

Financial Report for Fiscal Year ended March 31, 2010

May 14, 2010

Company name: Unitika Ltd.

Code number: 3103

URL: <http://www.unitika.co.jp/e/home.htm>Listed stock exchange: Tokyo Stock Exchange,
Osaka Securities
Exchange

Representative: Kenji Yasue, President and Chief Executive Officer

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Expected date for holding a regular shareholders meeting: June 29, 2010

Expected date for submitting securities report: June 29, 2010

Expected commencement date for paying dividend

(Figures less than one million yen were omitted.)

1. Consolidated performance for fiscal year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Consolidated business results (Percentages represent changes from same period in previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended March 31, 2010	182,239	(13.0)	8,543	10.0	4,476	34.1	3,036	—
FY ended March 31, 2009	209,584	(10.7)	7,766	(32.8)	3,337	(58.3)	(13,983)	—

	Net income per share	Net income per share after full dilution	Return on equity	Return on asset	Ratio of operating income to sales
	Yen	Yen	%	%	%
FY ended March 31, 2010	6.39	—	16.9	1.6	4.7
FY ended March 31, 2009	(29.41)	—	(56.2)	1.1	3.7

(Reference) Equity in earnings/losses of affiliates FY ended March 31, 2010: (8 million yen)

FY ended March 31, 2009: 176 million yen

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY ended March 31, 2010	277,196	23,519	7.2	41.70
FY ended March 31, 2009	282,843	19,746	5.7	33.88

(Reference) Shareholders' equity: FY ended March 31, 2010: 19,823 million yen

FY ended March 31, 2009: 16,109 million yen

(3) Consolidated cash flows situation

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at period end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY ended March 31, 2010	14,286	(2,683)	(1,175)	20,160
FY ended March 31, 2009	4,977	(7,419)	(505)	9,275

2. Dividend payment

	Dividend per share					Annual dividends paid (Total)	Dividend payout ratio (consolidated)	Dividend ratio of net assets (consolidated)
	End of Q1	End of Q2	End of Q3	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY ended March 31, 2009	—	0.00	—	0.00	0.00	—	—	—
FY ended March 31, 2010	—	0.00	—	0.00	0.00	—	—	—
FY ending March 31, 2011 (forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast of consolidated performance for fiscal year ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(Percentages represent changes from same period in previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six-month period	90,000	(0.3)	4,000	1.5	2,000	4.2	1,500	143.2	3.16
Full year	190,000	4.3	11,500	34.6	7,000	56.4	6,000	97.6	12.62

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying change of scope of consolidation): No
- (2) Changes in accounting principles, procedures and method of presentations for preparation of consolidated financial statements (those included in Changes in Important Matters for Preparation of Consolidated Financial Statements)
 - (i) Changes associated with revision in accounting standards: Yes
 - (ii) Other changes: No
 (Note) For details, please refer to *Changes in Basic Important Matters for Preparation of Consolidated Financial Statements* on page 19.
- (3) Number of shares outstanding (Common stock)
 - (i) Number of shares outstanding at end of period (including treasury stock):
 - Fiscal year ended March 31, 2010: 475,969,000 shares
 - Fiscal year ended March 31, 2009: 475,969,000 shares
 - (ii) Number of treasury stocks at end of period
 - Fiscal year ended March 31, 2010: 546,728 shares
 - Fiscal year ended March 31, 2009: 430,885 shares
 (Note) Regarding the number of shares outstanding used as a basis for calculation of net income per share (consolidated), please refer to *Per Share Data* on page 22.

(Reference) Summary of non-consolidated performance

1. Non-consolidated performance for fiscal year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Non-consolidated business results (Percentages represent changes from same period in previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended March 31, 2010	90,887	(2.4)	7,979	16.7	4,471	29.6	2,936	—
FY ended March 31, 2009	93,163	(10.3)	6,834	(5.6)	3,448	(31.4)	(19,157)	—

	Net income per share	Net income per share after full dilution
	Yen	Yen
FY ended March 31, 2010	6.18	—
FY ended March 31, 2009	(40.28)	—

(2) Non-consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY ended March 31, 2010	232,676	21,725	9.3	45.70
FY ended March 31, 2009	237,682	18,799	7.9	39.53

(Reference) Shareholders' equity: FY ended March 31, 2010: 21,725 million yen
FY ended March 31, 2009: 18,799 million yen

* Explanation on appropriate use of forecasts of performance and other special items

The forward-looking statements in this document concerning forecasting of performance and etc. are based on currently available information and assumptions considered by the company to be reasonable. The actual performance may be significantly different from the forecast due to various factors. For the assumptions used as a basis for forecast of performance and important matters when using the forecast of performance, please refer to *1. Business results (1) Analysis of business results Forecast of business performance for fiscal year ending March 31, 2010* on page 5.

