

Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2022

November 9, 2021

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: November 12, 2021

Expected commencement date for paying dividend: –

Preparation of supplementary explanation documents for quarterly financial results: Yes

Holding of an analyst meeting for quarterly financial results: Yes (for securities analysts and institutional investors)

(Figures rounded down to nearest million yen.)

1. Consolidated performance for 2nd quarter of fiscal year ending March 31, 2022 (April 1, 2021 to September 30, 2021)

(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	%
Q2 of FY ending March 31, 2022	55,514	—	3,392	21.2	2,922	81.4	2,214	(40.7)
Q2 of FY ended March 31, 2021	54,828	(9.4)	2,798	(2.4)	1,610	(25.0)	3,731	—

(Note) Comprehensive income Q2 of FY ending March 31, 2022: 3,260 million yen [(20.8%)]

Q2 of FY ending March 31, 2021: 4,114 million yen [—%]

	Quarterly profit per share		Diluted quarterly profit per share	
	Yen		Yen	
Q2 of FY ending March 31, 2022	35.61		18.16	
Q2 of FY ended March 31, 2021	61.93		29.48	

(Note) The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the first quarter of the consolidated fiscal year ending March 31, 2022. Accordingly, net sales for the second quarter of the consolidated fiscal year ending March 31, 2022 show the amount after the above-mentioned accounting standard, etc. have been applied, and the year-on-year percentage change in net sales for the second quarter of the consolidated fiscal year ending March 31, 2022 has been omitted from the table above.

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q2 of FY ending March 31, 2022	192,017	44,131	22.0
FY ended March 31, 2021	190,403	41,192	20.7

(Reference) Shareholders' equity 2nd quarter of fiscal year ending March 31, 2022: 42,314 million yen

Fiscal year ended March 31, 2021: 39,476 million yen

2. Dividend payment

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	Year end	Total
FY ended March 31, 2021	— Yen	0.00 Yen	— Yen	0.00 Yen	0.00 Yen
FY ending March 31, 2022	—	0.00	—	0.00	0.00
FY ending March 31, 2022 (forecast)	—	—	—	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, 2022 (April 1, 2021 to March 31, 2022)

(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, 2022	116,500	—	6,600	9.7	5,400	0.3	4,000	3.5	63.80

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

(Note) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the first quarter of the consolidated fiscal year ending March 31, 2022. Accordingly, the above-mentioned forecast of consolidated performance for the fiscal year ending March 31, 2022 shows the amounts after the above-mentioned accounting standard, etc. have been applied, and the year-on-year percentage change in net sales for the full year of the consolidated fiscal year ending March 31, 2022 has been omitted from the table above.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying change of scope of consolidation): None

New companies: — (company name)

Excluded companies: — (company name)

(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

(Note) For details, please refer to 2. *Quarterly Consolidated Financial Statements and Main Notes* (4) *Notes on quarterly consolidated financial statements (Changes in accounting policies)* on page 10 of the attachment.

(4) Number of shares outstanding (Common stock)

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

2nd quarter of the fiscal year ending March 31, 2022: 57,752,343 shares

Fiscal year ended March 31, 2021: 57,752,343 shares

② Number of treasury shares at end of term

2nd quarter of the fiscal year ending March 31, 2022: 95,485 shares

Fiscal year ended March 31, 2021: 95,236 shares

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

2nd quarter of the fiscal year ending March 31, 2022: 57,657,021 shares

2nd quarter of the fiscal year ended March 31, 2021: 57,657,898 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 4 of the attachment.

(Method to obtain the supplementary documents for quarterly financial results)

The Company plans to hold a conference call for institutional investors and securities analysts for quarterly financial results on Wednesday, November 24, 2021. It plans to post the supplementary documents for quarterly financial results to be used in this investor conference call on its website.

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, 2021	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2022	—	0.00			
FY ending March 31, 2022 (forecast)			—	12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2021	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2022	—	0.00			
FY ending March 31, 2022 (forecast)			—	23,740.00	23,740.00

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1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the first quarter of the consolidated fiscal year ending March 31, 2022 (April 1, 2021 to June 30, 2021). Accordingly, the Company's accounting method for revenue recognition for the first six-month period of the consolidated fiscal year ending March 31, 2022 differed from those for the first six-month period of the previous consolidated fiscal year. Thereby, in the explanation on operational results for the first six-month period of the consolidated fiscal year ending March 31, 2022, the Company explained net sales without describing the year-on-year amount and percentage changes.

