

Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2024

February 7, 2024

Listed stock exchanges: Tokyo Stock Exchange

Company name: Unitika Ltd.

Code number: 3103

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Expected submission of quarterly report: February 13, 2024

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, 2024 (April 1, 2023 to December 31, 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	%
Q3 of FY ending March 31, 2024	86,505	(1.9)	(2,618)	—	(2,114)	—	(2,859)	—
Q3 of FY ended March 31, 2023	88,173	5.0	1,769	(63.9)	2,414	(46.6)	1,101	(64.9)

(Note) Comprehensive income Q3 of FY ending March 31, 2024: (1,754) million yen [—%]

Q3 of FY ended March 31, 2023: 3,898 million yen [–2.7%]

	Quarterly profit per share	Diluted quarterly profit per share
	Yen	Yen
Q3 of FY ending March 31, 2024	(53.29)	—
Q3 of FY ended March 31, 2023	15.15	8.83

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of FY ending March 31, 2024	191,802	41,880	20.9
FY ended March 31, 2023	190,003	43,918	22.2

(Reference) Shareholders' equity 3rd quarter of fiscal year ending March 31, 2024: 40,159 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	—	0.00	—		
FY ending March 31, 2024 (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, 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
FY ending March 31, 2024	120,000	1.7	(2,400)	—	(1,400)	—	(2,200)	—	(43.07)

(Note) Revision of the latest forecasts of operational results: No

* 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, 2024: 57,752,343 shares
Fiscal year ended March 31, 2023: 57,752,343 shares
 - ② Number of treasury stocks at end of term
3rd quarter of the fiscal year ending March 31, 2024: 96,818 shares
Fiscal year ended March 31, 2023: 96,504 shares
 - ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
3rd quarter of the fiscal year ending March 31, 2024: 57,655,657 shares
3rd quarter of the fiscal year ended March 31, 2023: 57,656,347 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

(Note on forward-looking statements)

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 numerous 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	—	0.00	—		
FY ending March 31, 2024 (forecast)				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	—	0.00	—		
FY ending March 31, 2024 (forecast)				23,740.00	23,740.00

○ Table of contents for the attachment

1. Qualitative Information on Quarterly Results.....	2
(1) Explanation of operational results.....	2
(2) Explanation of financial position	3
(3) Explanation of future forecast information including forecast of consolidated performance.....	3
2. Quarterly Consolidated Financial Statements and Main Notes.....	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	6
Quarterly consolidated statements of income	
Nine-month period ended December 31, 2023	6
Quarterly consolidated statements of comprehensive income	
Nine-month period ended December 31, 2023	7
(3) Notes on quarterly consolidated financial statements	8
(Notes on assumption of going concern)	8
(Notes on significant changes in shareholders' equity)	8
(Segment information, etc.)	8

1. Qualitative Information on Quarterly Results

(1) Explanation of operational results

During the first nine-month period of the consolidated fiscal year under review (April 1, 2023 to December 31, 2023), the Japanese economy as a whole continued showing a recovery trend. Business sentiment improved due to rises in outing demand and Inbound tourism demand in the non-manufacturing industry and a recovery in the number of cars manufactured in the manufacturing industry. On the other hand, personal consumption remained flagging since consumers grew thrifty because of rising prices. In addition, looking at overseas, the European economy continued to be in the doldrums owing to inflation and consequent high interest rates, while the Chinese economy slowed to recover from the economic slowdown associated with the deterioration of the real estate market. These gave negative effects on consumption demand.

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 nine-month period of the consolidated fiscal year, the Unitika Group reported net sales of 86,505 million yen (down 1.9% year on year) owing to a fall in demand caused by the deterioration of business sentiment.

The Group posted an operating loss of 2,618 million yen (versus an operating profit of 1,769 million yen in the previous year) since profitability worsened due to the impact of a rise in production cost caused by continuing high raw material and fuel prices and a weaker yen as well as a decline in sales. Furthermore, as the Group recorded a foreign-exchange valuation gain of assets denominated in foreign currencies due to further depreciation of the yen, ordinary loss was 2,114 million yen (versus an ordinary profit of 2,414 million yen in the previous year) and loss attributable to owners of parent amounted to 2,859 million yen (versus profit attributable to owners of parent of 1,101 million yen in the previous 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 effect of the price revisions despite a fall in sales volume in many products. However, profitability worsened because the cost increase exceeded the effect of the price revisions. The increase was caused by a production decrease associated with a decline in sales volume.

In the Films business, looking at the packaging application, there were still negative effects from a fall in sales of food products caused by inflation in the Japanese market. On the other hand, in the overseas market, sales of “EMBLEM-HG,” a barrier nylon film, grew steadily. However, profitability fell since competition with foreign-made products intensified, causing sales prices to decline in the Southeast Asia market. In the industrial application, there were signs of recovery in demand in the third quarter, but sales continued decreasing. Accordingly, the Films business saw net sales increase but operating profit decrease.