1. Business results

(1) Analysis of Business results

(i) Business results for fiscal year ended March 31, 2010

In the current fiscal year, there were visible signs that the Japanese economy gradually moved toward recovery, with overseas demand, mainly exports to China and Asia, growing fast. However, the economy still lacked momentum for self-sustaining recovery since domestic demand remained sluggish, consumer spending remained weak due to stagnation in employment, income and capital expenditures decreasing, and foreign exchange rate fluctuation and deflationary pressure affected corporate earnings.

In such an environment, in accordance with the Unitika Group basic policy under its medium-term, three-year management plan Reform 2011, implemented from the current fiscal year, the Group has promoted structural reform comprising measures to improve business structure and reduce fixed costs. As part of this structural reform, the Group has strived to improve profitability, mainly in its strategic core businesses, such as polymers and advanced materials businesses. As a result, the Group reported net sales of 182,239 million yen (down 27,344 million yen year-on-year), operating income of 8,543 million yen (up 776 million yen year-on-year), ordinary income of 4,476 million yen (up 1,139 million yen year-on-year), and net income of 3,036 million yen (net loss of 13,983 million yen in the previous fiscal year).

The Unitika Group has decided it will pay no dividend for the current fiscal year. The management sincerely appreciates your understanding in this matter.

Here is a summary of business by segment.

[Polymers]

In the Films business, sales did not achieve full-scale recovery and selling prices remained weak in the packaging field since demand stagnated in the food, distribution and restaurant industries due to anemic consumer spending. In the industrial field, sales recovered sharply since destocking ended in the LCD and IT-related areas and sales of home electric appliances accelerated in China. As a result, sales decreased but profitability improved in the Films business, thanks to cost reduction efforts.

In the Resins business, a recovery in sales became evident in the automobile, electronics and electronic component fields, improving profitability. Sales of nylon products increased in high-value-added areas including personal digital assistants. Sales of U-Polymer, the Company's original polyarylate resin, fell below the previous year's level due to slow recovery of demand for office machinery. Sales of polyester resin decreased due to withdrawal from the Powder Resins business. As a result, sales decreased and income remained flat in the Resins business.

In the Non-woven Fabrics business, sales of spunbond fabrics clearly headed for recovery around the second half of the current fiscal year. Shipment for the industrial materials fields and export markets, where the Group struggled to expand sales, recovered. However, the recovery was not strong enough to make up a decline in sales in the first half of the current fiscal year. In the cotton-spun lace business, shipments for day-to-day product applications including cosmetic sundry goods use remained steady and profitability improved due to cost reduction efforts. As a result, sales decreased, but overall income increased in the Non-woven Fabrics business.

Thanks to continuous efforts to promote the use of the biomass plastic Terramac in four fields (films, resins, non-woven and textiles), the adoption of Terramac has increased in sundry product and heat-resistant and durable plastic applications. However, sales of Terramac stagnated in the current fiscal year due to the economic downturn.

Consequently, the Polymers business posted operating income of 8,891 million yen (up 642 million yen year-on-year) on sales of 60,942 million yen (down 7,591 million yen year-on-year).

[Environmental Business/Advanced Materials]

In the Environmental business, sales continued to decrease because the business environment as a whole remained harsh, due to a decline in orders volume, intensified competition in the public demand-related market, and a restraint of capital expenditures by private companies. But profitability recovered due to continuous efforts to strengthen cost competitiveness, mainly through selection and concentration of projects and streamlining operations, and expansion of orders in the maintenance field. As a result, sales decreased but income increased greatly in the Environmental business.

In the Advanced Materials business, shipment of glass fibers for automobile use recovered in the second half of the current fiscal year, but its shipment for building material, heat insulation and fireproof cloth, and bug filter uses was sluggish, due to a decline in building construction and restraint of capital expenditures and public spending. Shipment of IC cloth remained weak since its domestic demand recovery was slow and demand for ultra-thin and super-thin high function cloth stagnated, mainly because affordable products satisfied export demand. Shipment of glass beads for road construction use increased and demand for industrial use started recovering around the second half of the current fiscal year, but shipment for reflective materials use stagnated due to a decline in exports to Europe and the United States, foreign exchange rate fluctuation, and competition with less expensive products. Meanwhile, shipment of activated carbon fibers for cartridge filters for home-use water purifiers and VOC removal sheets was strong. As a result, sales and income decreased in the Advance Materials business.

