

Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2020

February 7, 2020

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

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Expected submission of quarterly report: February 13, 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 3rd quarter of fiscal year ending March 31, 2020 (April 1, 2019 to December 31, 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	%
Q3 of FY ending March 31, 2020	88,764	(7.2)	3,850	(39.8)	2,917	(47.0)	(1,121)	—
Q3 of FY ended March 31, 2019	95,694	0.5	6,393	(27.4)	5,507	(31.7)	4,574	(34.3)

(Note) Comprehensive income Q3 of FY ending March 31, 2020: (1,161) million yen [—%]
Q3 of FY ended March 31, 2019: 3,973 million yen [(42.9%)]

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
Q3 of FY ending March 31, 2020	(23.64)	—
Q3 of FY ended March 31, 2019	74.14	46.12

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of FY ending March 31, 2020	195,909	39,869	18.6
FY ended March 31, 2019	199,093	41,352	19.0

(Reference) Shareholders' equity 3rd quarter of fiscal year ending March 31, 2020: 36,492 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	—	0.00	—		
FY ending March 31, 2020 (forecast)				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
FY ending March 31, 2020	129,000	(0.1)	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):
3rd 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
3rd quarter of the fiscal year ending March 31, 2020: 94,252 shares
Fiscal year ended March 31, 2019: 93,637 shares
 - ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
3rd quarter of the fiscal year ending March 31, 2020: 57,658,375 shares
3rd quarter of the fiscal year ended March 31, 2019: 57,659,543 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	—	0.00	—		
FY ending March 31, 2020 (forecast)				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	—	0.00	—		
FY ending March 31, 2020 (forecast)				23,740.00	23,740.00

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1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

During the nine-month period of the consolidated fiscal year under review, the Japanese economy continued to grow moderately, supported by solid capital investment and consumer spending in Japan as well as good employment and income environment, despite the impact of natural disasters such as typhoons, a temporary decrease in domestic demand following the consumption tax rate hike, and a slowdown in external demand. Meanwhile, the outlook for the global economy remained unclear, although the U.S. economy continued to grow strongly. This was due to lingering economic stagnation in China as well as concern over a recurrence of the harsh trade dispute between the U.S. and China, and geopolitical risks such as unstable situations in the Middle East.

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 88,764 million yen (down 7.2% year on year), operating profit of 3,850 million yen (down 39.8% year on year), and ordinary profit of 2,917 million yen (down 47.0% year on year) in the nine-month period of the consolidated fiscal year under review. Meanwhile, the Group posted 2,540 million yen of provision for loss on litigation, as an extraordinary loss, resulting in loss attributable to owners of parent of 1,121 million yen in the nine-month period of the consolidated fiscal year under review (vs. profit attributable to owners of parent of 4,574 million yen in the previous year).

Here is an overview of the business results by segment.

[Polymers]

The Polymers business saw the occurrence of a 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, the packaging sector saw the impact of the fire at the Uji Plant, and the slowdown in demand for some seasonal products because of unseasonable weather, including a delay in the end of the rainy season and a mild winter. However, sales of high-value-added products, such as *EMBLEM HG*, a barrier nylon film, continued to grow steadily in Japan and overseas. In the industrial sector, sales decreased due to the deterioration of market conditions in the area of semiconductor applications both at home and abroad. Meanwhile, sales of high-value-added products, such as *Uni-amide*, a heat-resistant thermoplastic polyamide film, increased steadily in the first half of the year, but decreased in the second half. Sales of *Uni-peel*, a silicon-free mold release PET film, expanded robustly.

In the Plastics business, profitability of nylon resins deteriorated due to the impact of the fire at the Uji Plant and rising costs. Furthermore, sales of *U-Polymer*, a polyarylate resin, faced an uphill battle due to a fall in demand for automobile applications overseas and inventory adjustment for information terminal equipment applications. Sales of raw materials for other functional resins were also sluggish due to a decline in demand caused by the stagnation of the Chinese economy and a decrease in automobile production.

In the Non-woven Fabrics business, sales of polyester spunbond fabrics, in general, grew steadily for building material applications, such as civil engineering, but were largely sluggish for other applications including agriculture. THAI UNITIKA SPUNBOND CO., LTD. (TUSCO), a subsidiary in Thailand, saw its efforts to encourage customers to adopt products manufactured by its new machinery at the stage of design pay off, but overall sales were sluggish due to a fall in demand for automobile-related applications. Meanwhile, sales of cotton spunlace temporarily decreased in Japan due to the impact of inventory adjustment by business partners, but grew strongly overseas for sanitary material applications.