In the Plastics business, sales for electric and electronic component, machinery component, and leisure product applications were affected by sluggish demand for final products in China and Europe. On the other hand, sales for automobile component applications grew along with a recovery in automobile production. Sales of functional plastics for adhesive agents and coating materials were robust. In the third quarter, profitability improved due to the effect of price revisions, but the improvement was not big enough to fully offset the decline in the first half. Accordingly, the Plastics business saw net sales grow but operating profit decline.

Consequently, the Polymers Segment posted an operating profit of 183 million yen (down 94.3% year on year) on net sales of 38,527 million yen (up 2.4% year on year).

[Performance Materials Segment]

In the Performance Materials Segment, sales continued decreasing in various applications. The segment saw both net sales and operating profit decline and accordingly posted an operating loss. This was because profitability worsened due to the effect of production adjustment associated with a fall in sales.

In the Activated Carbon Fibers business, sales for mainstay water purifier applications slightly decreased in Japan, and sales in the environmental application declined due to a weak electronic market.

In the Glass Fibers business, sales in the industrial materials application remained robust. However, overall sales of IC cloth in the electronic materials application declined despite demand recovering in some applications in the third quarter. Profitability deteriorated since the sales decrease resulted in a continuing fall in capacity utilization at its plant.

In the Glass Beads business, sales for road applications continued decreasing due to a fall in the number of projects associated with bad weather. In addition, sales for industrial applications, such as blast and filler, and sales for retro-reflective material application declined due to lingering sluggish demand.

In the Non-woven Fabrics business, especially, sales for the daily product applications, such as filters and skin care, and sales for primary industry application decreased. Despite the price revision, profitability worsened since

the cost increase caused by high raw material and fuel prices and a cutback in production exceeded the contribution of price increase.

In the Industrial Fibers business, sales of polyester staple fibers, mainly for filter application, recovered, but sales of High - strength polyester yarn for construction material applications decreased. Profitability deteriorated since raw material and fuel prices remained high.

Consequently, the Performance Materials Segment posted an operating loss of 2,047 million yen (versus an operating loss of 51 million yen in the previous year) on net sales of 25,003 million yen (down 4.6% year on year).

[Fibers and Textiles Segment]

In the Garments, Lifestyle Materials and Bedding business, sales in the uniform application, a mainstay of this business, remained steady in the third quarter. However, sales were slightly sluggish in other applications. Overseas sales were on the path of recovery compared to the previous year, but the business had difficulty in increasing sales for industrial materials applications. Operating loss decreased from the previous year since the business saw profitability improve further as a result of efforts not only to revise its product prices but also to reduce costs.

Consequently, the Fibers & Textiles Segment posted an operating loss of 703 million yen (versus an operating loss of 1,343 million yen in the previous year) on net sales of 22,939 million yen (down 5.6% year on year).

[Others]

The Others category posted an operating loss of 68 million yen (versus an operating loss of 41 million yen in the previous year) on net sales of 35 million yen (down 36.6% year on year).

(2) Explanation of financial position

Total assets increased by 1,798 million yen from the end of the previous consolidated year to 191,802 million yen mainly due to a rise in property, plant and equipment. Liabilities grew by 3,837 million yen from the end of the previous consolidated year to 149,922 million yen. This was primarily due to an increase in notes and accounts payable-trade despite a decline in short-term borrowings. Net assets diminished by 2,038 million yen from the end of the previous consolidated year to 41,880 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 Company did not revise the forecast of its consolidated financial results for the full year of the fiscal year ending March 31, 2024 announced in the “Brief Report on Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2024” on November 9, 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)	Q3 of current consolidated fiscal year ending March 2024 (December 31, 2023)
Assets		
Current assets		
Cash and deposits	10,548	11,691
Notes and accounts receivable-trade, and contract assets	23,104	22,991
Inventories	35,739	35,075
Other	5,506	4,711
Allowance for doubtful accounts	(53)	(46)
Total current assets	74,845	74,423
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	25,996	27,860
Land	62,605	62,762
Other, net	19,711	19,987
Total property, plant and equipment	108,313	110,610
Intangible assets		
Other	2,171	2,071
Total intangible assets	2,171	2,071
Investments and other assets		
Other	4,783	4,815
Allowance for doubtful accounts	(110)	(118)
Total investments and other assets	4,673	4,696
Total non-current assets	115,158	117,379
Total assets	190,003	191,802