Consequently, the Environmental Business/Advanced Materials business posted operating income of 2,346 million yen (up 486 million yen year-on-year) on net sales of 25,903 million yen (down 4,504 million yen year-on-year).

[Fibers and Textiles]

In the Fibers and Textiles business, the business environment as a whole remained very tough due to a lingering slump in the clothing fiber field and the global economic downturn. To revamp the business structure and improve profitability, the Group withdrew from the nylon long-fiber business except for some special product lines, ceased and downsized production in the natural fiber business, and consolidated the clothing fiber business as originally planned.

In the Industrial Materials business, sales of vinylon fiber remained lackluster since demand for reinforced concrete use (mainly exported to Europe), a replacement for asbestos, declined sharply due to the worsening business conditions and decline in profitability caused by foreign exchange rate fluctuation. Sales of ultra-high-strength polyester filament yarn suffered a decline in demand for construction and civil engineering uses, but demand started picking up around the second half of the current fiscal year. Sales of short-fiber polyester continued to decrease since demand declined in Europe and the United States and shipment for non-woven fabric use stagnated in the domestic market, despite efforts to cultivate new demand. As a result, sales and income declined in the Industrial Materials business.

In the Garments, Lifestyle Materials, and Bedding business, the division had an uphill battle in the uniform, women's clothing, and bedding fields, since consumers continued to seek affordable products and the percentage of import products remained at high level. As a result, sales decreased and income fell slightly despite some effects of the structural improvement measures in the Garments, Lifestyle Materials, and Bedding business.

Consequently, the Fibers and Textiles business posted an operational loss of 487 million yen (217 million yen operating loss in the previous fiscal year) on net sales of 77,514 million yen (down 13,081 million yen year-on-year).

[Health & Amenity, Others]

In the Healthcare & Amenity and Others business, the beauty and anti-aging related markets have grown, while the health food market has stagnated. Against this backdrop, sales of functional dietary materials such as konjak-derived *Ceramide* and *Arabinose*, steadily increased and profitability of supplements improved. In the Medical business, the launch of new anti-thrombogenic catheters and a steady increase in sales of clinical diagnostic reagents improved profitability. Sales of enzymes gradually recovered around the second half of the current fiscal year, although they stagnated in the first half of the current fiscal year.

In other business, revenue from the Real Estate business including sales of condominiums remained almost flat, but the Facility Engineering related business struggled a bit.

Consequently, the Healthcare & Amenity and Others business posted operating income of 1,217 million yen (down 114 million yen year-on-year) on net sales of 17,878 million yen (down 2,167 million yen year-on-year).

(ii) Forecast of business performance for fiscal year ending March 31, 2011

With the outlook for both domestic and overseas economies, which are said to be recovering, having become increasingly uncertain due to changes in the business conditions such as crude oil prices and foreign exchange rates, the Unitika Group will implement a step-by-step structural reform program stated in Reform 2011, its medium-term management plan in the next fiscal year. Under this program, the Group will strive to reduce fixed costs and restore profitability in divisions subject to business structure improvement, and promote the improvement of profitability in areas where it intends to strengthen its presence, such as the Polymers and Advanced Materials businesses. The Group will continue striving to ensure further financial strength. The Unitika Group forecasts net sales of 190,000 million yen, operating income of 11,500 million yen, ordinary income of 7,000 million yen, and net income of 6,000 million yen for fiscal year ending March 31, 2011.

(2) Analysis on financial situation

Total assets decreased by 5,647 million yen from the end of the previous fiscal year to 277,196 million yen, mainly due to a decrease in inventories and property, plant and equipment despite an increase in cash and deposits. Liabilities decreased by 9,420 million yen from the end of the previous fiscal year to 253,676 million yen, mainly due to a decrease in notes and accounts payable-trade, loans payable and allowances. Net assets increased by 3,773 million yen from the end of the previous fiscal year to 23,519 million yen, mainly due to an increase in retained earnings caused by the posting of net income.

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 14,286 million yen (up 9,309 million yen year-on-year), due to a decrease in cash-inflow—the total of net income before income taxes, depreciation and amortization—and inventories during the current fiscal year.

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

Net cash used in investment activities amounted to 2,683 million yen (net cash of 7,419 million yen used in the previous fiscal year) due to capital expenditures of 3,831 million yen during the current fiscal year.

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

Net cash used in financing activities amounted to 1,175 million yen (net cash of 505 million yen used in the previous fiscal year) due to a reduction in interest-bearing debt during the current fiscal year.