Consequently, the Polymers business posted operating profit of 3,939 million yen (down 33.2% year on year) on net sales of 42,738 million yen (down 9.4% year on year).

[Advanced Materials]

In the Glass Fibers business, the industrial materials sector saw sales of products for building applications, such as smoke barriers, and sales for environment-related applications, grow steadily. In the electronic materials sector, sales of IC cloth, especially high-value-added products, such as super thin products and materials with low thermal expansion grew steadily, despite lingering weak semiconductor market recovery.

In the Glass Beads business, sales of products for industrial applications continued to be sluggish due to a fall in demand in the field of automotive and electronic components. However, demand for products for reflective material applications and for road applications remained robust.

In the Activated Carbon Fibers business, sales for our mainstay water purifier applications, especially faucet built-in water purifiers, continued to be strong and sales for industrial filter applications slightly recovered. However, sales for VOC removal applications partially suffered from the impact of customers' inventory adjustment.

Consequently, the Advanced Materials business posted operating profit of 769 million yen (down 13.6% year on year) on net sales of 9,836 million yen (up 3.3% year on year).

[Fibers and Textiles]

In the Industrial Materials business, sales of polyester staple fibers grew strongly for daily product applications and industrial material applications, but exports remained sluggish. Sales of ultra-high-strength polyester filament yarns grew steadily for material applications, but decreased for civil engineering and building applications. Furthermore, demand for fishery applications, in general, were weak.

In the Garments, Lifestyle Materials and Bedding business, sales continued to be sluggish in the sports clothing, women's clothing, and bedding sectors. Sales in the uniform sector, which had been robust chiefly for corporate customers, decreased. Furthermore, in the Overseas business, sales of denim remained flat from the previous year. Consequently, the Fibers and Textiles business posted an operating loss of 671 million yen (vs. operating loss of 121 million yen in the previous year) on net sales of 36,055 million yen (down 4.7% year on year).

[Others]

The Others category posted an operating loss of 181 million yen (operating loss of 237 million yen in the previous year) on net sales of 133 million yen (down 88.6% year on year).

(2) Explanation of financial situation

Total assets decreased by 3,183 million yen from the end of the previous consolidated year to 195,909 million yen, mainly due to a decrease in notes and accounts receivable-trade. Liabilities fell by 1,700 million yen from the end of the previous consolidated year to 156,040 million yen. This was primarily due to a decline in notes and accounts payable-trade despite the posting of provision for loss on litigation. Net assets fell by 1,483 million yen from the end of the previous consolidated year to 39,869 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

The Unitika Group did not revise its full-year forecast of consolidated performance for the fiscal year ending March 31, 2020 announced on November 8, 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)	Q3 of FY ending March 2020 (December 31, 2019)
Assets		
Current assets		
Cash and deposits	22,580	20,006
Notes and accounts receivable-trade	35,316	32,566
Inventories	29,639	31,225
Other	2,416	2,580
Allowance for doubtful accounts	(61)	(55)
Total current assets	89,891	86,324
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	23,002	22,859
Land	65,629	65,167
Other, net	14,235	15,183
Total property, plant and equipment	102,868	103,210
Intangible assets		
Other	1,927	1,766
Total intangible assets	1,927	1,766
Investments and other assets		
Other	4,444	4,624
Allowance for doubtful accounts	(37)	(16)
Total investments and other assets	4,406	4,608
Total non-current assets	109,202	109,585
Total assets	199,093	195,909

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2019)	Q3 of FY ending March 2020 (December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,056	14,890
Short-term borrowings	2,430	2,264
Current portion of long-term borrowings	99,993	97,869
Income taxes payable	589	136
Provision for bonuses	1,648	880
A product repair reserve fund	72	43
Other	8,743	10,454
Total current liabilities	131,534	126,539
Non-current liabilities		
Long-term borrowings	180	137
Provision for retirement benefits for directors (and other officers)	4	—
Provision for loss on litigation	—	2,540
Retirement benefit liability	13,184	13,741
Other	12,836	13,081
Total non-current liabilities	26,206	29,500
Total liabilities	157,740	156,040
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	13,218	13,218
Retained earnings	24,040	22,596
Treasury shares	(56)	(56)
Total shareholders' equity	37,302	35,858
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	363	486
Deferred gains or losses on hedges	(69)	(167)
Revaluation reserve for land	6,412	6,412
Foreign currency translation adjustment	(3,589)	(3,844)
Remeasurements of defined benefit plans	(2,545)	(2,253)
Total accumulated other comprehensive income	571	633
Non-controlling interests	3,479	3,377
Total net assets	41,352	39,869
Total liabilities and net assets	199,093	195,909