During the first six-month period of the consolidated fiscal year under review (April 1, 2021 to September 30, 2021), the Japanese economy experienced ups and downs amid the intermittent declaration of a State of Emergency. Manufacturing industries showed steady recovery supported by robust demand from overseas, but service businesses, such as restaurants and hotels, were in difficult conditions. On the other hand, the global economy, in general, continued on a recovery path due to the progress of vaccinations against new coronavirus infection (hereinafter "COVID-19"), although the recovery speed varied depending on the country and region. However, the global economic outlook continued to be uncertain due to the spread of COVID-19 variants, a worldwide supply shortage of and rise in prices of components and raw materials, and concerns over geopolitical tensions between the U.S. and China.

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 as the highest priority under "G-STEP30, the 1st," a medium-term management plan.

Consequently, the Group reported net sales of 55,514 million yen (versus net sales of 54,828 million yen in the previous year), operating profit of 3,392 million yen (up 21.2% year on year), ordinary profit of 2,922 million yen (up 81.4% year on year), and profit attributable to owners of parent of 2,214 million yen (down 40.7% year on year) in the first six-month period of the consolidated fiscal year under review. The application of the Accounting Standard for Revenue Recognition, etc. caused net sales to decrease by 1,444 million yen.

Here is an overview of the business results by segment.

[Polymers Segment]

The Polymers Segment suffered negative impacts of soaring raw material and fuel prices, chaos in ocean shipping supply chains, and restraint on people's activity due to the COVID-19 pandemic. However, the segment saw demand, which declined in the previous year due to the pandemic, recover and sales grow steadily throughout the period under review.

In the Films business, the packaging sector saw sales grow steadily in food package applications due to continuous strong demand from staying at home. Furthermore, sales of high-value-added products, such as *EMBLEM HG*, a barrier nylon film, continued to grow robustly in Japan and overseas. In addition, the adoption of environmentally friendly food package films, which contribute to the reduction of CO₂ emissions, also grew. In the industrial sector, sales were robust, mainly in semiconductor-related applications, while sales of high-value-added products, such as *UNIPEEL*, a silicon-free release PET film, also increased steadily. Accordingly, the Films business saw net sales and profit grow.

In the Plastics business, sales increased supported by a continuing recovery in demand, which decreased due to the impact of the COVID-19 pandemic in the previous year. Sales of nylon resins increased due to a recovery in demand for mainly automotive applications and electrical and electronics applications. Furthermore, sales of *U-Polymer*, a polyarylate resin, grew robustly for automotive applications and information terminal equipment applications. Sales of *XecoT*, a high-heat-resistant aromatic polyamide resin, grew steadily due to successful development of a new automotive application. Sales of raw materials for other functional resins were also strong. Accordingly, the Plastics business saw net sales and profit grow.

Consequently, the Polymers segment posted operating profit of 3,818 million yen (up 59.1% year on year) on net sales of 25,151 million yen (versus net sales of 20,193 million yen in the previous year). The application of the Accounting Standard for Revenue Recognition, etc. caused net sales to increase by 1,610 million yen.

[Performance Materials Segment]

The Performance Materials Segment faced negative effects of rising raw material and fuel prices, turmoil in the ocean freight network, the reduction of automobile production due to the shortage of semiconductor supply, and restraint on people's activity due to the COVID-19 pandemic.

In the Activated Carbon Fibers business, sales for mainstay water purifier applications were steady, supported by a recovery in demand for housing-equipment-related applications and VOC removal applications. Sales for environment-related applications grew due to robust demand for electronic-industry-related applications.

In the Glass Fibers business, in the industrial materials sector, sales for electric- and electronic-related material applications recovered. However, sales for building and civil engineering applications, such as tents and sheets, were weak due to a slow recovery from the decline in demand caused by the COVID-19 pandemic. In the electronic materials sector, sales of IC cloth remained robust for semiconductor applications, such as products for information terminal equipment and peripheral equipment. Sales of high-value-added products, including

super-thin products and materials with low thermal expansion, were robust.

In the Glass Beads business, sales for road applications remained flat from the previous year because of a slow recovery of demand in some areas and the impact of disasters caused by torrential rain. Sales for reflective material applications grew in Japan and abroad. Sales for industrial applications were also steady, supported by a recovery of automobile production.