As a result, cash and cash equivalents at the end of the current fiscal year increased by 10,885 million yen from the end of the previous fiscal year to 20,160 million yen.

The table below shows trends in cash flow indicators.

	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008
(i) Shareholders' equity ratio (%)	7.2	5.7	10.9
(ii) Shareholders' equity ratio on market value basis (%)	13.0	11.3	15.1
(iii) Ratio of interest-bearing debt to cash flow	13.7	39.8	24.4
(iv) Interest coverage ratio	3.9	1.3	2.0

(Notes) Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on market value basis: Market capitalization/Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flow/Interest expense

*1. Each indicator is calculated based on consolidated financial results.

*2. Cash flow is net cash provided by operating activities.

*3. Interest-bearing debt includes all liabilities, reported on the consolidated balance sheet, on which interest is paid.

- (3) Basic policy for profit distribution and dividends for the fiscal year ended March 31, 2010 and the fiscal year ending March 31, 2011

The Unitika Group considers that the profit distribution to its shareholders is an important aspect of its business, but management intends to cancel dividend payment for the fiscal year ended March 31, 2010, with consideration on the business results and financial situation at the end of the fiscal year.

For the future, Unitika's basic dividend policy is to conduct profit distribution to shareholders that is appropriate to the Company's financial results. At the same time, the Company intends to decide dividend payment after considering the improvement of financial position and enhancing of internal reserve for securing profit for shareholders from a long-term perspective.

2. Situation of the Corporate Group

The Unitika Group is composed of Unitika Ltd., its 55 subsidiary companies and 2 affiliated companies. The Unitika Group is engaged in businesses in the four fields of Polymers, Environmental Business and Advanced Materials, Fibers and Textiles, and Healthcare & Amenity and Others. Here are summaries of the main businesses conducted by major group companies and the positioning of these companies in the business segmentation.

Polymers:

Unitika Ltd. mainly manufactures and sells plastic films, resins, resin products, and non-woven fabrics. In Japan, Terabo Co., Ltd., a consolidated subsidiary, processes and sells plastics and chemical products, and Diabond Chemical Co., Ltd., a consolidated subsidiary, manufactures and sells adhesives for automotive, electrical and construction applications.

In overseas markets, Emblem Asia Co., Ltd. (Indonesia) and Unitika Emblem China Ltd. (China), both consolidated subsidiaries, manufacture and sell films. Tusco (Thailand), a consolidated subsidiary, manufactures and sells non-woven fabrics.

Environmental Business/Advanced Materials:

Unitika Ltd. is engaged in the engineering sector as an environmental business (water treatment facilities, incinerator furnaces, air pollution prevention systems, etc.) as well as in the advanced materials business (glass fiber products, glass beads, activated carbon fibers, amorphous metal fibers, phenol type thermosetting resins, Univeks).

Unitika Glass Fiber Co., Ltd., a consolidated subsidiary, manufactures glass fiber products; Unitika Sparklite Ltd., a consolidated subsidiary, manufactures and sells reflection materials; Unitika Environmental Technical Center Co., Ltd., a consolidated subsidiary, conducts environmental analysis and measuring; and Union Co., Ltd., a consolidated subsidiary, manufactures glass beads.

Fibers and Textiles:

Unitika Ltd. and Unitika Textiles Ltd., a consolidated subsidiary, manufacture various textiles (yarn, cotton, woven and knitted materials, etc.). Unitika Trading Co., Ltd., a consolidated subsidiary, receives supplies of materials from Nippon Ester Co., Ltd., a consolidated subsidiary, which makes ester yarn and cotton while consigning dyeing and finishing to the I-TEX Co., Ltd. and Osaka Dyeing Co., Ltd., consolidated subsidiaries, and sells parts of these products. The Unitika Berkshire Co., Ltd., a consolidated subsidiary, manufactures and sells men's and women's socks and stockings.

Healthcare & Amenity, Others

In the medical business, Unitika Ltd. manufactures and sells medical use materials, enzymes, diagnostic drugs, while in the healthcare and amenity business it sells *Hanabiratake*, *Ceramides*, and fodder materials.

Unitika Estate Co., Ltd., a consolidated subsidiary, plans and sells condominiums; Unitika Plant Engineering Co., Ltd., a consolidated subsidiary, designs, installs and maintains various plants including fireproof screens; Unitika Realty Co., Ltd., a consolidated subsidiary, leases and manages shopping centers; and Unitika Akohkaiatsu Co., Ltd., a consolidated subsidiary, operates the Akoh Country Club.

Unitika Trading Co., Ltd. and other trading companies, consolidated subsidiaries, handle the products in the above businesses.

