

Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2024

August 7, 2023

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: August 10, 2023

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, 2024 (April 1, 2023 to June 30, 2023)

(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, 2024	27,940	(5.6)	(676)	—	762	(72.8)	237	(88.4)
Q1 of FY ended March 31, 2023	29,599	5.5	987	(53.2)	2,806	57.5	2,040	62.0

(Note) Comprehensive income Q1 of FY ending March 31, 2024: (956 million yen) [—%]
Q1 of FY ended March 31, 2023: 1,410 million yen [(39.2%)]

	Quarterly profit per share	Diluted quarterly profit per share
	Yen	Yen
Q1 of FY ending March 31, 2024	2.90	1.94
Q1 of FY ended March 31, 2023	34.09	16.36

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q1 of FY ending March 31, 2024	190,853	42,678	21.5
FY ended March 31, 2023	190,003	43,918	22.2

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2024: 41,023 million yen
Fiscal year ended March 31, 2023: 42,110 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, 2023	—	0.00	—	0.00	0.00
FY ending March 31, 2024	—	—	—	—	—
FY ending March 31, 2024 (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, 2024 (April 1, 2023 to March 31, 2024)

(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, 2024 (cumulative)	57,000	(3.6)	(1,200)	—	(900)	—	(1,400)	—	(26.74)
FY ending March 31, 2024	125,000	6.0	1,300	(2.1)	800	(25.2)	100	(2.7)	(3.18)

(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): No
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: No
 - ② Changes in 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):
1st quarter of the fiscal year ending March 31, 2024: 57,752,343 shares
Fiscal year ended March 31, 2023: 57,752,343 shares
 - ② Number of treasury shares at end of term
1st quarter of the fiscal year ending March 31, 2024: 96,588 shares
Fiscal year ended March 31, 2023: 96,504 shares
 - ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
1st quarter of the fiscal year ending March 31, 2024: 57,655,746 shares
1st quarter of the fiscal year ended March 31, 2023: 57,656,564 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, 2023	—	0.00	—	12,000.00	12,000.00
FY ending March 31, 2024	—				
FY ending March 31, 2024 (forecast)		0.00	—	12,000.00	12,000.00
Class B share	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2023	—	0.00	—	23,740.00	23,740.00
FY ending March 31, 2024	—				
FY ending March 31, 2024 (forecast)		0.00	—	23,740.00	23,740.00

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1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

During the first quarter of the consolidated fiscal year under review (April 1, 2023 to June 30, 2023), the domestic economy, mainly the service industry, was on a recovery path, supported by a pickup in the number of inbound tourists to Japan and an increase in traffic of people. However, the business environment surrounding materials industries continued to be harsh. This was because the number of cars manufactured gradually increased, but the rebound still lacked momentum in the automobile sector, while production did not recover yet in the electric and electronic sectors. In addition, there were negative factors for manufacturing business, such as a rise in production cost owing to soaring energy prices and a further decline in the value of the yen and a decrease in demand caused by a slowing global economy. Consequently, the outlook of the Japanese economy remained uncertain, although business sentiment as a whole hit a bottom.

Under these circumstances, the Unitika Group announced “G-STEP30, 2nd,” a new medium-term management plan, in May 2023 and implemented measures consisting of “Rebuilding a business portfolio,” “Promotion of the global business,” and “Improvement of business foundation,” the basic policies of the new medium-term management plan.

Meanwhile, in the first quarter of the consolidated fiscal year, the Unitika Group reported net sales of 27,940 million yen (down 5.6% year on year) owing to a fall in sales because of sluggish demand. The Group posted operating loss of 676 million yen (versus an operating profit of 987 million yen in the previous year), since the impact of a rise in production cost caused by skyrocketing energy prices and weaker yen as well as a decline in sales greatly exceeded the effect of sales price revision and cost reduction efforts. Furthermore, as the Group 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), ordinary profit decreased to 762 million yen (down 72.8% year on year) and profit attributable to owners of parent fell to 237 million yen (down 88.4% year on year).

Here is an overview of the business results by segment.

The Unitika Group changed its reporting segment of some consolidated subsidiaries in the first quarter of the current consolidated fiscal year. Therefore, the Group reported financial results for the corresponding year-earlier period after being retrospectively restated based on the segment classification after the change for comparison purposes. 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, net sales increased due to the contribution of price revisions and steady sales of high value-added products. However, operating profit decreased owing to rising energy prices and deterioration of profitability in the Southeast Asia.

