to exceed the previous forecast, judging from the consolidated performance for the first nine-month period of the fiscal year under review. Accordingly, the Company has revised the forecast of consolidated performance for the full year of the fiscal year ending March 31, 2021 announced on November 10, 2020 as follows. In addition, as the management team examines sales of idling assets to improve asset efficiency, the Company is likely to post extraordinary loss. Therefore, profit attributable to owners of parent has remained unchanged from the previous forecast.

Revision of the full year forecast of consolidated performance for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
Previous forecast (A)	Millions of yen 110,000	Millions of yen 4,400	Millions of yen 2,700	Millions of yen 3,800	Yen 60.33
Revised forecast (B)	110,000	5,200	3,500	3,800	60.33
Changes (B – A)	—	800	800	—	
Percentage change (%)	—	18.2	29.6	—	
(Reference) Performance of the previous fiscal year (the year ended March 31, 2020)	119,537	5,467	3,153	(2,158)	(43.01)

## 2. Quarterly Consolidated Financial Statements and Main Notes

## (1) Quarterly consolidated balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2020)	Q3 of current consolidated fiscal year ending March 2021 (December 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	18,860	21,004
Notes and accounts receivable – trade	30,953	29,358
Inventories	29,498	27,557
Other	2,961	2,382
Allowance for doubtful accounts	(48)	(65)
Total current assets	82,225	80,237
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	21,543	20,524
Land	65,191	65,026
Other, net	18,711	20,638
Total property, plant and equipment	105,447	106,188
Intangible assets		
Other	1,756	1,982
Total intangible assets	1,756	1,982
Investments and other assets		
Other	4,380	4,720
Allowance for doubtful accounts	(84)	(60)
Total investments and other assets	4,296	4,660
Total non-current assets	111,500	112,831
Total assets	193,726	193,068

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2020)	Q3 of current consolidated fiscal year ending March 2021 (December 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	14,922	12,794
Short-term borrowings	2,288	2,382
Current portion of long-term borrowings	2,675	2,653
Income taxes payable	284	330
Provision for bonuses	1,710	963
Provision for product repairs	42	42
Other	9,313	11,099
<b>Total current liabilities</b>	<b>31,237</b>	<b>30,265</b>
<b>Non-current liabilities</b>		
Long-term borrowings	94,631	92,612
Provision for loss on litigation	2,566	—
Retirement benefit liability	14,333	14,431
Other	12,024	11,988
<b>Total non-current liabilities</b>	<b>123,554</b>	<b>119,032</b>
<b>Total liabilities</b>	<b>154,792</b>	<b>149,297</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	100	100
Capital surplus	13,218	13,218
Retained earnings	21,559	25,860
Treasury shares	(56)	(57)
<b>Total shareholders' equity</b>	<b>34,821</b>	<b>39,122</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	361	398
Deferred gains or losses on hedges	(11)	8
Revaluation reserve for land	6,412	6,412
Foreign currency translation adjustment	(3,521)	(3,345)
Remeasurements of defined benefit plans	(2,581)	(2,270)
<b>Total accumulated other comprehensive income</b>	<b>660</b>	<b>1,203</b>
Non-controlling interests	3,451	3,444
<b>Total net assets</b>	<b>38,933</b>	<b>43,771</b>
<b>Total liabilities and net assets</b>	<b>193,726</b>	<b>193,068</b>



(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income  
 (Quarterly consolidated statements of income)  
 (Nine-month period ended December 31, 2020)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2019 (April 1, 2019 to December 31, 2019)	Nine-month period ended December 31, 2020 (April 1, 2020 to December 31, 2020)
Net sales	88,764	81,653
Cost of sales	68,564	61,604
Gross profit	20,200	20,049
Selling, general and administrative expenses	16,349	15,590
Operating profit	3,850	4,459
Non-operating income		
Interest income	25	28
Dividend income	71	74
Share of profit of entities accounted for using equity method	19	—
Rental income	93	60
Subsidy income	—	266
Other	167	215
Total non-operating income	376	644
Non-operating expenses		
Interest expenses	885	891
Share of loss of entities accounted for using equity method	—	16
Foreign exchange losses	111	974
Other	312	279
Total non-operating expenses	1,309	2,160
Ordinary profit	2,917	2,943
Extraordinary income		
Gain on sales of non-current assets	74	181
Gain on sales of investment securities	0	—
Insurance claim income	—	3,398
Total extraordinary income	75	3,579
Extraordinary losses		
Loss on disposal of non-current assets	860	654
Loss on sales of investment securities	—	2
Loss on valuation of investment securities	42	30
Business restructuring expenses	27	320
Loss on litigation	—	70
Provision for loss on litigation	2,540	—
Total extraordinary losses	3,471	1,079
Profit (loss) before income taxes	(477)	5,443
Income taxes – current	436	622
Income taxes – deferred	261	187
Total income taxes	697	810
Profit (loss)	(1,175)	4,633
Profit (loss) attributable to non-controlling interests	(54)	11
Profit (loss) attributable to owners of parent	(1,121)	4,622

(Quarterly consolidated statements of comprehensive income)

(Nine-month period ended December 31, 2020)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2019 (April 1, 2019 to December 31, 2019)	Nine-month period ended December 31, 2020 (April 1, 2020 to December 31, 2020)
Profit (loss)	(1,175)	4,633
Other comprehensive income		
Valuation difference on available-for-sale securities	123	37
Deferred gains or losses on hedges	(113)	23
Foreign currency translation adjustment	(287)	154
Remeasurements of defined benefit plans, net of tax	291	310
Total other comprehensive income	13	525
Comprehensive income	(1,161)	5,159
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(1,059)	5,166
Comprehensive income attributable to non-controlling interests	(102)	(7)

(3) Notes on quarterly consolidated financial statements

(Notes on assumption of going concern)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Additional information)

(Impact of COVID-19 pandemic)

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.

(Litigation)

Concerning the 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 judgment by the Nagoya High Court became final due to the decision by the Supreme Court 3rd Petty Bench. In accordance with the judgment, the Company paid 2,609 million yen in damages and delinquency charges.

(Segment information, etc.)

[Segment Information]

## I. Nine-month period ended December 31, 2019 (April 1, 2019 to December 31, 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	Performance Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	34,675	24,299	29,656	88,630	133	88,764	—	88,764
Inter-segment sales or transfers	5,689	3,303	234	9,228	18	9,246	(9,246)	—
Total	40,364	27,603	29,891	97,858	151	98,010	(9,246)	88,764
Segment income (loss)	4,378	(49)	(295)	4,033	(181)	3,851	(1)	3,850

- (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, 2020 (April 1, 2020 to December 31, 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	Performance Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	30,685	21,798	29,147	81,631	22	81,653	—	81,653
Inter-segment sales or transfers	5,490	3,380	228	9,099	—	9,099	(9,099)	—
Total	36,176	25,179	29,375	90,730	22	90,752	(9,099)	81,653
Segment income (loss)	4,212	456	(133)	4,535	(50)	4,485	(26)	4,459

- (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," "Performance Materials," and "Fibers & Textiles" from "Polymers," "Advanced Materials," and "Fibers & Textiles."

For your information, segment information for the first nine-month period ended December 31, 2019 (April 1, 2019 to December 31, 2019) was prepared in accordance with the new reportable segment classification.