3. Management Policies

(1) Basic management policies

Having the corporate mission of connecting daily life with technologies, the Unitika Group has been aiming to become a company that contributes to improvement of people's lives and preservation of environment, with social recognition. Management believes that the contribution to the society will enhance its corporate value, which in turn will reward shareholders, while the Company promotes its basic management policies: implementation of structural reform, establishment of a foundation as a functional materials manufacturer and strengthening of its corporate structure and shareholders' equity.

(2) Targeted management index

The Unitika Group places greater importance on amount of sales, operating income and ordinary income that represent the results of its business activities. The Group considers enhancing its shareholders' equity ratio and reducing interest-bearing debts to strengthen its financial position and places emphasis on and manages cash flows with great care.

(3) Medium- to long-term business strategies and issues to be addressed

The Unitika Group will implement step-by-step measures under its medium-term, three-year management plan Reform 2011, in order to steadily achieve its earnings target for the current fiscal year and to upgrade its financial condition as well as promptly improve and stabilize its earnings structure. Under the plan, the Group will concentrate its managerial resources on growth areas to promote improvement and strengthening of its business operational capability in the field of functional materials, mainly polymers and advanced materials. Based on the growth of these businesses, the Unitika Group will strive to establish a business entity that can achieve sustainable growth in the future.

Here is a summary of business strategies and issues to be addressed for each business.

Polymers:

In the films business, the Company will further strengthen sales of the nylon film Emblem in the Asian market, and promote sales expansion of its high-value-added industrial-use polyester films. In the resins business, the Company will expand sales of U-Polymer by seeking new sales opportunities in existing fields and developing new applications, focus on expansion of uses of nano-composite nylon resin in automobiles and an upgraded version in portable information terminals, and also try to increase sales of ARROWBASE, an environment-friendly water-based polyolefin cationic emulsion. In the non-woven fabrics business, the Company will promote sales of Eleves, a bi-component composite spunbonded non-woven fabric, by strengthening cooperation with its subsidiary in Thailand, and try to increase sales of spunlace fabrics by obtaining big orders or launching newly developed products. Moreover, the Company will enhance the durability and incombustibility of TERRAMAC, a biomass plastic, to boost sales of its improved resins, and seek new business opportunities for civil engineering and sanitary uses in the non-woven fabrics field.

Environmental Business/Advanced Materials:

In the environmental business, the Company will continue to improve the efficiency of projects and focus on the fiber filter and granulation dephosphorizing business in the water treatment field. In the incinerator field, it will concentrate on repair, reconstruction and maintenance of existing incinerators to stabilize earnings. In the advanced materials business, the Company will immediately try to improve profitability of glass fibers and high-value-added IC cloth for industrial uses and to expand market share of its high-grade glass beads in domestic and overseas markets by developing high-value-added product lines and strengthening overseas operations. It will also try to increase sales of activated carbon fibers used in various types of filters.

Fibers and Textiles:

In the fibers and textiles business, the Company will continue to focus on implementing restructuring measures to thoroughly reduce costs and enhance the product lineup. In the industrial materials business, the Company will try to expand sales of vinylon fiber for reinforced concrete use in overseas markets, including Asia, South America and Africa, and to improve profitability of short-fiber polyester by shifting to high-performance materials. In the garments, lifestyle materials, and bedding business, the Company will try to streamline business operations and promote concentration of managerial resources in areas where it intends to strengthen its presence, to improve profitability by letting Unitika Trading Co., Ltd., consolidated and established in October 2009, play a central role.

Healthcare & Amenity, Others:

In the healthcare & amenity business, the Company will try to strengthen sales of functional dietary materials, such as *Konjac Ceramide*, and promote the cultivation of new customers in the health food business. In the medical business, the Company will try to raise market share by strengthening sales of catheters for the circulatory system and focusing on sales expansion of new products, and concentrate on developing new uses of enzymes and clinical diagnostic reagents.

Regarding overseas business development, the Group will try to strengthen all its business operations including global expansion of nylon film sales. Especially, it will actively implement measures to cope with the growth in the Asian market, including China, to expand sales.

In the fiscal year ending March 31, 2011, the Group will continue to implement measures for reducing fixed costs as a part of its structural reforms, and thoroughly cut variable costs, and will also efficiently manage funds to reduce interest-bearing debt.