In the Films business, the packaging sector suffered the impact of intensifying competition and a decline in sales prices caused by sluggish supply and demand in the Southeast Asia. In the industrial sector, sales volume decreased, mainly in films for electronic components. Accordingly, the Films business saw both net sales and profit decrease.

In the Plastics business, there were signs for a recovery in sales for automobile component applications. However, in electronic component applications, sales of engineering plastics remained flat and sales volume of functional plastics declined, since demand for final products slackened in both Japan and overseas. The ongoing depreciation of the yen increased overseas sales after translation to the yen. Accordingly, the Plastics business saw net sales grow and profit decline.

Consequently, the Polymers Segment posted operating profit of 167 million yen (down 87.2% year on year) on net sales of 12,727 million yen (up 0.3% year on year).

[Performance Materials Segment]

In the Performance Materials Segment, both net sales and operating profit decreased mainly due to a slow recovery in sales for electronic materials applications, despite steady sales for building and civil engineering applications.

In the Activated Carbon Fibers business, overseas sales grew, but sales for water purifier applications and electric and electronic sectors didn't increase in Japan.

In the Glass Fibers business, in the industrial materials sector, sales for building and civil engineering applications, such as incombustible tents, were robust. However, sales of IC cloth for electronic materials applications declined drastically.

In the Glass Beads business, sales for road applications were sluggish due to a fall in the number of projects associated with torrential rain disasters. Sales for both industrial and retro-reflective material applications were weak.

In the Non-woven Fabrics business, sales for infrastructure materials applications steadily grew, sales, mainly for the daily product applications, decreased.

In the Industrial Fibers business, as demand for filter and building and civil engineering applications were strong, sales remained unchanged from the previous year.

Consequently, the Performance Materials Segment posted an operating loss of 666 million yen (versus an operating profit of 142 million yen in the previous year) on net sales of 7,938 million yen (down 11.2% year on year).

[Fibers and Textiles Segment]

In the Garments, Lifestyle Materials and Bedding business, profitability improved since the business revised its product price to cope with a rise in production costs, including the surge of raw material and fuel prices that continued from the previous year. However, the business failed to get out of the red on an operating profit basis due to the impact of a decrease in both sales for industrial materials applications and overseas sales. In the garments, lifestyle materials and bedding sector, sales in the uniform sector, a mainstay of this business, were steady and sales recovered in the women's clothing and bedding sectors.

Consequently, the Fibers & Textiles Segment posted an operating loss of 195 million yen (versus an operating loss of 462 million yen in the previous year) on net sales of 7,261 million yen (down 8.8% year on year).

[Others]

The Others category posted an operating loss of 15 million yen (versus an operating loss of 8 million yen in the previous year) on net sales of 12 million yen (down 32.1% year on year).

(2) Explanation of financial position

Total assets increased by 849 million yen from the end of the previous consolidated year to 190,853 million yen mainly due to a rise in cash and deposits and inventories despite a decrease in notes and accounts receivable-trade, and contract assets. Liabilities grew by 2,089 million yen from the end of the previous consolidated year to 148,174 million yen. This was primarily due to an increase in other current liabilities and other non-current liabilities despite a decline in provision for bonuses. Net assets diminished by 1,239 million yen from the end of the previous consolidated year to 42,678 million yen. This was mainly due to a decrease in foreign currency translation adjustment.

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

Concerning the forecast of consolidated performance for the fiscal year ending March 31, 2024, please refer to the "Notice Concerning Posting Non-Operating Income (Foreign Exchange Gains) and Revision of Consolidated Performance" announced on August 7, 2023.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly consolidated balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2023)	Q1 of current consolidated fiscal year ending March 2024 (June 30, 2023)
Assets		
Current assets		
Cash and deposits	10,548	11,176
Notes and accounts receivable-trade, and contract assets	23,104	22,381
Inventories	35,739	37,173
Other	5,506	5,128
Allowance for doubtful accounts	(53)	(53)
Total current assets	74,845	75,806
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	25,996	27,528
Land	62,605	62,620
Other, net	19,711	18,119
Total property, plant and equipment	108,313	108,269
Intangible assets		
Other	2,171	2,122
Total intangible assets	2,171	2,122
Investments and other assets		
Other	4,783	4,767
Allowance for doubtful accounts	(110)	(112)
Total investments and other assets	4,673	4,655
Total non-current assets	115,158	115,046
Total assets	190,003	190,853