In the Non-woven Fabrics business, demand stabilized for daily product applications, such as medical gowns, and for sanitary material applications, such as disinfectant sheets, which increased sharply in the previous year. As for general industrial materials applications, sales for building applications moderately recovered from the decline in sales due to the impact of the COVID-19 pandemic in the previous year. However, sales for automotive applications decreased due to the impact of the semiconductor supply shortage. Sales for skin care applications continued to be sluggish due to the impact of restraint on the flow of people.

In the Industrial Materials business, sales of polyester staple fibers grew steadily due to robust demand in overseas markets and for filter applications. Furthermore, sales of ultra-high-strength polyester filament yarns increased across the board, supported by a gradual recovery of demand for building and civil engineering applications, which declined in the previous year due to the COVID-19 pandemic. However, the profitability of the Industrial Materials business suffered from the rise in production costs caused by soaring raw material and fuel prices and chaos in ocean shipping supply chains.

Consequently, the Performance Materials segment posted operating profit of 20 million yen (down 93.3% year on year) on net sales of 16,848 million yen (versus net sales of 14,546 million yen in the previous year). The application of the Accounting Standard for Revenue Recognition, etc. caused net sales to increase by 1,163 million yen.

[Fibers and Textiles Segment]

The Garments, Lifestyle Materials and Bedding business continued to suffer the impact of the COVID-19 pandemic. There were some signs of recovery in demand in the uniform sector, a mainstay of this business, while demand remained very weak in the women's and sport clothing and bedding sectors. In addition, demand for medical gowns, whose orders grew in the previous year, leveled off, causing the Garments, Lifestyle Materials and Bedding profitability to decrease.

Consequently, the Fibers & Textiles segment posted an operating loss of 444 million yen (versus an operating profit of 165 million yen in the previous year) on net sales of 13,476 million yen (versus net sales of 20,073 million yen in the previous year). The application of the Accounting Standard for Revenue Recognition, etc. caused net sales to decrease by 4,218 million yen.

[Others]

The Others category posted an operating loss of 14 million yen (versus an operating loss of 33 million yen in the previous year) on net sales of 37 million yen (versus net sales of 14 million yen in the previous year). The application of the Accounting Standard for Revenue Recognition, etc. didn't have impact on net sales.

(2) Explanation of financial position

Total assets increased by 1,614 million yen from the end of the previous consolidated year to 192,017 million yen mainly due to a rise in inventories. Liabilities fell by 1,324 million yen from the end of the previous consolidated year to 147,886 million yen. This was primarily due to a decline in long-term borrowings. Net assets increased by 2,938 million yen from the end of the previous consolidated year to 44,131 million yen. This was mainly due to a rise in retained earnings caused by the posting of profit attributable to owners of parent.

Here is a summary of the cash flow situation.

(Net cash provided by [used in] operating activities)

Net cash provided by operating activities amounted to 5,067 million yen (down 36.5% year on year) during the first six-month period of the current consolidated fiscal year due to the posting of profit before income taxes, a decrease in trade receivables, and an increase in trade payables despite a rise in inventories.

(Net cash provided by [used in] investing activities)

Net cash used in investment activities amounted to 4,252 million yen during the first six-month period of the current consolidated fiscal year (3,297 million yen used in the same period of the previous consolidated fiscal year) due to the posting of expenses related to capital expenditures.

(Net cash provided by [used in] financing activities)

Net cash used in financing activities amounted to 2,031 million yen during the first six-month period of the current consolidated fiscal year (1,681 million yen used in the same period of the previous consolidated fiscal year) mainly due to repayment of borrowings.

As a result, cash and cash equivalents at the end of the second quarter of the consolidated fiscal year under review decreased by 987 million yen from the end of the previous consolidated fiscal year to 21,605 million yen.

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

Considering estimates that demand, which recovered in the first six-month period of the current fiscal year, will remain steady and rises in raw material and fuel prices and distribution costs will continue to affect its profitability for a while, the Company has revised the forecast of consolidated performance for the full year of the fiscal year ending March 31, 2022 announced on August 5, 2021 as follows.