4. Consolidated financial statements

(1) Consolidated balance sheets

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (March 31, 2009)	Current consolidated fiscal year (March 31, 2010)
Assets		
Current assets		
Cash and deposits	9,331	20,199
Notes and accounts receivable-trade	36,981	39,361
Merchandise and finished goods	38,592	28,262
Work in process	18,306	16,676
Raw materials and supplies	4,427	3,920
Deferred tax assets	1,667	1,299
Other	5,906	4,036
Allowance for doubtful accounts	(142)	(175)
Total current assets	115,070	113,581
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	23,780	22,632
Machinery, equipment and vehicles (net)	25,625	24,235
Tools, furniture and fixtures (net)	1,445	1,305
Land	104,683	104,452
Lease assets (net)	892	1,273
Construction in progress	1,909	833
Total property, plant and equipment	158,337	154,732
Intangible assets		
Goodwill	177	90
Other	682	630
Total intangible assets	859	720
Investments and other assets		
Investment securities	5,805	5,621
Investments in capital	30	25
Long-term loans receivable	780	130
Deferred tax assets	564	640
Other	2,974	2,323
Allowance for doubtful accounts	(1,579)	(579)
Total investments and other assets	8,576	8,161
Total noncurrent assets	167,773	163,615
Total assets	282,843	277,196

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (March 31, 2009)	Current consolidated fiscal year (March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	26,520	24,971
Short-term loans payable	80,811	77,668
Current portion of long-term loans payable	32,714	31,436
Current portion of bonds	400	400
Lease obligations	293	379
Income taxes payable	592	322
Provision for bonuses	712	1,085
Provision for loss on construction contracts	—	1
Provision for warranties for completed construction	53	29
Provision for business structure improvement	3,675	1,118
Other	12,596	11,217
Total current liabilities	158,370	148,631
Noncurrent liabilities		
Bonds payable	400	—
Long-term loans payable	80,418	83,875
Lease obligations	630	920
Deferred tax liabilities	12,735	10,867
Deferred tax liabilities for land revaluation	2,796	2,809
Provision for retirement benefits	4,742	4,318
Provision for directors' retirement benefits	342	170
Other	2,661	2,085
Total noncurrent liabilities	104,727	105,045
Total liabilities	263,097	253,676
Net assets		
Shareholders' equity		
Capital stock	23,798	23,798
Capital surplus	1,661	1,661
Retained earnings	(7,783)	(4,734)
Treasury stock	(46)	(54)
Total shareholders' equity	17,629	20,670
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(498)	(429)
Deferred gains or losses on hedges	12	3
Revaluation reserve for land	2,875	2,799
Foreign currency translation adjustment	(3,909)	(3,219)
Total valuation and translation adjustments	(1,520)	(846)
Minority interests	3,636	3,695
Total net assets	19,746	23,519
Total liabilities and net assets	282,843	277,196

(2) Consolidated statements of income

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (April 1, 2008 to March 31, 2009)	Current consolidated fiscal year (April 1, 2009 to March 31, 2010)
Net sales	209,584	182,239
Cost of sales	171,355	148,299
Gross profit	38,228	33,939
Selling, general and administrative expenses	30,462	25,396
Operating income	7,766	8,543
Non-operating income		
Interest income	270	181
Dividends income	123	101
Rent income	129	90
Gain on sales of investment securities	—	188
Equity in earnings of affiliates	176	—
Foreign exchange gains	—	191
Other	1,734	1,009
Total non-operating income	2,434	1,763
Non-operating expenses		
Interest expenses	3,880	3,722
Equity in losses of affiliates	—	8
Other personal expenses	1,242	1,188
Other	1,740	910
Total non-operating expenses	6,863	5,829
Ordinary income	3,337	4,476
Extraordinary income		
Gain on sales of noncurrent assets	33	20
Gain on transfer of business	—	589
Compensation income for expropriation	—	108
Total extraordinary income	33	719
Extraordinary losses		
Loss on disposal of noncurrent assets	645	866
Business structure improvement expenses	12,294	1,063
Other	2,355	1,457
Total extraordinary loss	15,295	3,387
Income (Loss) before income taxes	(11,924)	1,808
Income taxes-current	752	407
Income taxes-deferred	1,283	(1,658)
Total income taxes	2,036	(1,251)
Minority interests in income	23	23
Net income (loss)	(13,983)	3,036