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2023)	Q3 of current consolidated fiscal year ending March 2024 (December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,269	17,964
Short-term borrowings	4,124	3,095
Current portion of long-term borrowings	2,643	2,630
Income taxes payable	202	151
Provision for bonuses	1,554	774
Provision for product repairs	35	35
Other	9,147	10,227
Total current liabilities	32,977	34,879
Non-current liabilities		
Long-term borrowings	86,671	86,710
Retirement benefit liability	14,375	14,734
Other	12,060	13,598
Total non-current liabilities	113,107	115,042
Total liabilities	146,085	149,922
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	11,476	11,476
Retained earnings	27,467	24,324
Treasury shares	(57)	(57)
Total shareholders' equity	38,986	35,843
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	544	842
Deferred gains or losses on hedges	4	(4)
Revaluation reserve for land	6,244	6,244
Foreign currency translation adjustment	(3,452)	(2,637)
Remeasurements of defined benefit plans	(217)	(128)
Total accumulated other comprehensive income	3,123	4,316
Non-controlling interests	1,808	1,720
Total net assets	43,918	41,880
Total liabilities and net assets	190,003	191,802

- (2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 (Nine-month period ended December 31, 2023)

	(Unit: Millions of yen)	
	Nine-month period ended December 31, 2022 (April 1, 2022 to December 31, 2022)	Nine-month period ended December 31, 2023 (April 1, 2023 to December 31, 2023)
Net sales	88,173	86,505
Cost of sales	69,378	73,144
Gross profit	18,795	13,360
Selling, general and administrative expenses	17,025	15,979
Operating profit (loss)	1,769	(2,618)
Non-operating income		
Interest income	31	37
Dividend income	60	64
Share of profit of entities accounted for using equity method	—	14
Foreign exchange gains	1,391	1,341
Other	332	221
Total non-operating income	1,816	1,679
Non-operating expenses		
Interest expenses	791	793
Share of loss of entities accounted for using equity method	0	—
Other	379	381
Total non-operating expenses	1,171	1,175
Ordinary profit (loss)	2,414	(2,114)
Extraordinary income		
Gain on sales of non-current assets	1	—
Gain on sales of investment securities	—	10
Total extraordinary income	1	10
Extraordinary losses		
Loss on disposal of non-current assets	644	464
Business restructuring expenses	150	77
Total extraordinary losses	795	542
Profit (loss) before income taxes	1,620	(2,646)
Income taxes – current	245	221
Income taxes – deferred	310	243
Total income taxes	555	464
Profit (loss)	1,064	(3,111)
Profit (loss) attributable to non-controlling interests	(37)	(251)
Profit (loss) attributable to owners of parent	1,101	(2,859)

(Quarterly consolidated statements of comprehensive income)
 (Nine-month period ended December 31, 2023)

(Unit: Millions of yen)

	Nine-month period ended December 31, 2022 (April 1, 2022 to December 31, 2022)	Nine-month period ended December 31, 2023 (April 1, 2023 to December 31, 2023)
Profit (loss)	1,064	(3,111)
Other comprehensive income		
Valuation difference on available-for-sale securities	(42)	297
Deferred gains or losses on hedges	(17)	(8)
Foreign currency translation adjustment	2,708	978
Remeasurements of defined benefit plans, net of tax	185	89
Total other comprehensive income	2,833	1,356
Comprehensive income	3,898	(1,754)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,598	(1,667)
Comprehensive income attributable to non-controlling interests	300	(87)

(3) Notes on quarterly consolidated financial statements

(Notes on assumption of going concern)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Segment information, etc.)

[Segment Information]

I. Nine-month period ended December 31, 2022 (April 1, 2022 to December 31, 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	37,614	26,210	24,292	88,118	55	88,173	—	88,173
Inter-segment sales or transfers	4,580	1,402	125	6,108	—	6,108	(6,108)	—
Total	42,195	27,613	24,418	94,227	55	94,282	(6,108)	88,173
Segment income (loss)	3,224	(51)	(1,343)	1,829	(41)	1,787	(18)	1,769

(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 and the adjustment of inventories.3. *Segment income (loss)* is adjusted with operating profit in quarterly consolidated statements of income.

II. Nine-month period ended December 31, 2023 (April 1, 2023 to December 31, 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	38,527	25,003	22,939	86,470	35	86,505	—	86,505
Inter-segment sales or transfers	3,859	1,366	82	5,308	—	5,308	(5,308)	—
Total	42,387	26,369	23,022	91,778	35	91,814	(5,308)	86,505
Segment income (loss)	183	(2,047)	(703)	(2,567)	(68)	(2,635)	16	(2,618)

(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 and the adjustment of inventories.3. *Segment income (loss)* is adjusted with operating profit 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 third quarter of the previous consolidated fiscal year after being retrospectively restated based on the segment classification after the change.