Revision of the full year forecast of consolidated performance for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

	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
Previous forecast (A)	113,000	7,000	5,600	4,700	75.94
Revised forecast (B)	116,500	6,600	5,400	4,000	63.80
Changes (B – A)	3,500	(400)	(200)	(700)	
Percentage change (%)	3.1	(5.7)	(3.6)	(14.9)	
(Reference) Performance of the previous fiscal year (the year ended March 31, 2021)	110,375	6,018	5,381	3,864	61.44

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly consolidated balance sheets

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (March 31, 2021)	Q2 of current consolidated fiscal year ending March 2022 (September 30, 2021)
Assets		
Current assets		
Cash and deposits	23,370	22,424
Notes and accounts receivable-trade	29,182	—
Notes and accounts receivable-trade, and contract assets	—	28,374
Inventories	26,033	27,733
Other	2,595	2,611
Allowance for doubtful accounts	(91)	(119)
Total current assets	81,088	81,024
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	20,108	21,051
Land	62,647	62,563
Other, net	20,255	20,819
Total property, plant and equipment	103,010	104,434
Intangible assets		
Other	1,991	2,185
Total intangible assets	1,991	2,185
Investments and other assets		
Other	4,378	4,443
Allowance for doubtful accounts	(65)	(69)
Total investments and other assets	4,312	4,373
Total non-current assets	109,314	110,993
Total assets	190,403	192,017

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Q2 of current consolidated fiscal year ending March 2022 (September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,606	14,446
Short-term borrowings	2,130	2,105
Current portion of long-term borrowings	2,664	2,657
Income taxes payable	923	580
Provision for bonuses	1,770	1,714
A product repair reserve fund	40	36
Other	10,210	9,436
Total current liabilities	31,346	30,976
Non-current liabilities		
Long-term borrowings	92,002	90,479
Retirement benefit liability	14,324	14,715
Other	11,537	11,713
Total non-current liabilities	117,864	116,909
Total liabilities	149,211	147,886
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	13,126	13,126
Retained earnings	25,695	27,588
Treasury shares	(57)	(57)
Total shareholders' equity	38,865	40,757
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	480	482
Deferred gains or losses on hedges	16	20
Revaluation reserve for land	6,313	6,313
Foreign currency translation adjustment	(4,374)	(3,572)
Remeasurements of defined benefit plans	(1,823)	(1,688)
Total accumulated other comprehensive income	611	1,556
Non-controlling interests	1,715	1,816
Total net assets	41,192	44,131
Total liabilities and net assets	190,403	192,017

- (2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 (Six-month period ended September 30, 2021)

	(Unit: Millions of yen)	
	Six-month period ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six-month period ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Net sales	54,828	55,514
Cost of sales	41,587	41,375
Gross profit	13,241	14,139
Selling, general and administrative expenses	10,443	10,747
Operating profit	2,798	3,392
Non-operating income		
Interest income	21	20
Dividend income	49	35
Share of profit of entities accounted for using equity method	—	8
Rental income	41	40
Subsidy income	72	106
Other	149	115
Total non-operating income	334	327
Non-operating expenses		
Interest expenses	584	561
Share of loss of entities accounted for using equity method	24	—
Foreign exchange losses	726	—
Other	186	235
Total non-operating expenses	1,522	797
Ordinary profit	1,610	2,922
Extraordinary income		
Gain on sale of non-current assets	135	94
Insurance claim income	3,398	556
Total extraordinary income	3,534	650
Extraordinary losses		
Loss on disposal of non-current assets	691	438
Loss on tax purpose reduction entry of non-current assets	—	398
Loss on valuation of investment securities	26	—
Loss on litigation	70	—
Other	187	25
Total extraordinary losses	976	863
Profit before income taxes	4,169	2,710
Income taxes-current	499	464
Income taxes-deferred	(61)	32
Total income taxes	437	496
Profit	3,731	2,213
Profit (loss) attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	3,731	2,214

(Quarterly consolidated statements of comprehensive income)
 (Six-month period ended September 30, 2021)

(Unit: Millions of yen)

	Six-month period ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six-month period ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Profit	3,731	2,213
Other comprehensive income		
Valuation difference on available-for-sale securities	48	2
Deferred gains or losses on hedges	(4)	4
Foreign currency translation adjustment	132	904
Remeasurements of defined benefit plans, net of tax	207	135
Total other comprehensive income	383	1,047
Comprehensive income	4,114	3,260
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,124	3,159
Comprehensive income attributable to non-controlling interests	(10)	101