(3) Consolidated Statements of Changes in Net Assets

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (April 1, 2008 to March 31, 2009)	Current consolidated fiscal year (April 1, 2009 to March 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	23,798	23,798
Balance at the end of current period	23,798	23,798
Capital surplus		
Balance at the end of previous period	1,661	1,661
Balance at the end of current period	1,661	1,661
Retained earnings		
Balance at the end of previous period	7,196	(7,783)
Effect of changes in accounting policies applied to foreign subsidiaries	(83)	—
Changes of items during the period		
Dividends from surplus	(951)	—
Net income (loss)	(13,983)	3,036
Reversal of revaluation reserve for land	38	12
Disposal of treasury stock	(0)	(0)
Total changes of items during the period	(14,897)	3,049
Balance at the end of current period	(7,783)	(4,734)
Treasury stock		
Balance at the end of previous period	(43)	(46)
Changes of items during the period		
Purchase of treasury stock	(5)	(8)
Disposal of treasury stock	2	0
Total changes of items during the period	(2)	(8)
Balance at the end of current period	(46)	(54)
Total shareholders' equity		
Balance at the end of previous period	32,612	17,629
Effect of changes in accounting policies applied to foreign subsidiaries	(83)	—
Changes of items during the period		
Dividends from surplus	(951)	—
Net income (loss)	(13,983)	3,036
Reversal of revaluation reserve for land	38	12
Purchase of treasury stock	(5)	(8)
Disposal of treasury stock	1	0
Total changes of items during the period	(14,899)	3,040
Balance at the end of current period	17,629	20,670

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (April 1, 2008 to March 31, 2009)	Current consolidated fiscal year (April 1, 2009 to March 31, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(120)	(498)
Changes of items during the period		
Net changes of items other than shareholders' equity	(378)	68
Total changes of items during the period	(378)	68
Balance at the end of current period	(498)	(429)
Deferred gains or losses on hedges		
Balance at the end of previous period	(11)	12
Changes of items during the period		
Net changes of items other than shareholders' equity	23	(8)
Total changes of items during the period	23	(8)
Balance at the end of current period	12	3
Revaluation reserve for land		
Balance at the end of previous period	3,484	2,875
Changes of items during the period		
Reversal of revaluation reserve for land	(38)	(12)
Net changes of items other than shareholders' equity	(569)	(63)
Total changes of items during the period	(608)	(76)
Balance at the end of current period	2,875	2,799
Foreign currency translation adjustment		
Balance at the end of previous period	(2,354)	(3,909)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,555)	689
Total changes of items during the period	(1,555)	689
Balance at the end of current period	(3,909)	(3,219)
Total valuation and translation adjustments		
Balance at the end of previous period	998	(1,520)
Changes of items during the period		
Reversal of revaluation reserve for land	(38)	(12)
Net changes of items other than shareholders' equity	(2,479)	686
Total changes of items during the period	(2,518)	673
Balance at the end of current period	(1,520)	(846)
Minority interests		
Balance at the end of previous period	4,767	3,636
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,130)	59
Total changes of items during the period	(1,130)	59
Balance at the end of current period	3,636	3,695
Total net assets		
Balance at the end of previous period	38,378	19,746
Effect of changes in accounting policies applied to foreign subsidiaries	(83)	—
Changes of items during the period		
Dividends from surplus	(951)	—
Net income (loss)	(13,983)	3,036
Purchase of treasury stock	(5)	(8)
Disposal of treasury stock	1	0
Net changes of items other than shareholders' equity	(3,610)	745
Total changes of items during the period	(18,548)	3,773
Balance at the end of current period	19,746	23,519

(4) Consolidated statements of cash flow

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (April 1, 2008 to March 31, 2009)	Current consolidated fiscal year (April 1, 2009 to March 31, 2010)
Net cash provided by (used in) operating activities		
Income (Loss) before income tax	(11,924)	1,808
Depreciation and amortization	7,513	6,787
Impairment loss	3,322	—
Increase (decrease) in allowance for doubtful accounts	900	362
Increase (decrease) in provision for retirement benefits	1,279	(437)
Increase (decrease) in provision for business structure improvement	3,675	(2,556)
Increase (decrease) in other provision	(1,679)	178
Interest expenses	3,880	3,722
Loss (gain) on disposal of noncurrent assets	645	866
Loss (gain) on sales of noncurrent assets	(33)	(20)
Loss (gain) on sales of investment securities	—	(188)
Decrease (increase) in notes and accounts receivable-trade	12,762	(2,281)
Decrease (increase) in inventories	451	12,608
Increase (decrease) in notes and accounts payable-trade	(11,603)	(1,567)
Other	331	(905)
Sub-total	9,521	18,376
Interest and dividends income received	403	298
Interest expenses paid	(3,887)	(3,695)
Income taxes paid	(1,059)	(692)
Net cash provided by (used in) operating activities	4,977	14,286
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	779	18
Purchase of investment securities	(25)	(28)
Proceeds from sales of investment securities	118	401
Purchase of property, plant and equipment	(8,224)	(3,831)
Proceeds from sales of property, plant and equipment	287	274
Other	(355)	481
Net cash provided by (used in) investing activities	(7,419)	(2,683)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	7,012	(3,147)
Proceeds from long-term loans payable	50,897	34,953
Repayment of long-term loans payable	(56,640)	(32,808)
Redemption of bonds	(400)	(400)
Cash dividends paid	(940)	(3)
Other	(435)	231
Net cash provided by (used in) financing activities	(505)	(1,175)
Effect of exchange rate change on cash and cash equivalents	(986)	457
Net increase (decrease) in cash and cash equivalents	(3,934)	10,885
Cash and cash equivalents at beginning of period	13,209	9,275
Cash and cash equivalents at the end of the current fiscal year	9,275	20,160