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
 (Consolidated quarterly statements of income)
 (Nine-month period ended December 31, 2019)

	(Unit: Millions of yen)	
	Nine-month period ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Nine-month period ended December 31, 2019 (April 1, 2019 to December 31, 2019)
Net sales	95,694	88,764
Cost of sales	73,387	68,564
Gross profit	22,307	20,200
Selling, general and administrative expenses	15,913	16,349
Operating profit	6,393	3,850
Non-operating income		
Interest income	31	25
Dividend income	70	71
Share of profit of entities accounted for using equity method	27	19
Rent income	97	93
Other	247	167
Total non-operating income	474	376
Non-operating expenses		
Interest expenses	920	885
Other	440	423
Total non-operating expenses	1,361	1,309
Ordinary profit	5,507	2,917
Extraordinary income		
Gain on sales of non-current assets	19	74
Gain on sales of investment securities	—	0
Gain on liquidation of subsidiaries and associates	398	—
Total extraordinary income	418	75
Extraordinary losses		
Loss on disposal of non-current assets	460	860
Loss on valuation of investment securities	—	42
Provision for loss on litigation	—	2,540
Other	—	27
Total extraordinary losses	460	3,471
Profit (loss) before income taxes	5,465	(477)
Income taxes-current	601	436
Income taxes-deferred	281	261
Total income taxes	883	697
Profit (loss)	4,582	(1,175)
Profit (loss) attributable to non-controlling interests	7	(54)
Profit (loss) attributable to owners of parent	4,574	(1,121)

(Consolidated quarterly statements of comprehensive income)

(Nine-month period ended December 31, 2019)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Nine-month period ended December 31, 2019 (April 1, 2019 to December 31, 2019)
Profit (loss)	4,582	(1,175)
Other comprehensive income		
Valuation difference on available-for-sale securities	(180)	123
Deferred gains or losses on hedges	(32)	(113)
Foreign currency translation adjustment	(663)	(287)
Remeasurements of defined benefit plans, net of tax	267	291
Total other comprehensive income	(608)	13
Comprehensive income	3,973	(1,161)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,978	(1,059)
Comprehensive income attributable to non-controlling interests	(4)	(102)

(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), on February 8, 2018 the Nagoya District Court ordered the mayor to request the Company to pay 6,300 million yen in damages and delinquency charges. On February 20, 2018, the mayor appealed to the Nagoya High Court against the decision (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 in damages and delinquency charges. On July 29, 2019, the mayor appealed to the Supreme Court against the judgment made by the court of second instance and petitioned for acceptance of a final appeal. Meanwhile, the Company made reasonable estimates to calculate the amount based on the judgment by the High Court and posted 2,540 million yen of provision for loss on litigation.

(Segment information)

[Segment Information]

I. Nine-month period ended December 31, 2018 (April 1, 2018 to December 31, 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	47,153	9,526	37,841	94,521	1,173	95,694	—	95,694
Inter-segment sales or transfers	7,000	643	387	8,031	914	8,946	(8,946)	—
Total	54,154	10,170	38,228	102,553	2,087	104,641	(8,946)	95,694
Segment income (loss)	5,897	891	(121)	6,666	(237)	6,429	(35)	6,393

(Notes) 1. The *Other* segment includes business segments that are not included in the reporting 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 quarterly consolidated statements of income.

II. 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 Consolidated quarterly statements of income (Note 3)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	42,738	9,836	36,055	88,630	133	88,764	—	88,764
Inter-segment sales or transfers	6,851	531	385	7,769	18	7,787	(7,787)	—
Total	49,590	10,368	36,441	96,400	151	96,551	(7,787)	88,764
Segment income (loss)	3,939	769	(671)	4,037	(181)	3,855	(5)	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 consolidated statements of income.