(3) Quarterly consolidated statements of cash flows

	(Unit: Millions of yen)	
	Six-month period ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six-month period ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	4,169	2,710
Depreciation	2,412	2,426
Loss on tax purpose reduction entry of non-current assets	—	398
Business restructuring expenses	184	—
Loss on litigation	70	—
Insurance claim income	(3,398)	(556)
Increase (decrease) in allowance for doubtful accounts	(14)	32
Increase (decrease) in retirement benefit liability	400	511
Increase (decrease) in a product repair reserve fund	—	(4)
Increase (decrease) in other provisions	(2)	(56)
Interest expenses	584	561
Loss (gain) on disposal of non-current assets	691	438
Loss (gain) on sale of non-current assets	(135)	(94)
Loss (gain) on valuation of investment securities	26	—
Decrease (increase) in trade receivables	3,957	883
Decrease (increase) in inventories	526	(1,635)
Increase (decrease) in trade payables	(2,668)	728
Other, net	435	(226)
Subtotal	7,239	6,117
Interest and dividends received	71	56
Interest paid	(560)	(591)
Income taxes paid	(199)	(671)
Proceeds from insurance income	4,064	157
Payments for loss on litigation	(2,636)	—
Net cash provided by (used in) operating activities	7,979	5,067
Cash flows from investing activities		
Decrease (increase) in time deposits	198	(0)
Purchase of investment securities	(6)	(5)
Purchase of property, plant and equipment	(3,108)	(3,816)
Proceeds from sale of property, plant and equipment	165	244
Payments for retirement of property, plant and equipment	(433)	(251)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	197	—
Other, net	(311)	(423)
Net cash provided by (used in) investing activities	(3,297)	(4,252)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	117	(119)
Proceeds from long-term borrowings	40	—
Repayments of long-term borrowings	(1,335)	(1,529)
Dividends paid	(321)	(321)
Other, net	(181)	(60)
Net cash provided by (used in) financing activities	(1,681)	(2,031)
Effect of exchange rate change on cash and cash equivalents	(171)	228
Net increase (decrease) in cash and cash equivalents	2,829	(987)
Cash and cash equivalents at beginning of period	18,194	22,593
Cash and cash equivalents at end of period	21,023	21,605

(4) 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 Revenue Recognition, etc.)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard"), etc. have been applied from the beginning of the first quarter of the consolidated fiscal year ending March 31, 2022. The Company recognizes revenue in the amount that it expects to receive in exchange for promised goods or services at a point in time when the control of the goods or services is transferred to customers.

Thereby, if the Company's performance obligation is to arrange for the provision of goods or services promised to customers by another party, the Company, as an agent, recognizes revenue on a net basis.

Consequently, net sales and cost of sales for the first six-month period of the consolidated fiscal year ending March 31, 2022 each decreased by 1,444 million yen.

The Revenue Recognition Standard, etc. were applied in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Standard. However, these changes had no impact on the balance of retained earnings at the beginning of the consolidated fiscal year ending March 31, 2022.

Due to the application of the Revenue Recognition Standard, etc., *Notes and accounts receivable-trade* in *Current assets* on the consolidated balance sheets for the previous consolidated fiscal year were stated as *Notes and accounts receivable-trade, and contract assets* from the first quarter of the consolidated fiscal year ending March 31, 2022. According to the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, comparative information for the previous consolidated fiscal year was not reclassified by the new method of presentation. Furthermore, in compliance with the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the first six-month period of the previous consolidated fiscal year was not shown.

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

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard"), etc. have been applied from the beginning of the first quarter of the consolidated fiscal year ending March 31, 2022. In accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policies set forth by the Fair Value Measurement Standard into the future. These changes had no impact on the quarterly consolidated financial statements.

(Additional information)

(Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

As to items subject to transition to the group tax sharing system, established under the Act for Partial Revision of the Income Tax Act (Act No. 8 of 2020), and items reviewed under the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, the Company and some of its consolidated subsidiaries in Japan have not applied the provisions in Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment under Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities were based on the provisions of the Income Tax Act before the revision

(Impact of the COVID-19 pandemic)

As to the assumption on the impact of the COVID-19 pandemic that the Group described in the Securities Report (material accounting estimates) for the previous consolidated fiscal year, there were no material changes in the first six-month period of the consolidated fiscal year ending March 31, 2022.

(Segment information, etc.)