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2023)	Q1 of current consolidated fiscal year ending March 2024 (June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,269	15,417
Short-term borrowings	4,124	4,095
Current portion of long-term borrowings	2,643	2,637
Income taxes payable	202	166
Provision for bonuses	1,554	833
A product repair reserve fund	35	35
Other	9,147	10,693
Total current liabilities	32,977	33,880
Non-current liabilities		
Long-term borrowings	86,671	86,338
Retirement benefit liability	14,375	14,323
Other	12,060	13,631
Total non-current liabilities	113,107	114,294
Total liabilities	146,085	148,174
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	11,476	11,476
Retained earnings	27,467	27,421
Treasury shares	(57)	(57)
Total shareholders' equity	38,986	38,940
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	544	695
Deferred gains or losses on hedges	4	22
Revaluation reserve for land	6,244	6,244
Foreign currency translation adjustment	(3,452)	(4,691)
Remeasurements of defined benefit plans	(217)	(187)
Total accumulated other comprehensive income	3,123	2,082
Non-controlling interests	1,808	1,655
Total net assets	43,918	42,678
Total liabilities and net assets	190,003	190,853

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 (Three-month period ended June 30, 2023)

(Unit: Millions of yen)

	Three-month period ended June 30, 2022 (April 1, 2022 to June 30, 2022)	Three-month period ended June 30, 2023 (April 1, 2023 to June 30, 2023)
Net sales	29,599	27,940
Cost of sales	23,007	23,259
Gross profit	6,592	4,681
Selling, general and administrative expenses	5,604	5,358
Operating profit (loss)	987	(676)
Non-operating income		
Interest income	14	15
Dividend income	28	26
Share of profit of entities accounted for using equity method	—	1
Foreign exchange gains	1,956	1,624
Other	191	122
Total non-operating income	2,190	1,791
Non-operating expenses		
Interest expenses	260	235
Share of loss of entities accounted for using equity method	3	—
Other	107	116
Total non-operating expenses	371	351
Ordinary profit	2,806	762
Extraordinary income		
Gain on sales of non-current assets	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on disposal of non-current assets	218	161
Other	3	1
Total extraordinary losses	221	163
Profit before income taxes	2,584	599
Income taxes-current	193	76
Income taxes-deferred	350	351
Total income taxes	544	427
Profit	2,040	172
(Loss) attributable to non-controlling interests	(0)	(64)
Profit attributable to owners of parent	2,040	237

(Quarterly consolidated statements of comprehensive income)
 (Three-month period ended June 30, 2023)

(Unit: Millions of yen)

	Three-month period ended June 30, 2022 (April 1, 2022 to June 30, 2022)	Three-month period ended June 30, 2023 (April 1, 2023 to June 30, 2023)
Profit	2,040	172
Other comprehensive income		
Valuation difference on available-for-sale securities	(31)	150
Deferred gains or losses on hedges	3	18
Foreign currency translation adjustment	(663)	(1,327)
Remeasurements of defined benefit plans, net of tax	61	29
Total other comprehensive income	(630)	(1,129)
Comprehensive income	1,410	(956)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,419	(803)
Comprehensive income attributable to non-controlling interests	(9)	(153)

(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

(Segment information, etc.)

[Segment information]

I. 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	12,684	8,937	7,959	29,581	18	29,599	—	29,599
Inter-segment sales or transfer	1,464	496	31	1,992	—	1,992	(1,992)	—
Total	14,148	9,434	7,991	31,574	18	31,592	(1,992)	29,599
Segment income (loss)	1,307	142	(462)	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.

II. Three-month period ended June 30, 2023 (April 1, 2023 to June 30, 2023)

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	12,727	7,938	7,261	27,928	12	27,940	—	27,940
Inter-segment sales or transfer	1,113	433	34	1,580	—	1,580	(1,580)	—
Total	13,841	8,371	7,296	29,509	12	29,521	(1,580)	27,940
Segment income (loss)	167	(666)	(195)	(694)	(15)	(710)	33	(676)

(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 loss in consolidated statements of income.

2. Items concerning a change in reportable segments, etc.

As the Unitika Group reviewed the classification of businesses in the first quarter of the current consolidated fiscal year, it changed the reporting segment of some consolidated subsidiaries from “Polymers” to “Fibers & Textiles.”

Accordingly, the Group reported segment information for the corresponding year-earlier period after being retrospectively restated based on the segment classification after the change.