[Segment Information]

I. Six-month period ended September 30, 2020 (April 1, 2020 to September 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	Performance Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	20,193	14,546	20,073	54,814	14	54,828	—	54,828
Inter-segment sales or transfer	3,747	2,378	136	6,263	—	6,263	(6,263)	—
Total	23,941	16,925	20,210	61,077	14	61,091	(6,263)	54,828
Segment income (loss)	2,400	302	165	2,867	(33)	2,834	(35)	2,798

- (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. Six-month period ended September 30, 2021 (April 1, 2021 to September 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	25,151	16,848	13,476	55,477	37	55,514	—	55,514
Inter-segment sales or transfer	2,493	899	111	3,504	—	3,504	(3,504)	—
Total	27,645	17,748	13,587	58,981	37	59,018	(3,504)	55,514
Segment income (loss)	3,818	20	(444)	3,394	(14)	3,379	12	3,392

- (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

(Application of Revenue Recognition Standard, etc.)

As described in (*Changes in accounting policies*), the Company has changed its accounting method for revenue recognition by applying the Revenue Recognition Standard, etc. from the beginning of the first quarter of the consolidated fiscal year ending March 31, 2022.

Consequently, in the first six-month period of the consolidated fiscal year ending March 31, 2022, compared to those under the previous accounting method, net sales of the Polymers business and the Performance Materials business increased by 1,610 million yen and 1,163 million yen, respectively, while net sales of the Fibers & Textiles business decreased by 4,218 million yen.

3. Supplementary Materials

1. Results and earnings forecast for fiscal year ending March 2022 (consolidated)

(Millions of yen)

			Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Consolidated	FY ended March 2020	Full year	119,537	5,467	3,153	(2,158)
	FY ended March 2021	Q2	54,828	2,798	1,610	3,731
		Full year	110,375	6,018	5,381	3,864
	FY ending March 2022	Q2	55,514	3,392	2,922	2,214
		Full year (forecast)	116,500	6,600	5,400	4,000
	Comparison with previous year	Q2	685	593	1,311	(1,517)
Full year		6,124	581	18	135	

2. Segment information (consolidated)

(Millions of yen)

			Polymers	Performance Materials	Fibers & Textiles	Other	Adjustment	Consolidated total
Results for previous fiscal year	1st six-month period ended September 2020 (Results)	Net sales to outside customers	20,193	14,546	20,073	14	—	54,828
		Component ratio (%)	36.8	26.5	36.6	0.0	—	100.0
		Operating profit	2,400	302	165	(33)	(35)	2,798
		Component ratio (%)	85.8	10.8	5.9	(1.2)	(1.3)	100.0
Results for current fiscal year	1st six-month period ended September 2021 (Results)	Net sales to outside customers	25,151	16,848	13,476	37	—	55,514
		Component ratio (%)	45.3	30.3	24.3	0.1	—	100.0
		Operating profit	3,818	20	(444)	(14)	12	3,392
		Component ratio (%)	112.6	0.6	(13.1)	(0.4)	0.4	100.0
Comparison with the same period of the previous year		Net sales to outside customers	4,958	2,302	(6,597)	22	—	685
		Increase/decrease from previous year (%)	—	—	—	—	—	—
		Operating profit	1,418	(281)	(609)	18	48	593
		Increase/decrease from previous year (%)	59.1	(93.3)	—	—	—	21.2

3. Capital expenditures, Depreciation (Property, plant and equipment), R&D expenditures, Interest-bearing liabilities, Financial account balance, Number of permanent employees (consolidated)

(Millions of yen, persons)

		Capital expenditures	Depreciation (Property, plant and equipment)	R&D expenditures	Interest-bearing liabilities (end of fiscal year)	Financial account balance	Number of permanent employees (persons)
FY ended March 2020	Full year	9,316	4,765	3,624	99,595	(1,014)	3,438
1st six-month period ended September 2020	Q2	3,033	2,179	1,832	98,313	(513)	3,435
FY ended March 2021	Full year	7,387	4,517	3,639	96,798	(1,054)	3,007
1st six-month period ended September 2021	Q2	3,575	2,168	1,784	95,243	(505)	3,020

4. Cash flow (consolidated)

(Millions of yen)

		Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash and cash equivalents at end of fiscal year
FY ended March 2020	Full year	9,797	(10,192)	(3,482)	18,194
1st six-month period ended September 2020	Q2	7,979	(3,297)	(1,681)	21,023
FY ended March 2021	Full year	14,869	(6,171)	(4,141)	22,593
1st six-month period ended September 2021	Q2	5,067	(4,252)	(2,031)	21,605