(5) Notes regarding assumption of a going concern

Not applicable

(6) Significant items that are the basis for preparation of consolidated financial statements

1. Scope of consolidation

The Company has 49 consolidated subsidiaries and 6 non-consolidated subsidiaries as of the end of the current period under review. Major consolidated subsidiaries are Nippon Ester Co., Ltd. and Unitika Trading Co., Ltd. Total assets, net sales, net income/loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of the 6 non-consolidated subsidiaries (Akoh Unitec Service Co., Ltd., Unitika Uji Kosan Co., Ltd., etc.) are small in value and do not significantly influence the consolidated financial statements. The number of consolidated subsidiaries decreased by four from the end of the previous period: one was sold, one was merged with the Company, and two were liquidated.

2. Application of the equity method

The Company applies the equity method to the 6 non-consolidated subsidiaries and 2 affiliated companies (Ador Co., Ltd. and another) as of the end of the current period under review. The number of non-consolidated subsidiaries decreased by one from the end of the previous period due to liquidation.

3. Account settlement date, etc. of consolidated subsidiaries

Among consolidated subsidiaries, Thai Nylon Co., Ltd., Unitika America Corp., Unitika (Shanghai) Ltd., Emblem Asia Co., Ltd., Unitika Emblem China Ltd., Unitika Do Brasil LLC, Brascot LLC, Peking Unitika Clothes LLC, Unitex Co., Ltd. and TUSCO Co., Ltd. settle their accounts on December 31, and Unitika Hong Kong Ltd. settles its accounts on February 28. For the purpose of preparing the consolidated financial statements, the financial statements on respective dates are used, and a necessary adjustment is made with regard to significant transactions conducted during the period between the above-mentioned settlement date and the current consolidation date.

4. Accounting standards

(1) Evaluation standards and method for significant assets

Marketable securities

Other marketable securities

With market values: Valued at fair value based on market values, etc. on the settlement date (variance from valuation is processed with the method entirely to charge or credit directly to equity, and selling cost is calculated using the moving average method.)

Without market values: Valued at cost using the moving average method

Derivatives

Valued at fair value

Inventories

Valued primarily at cost by using the moving average method (the balance sheet value is calculated by the book value written-down method based on decline in profitability.)

(2) Depreciation method for significant depreciable assets

Tangible fixed assets (excluding lease assets)

The Company and its consolidated subsidiaries primarily use the declining-balance method. However, some consolidated subsidiaries use the straight-line method.

Intangible fixed assets (excluding lease assets)

Straight-line method

Lease assets

Lease assets under finance lease transactions that do not transfer ownership

Lease assets are depreciated using the straight-line method over the lease term, based on the assumption that the residual value is equal to zero.

(3) Accounting standards for important allowances

Allowance for doubtful receivables

In order to cover losses from uncollectible account receivables, the Company provides for estimated uncollectible amount of normal receivables based on historical loss ratios. Specific claims including doubtful receivables, etc. are individually evaluated for the likelihood of recovery and estimated uncollectible amount is provided.

Provision for bonuses

The Company provides for allowance for bonus based on the estimated amount of the payment for employees.

Provision for loss on construction contracts

To prepare for losses on construction contracts, the Company provides for a reasonably estimated amount of loss to be incurred in the next consolidated fiscal year.

(Additional information)

The Unitika Group recorded a provision for loss on construction contracts of one million yen, since it recognized future losses on construction contracts whose amounts could be reasonably estimated.

Reserve for compensation for completed works

The amount calculated by multiplying the construction revenue by historical repair ratios is provided to appropriate it for free repairs under the liability of security for completed works. Some consolidated subsidiaries record the reserve for compensation for completed works as an expense when paid out.

Provision for business structure improvement

The Company provides for reasonably estimated amount of loss incurred in the next consolidated fiscal year due to implementation of a business structure improvement program.

Allowance for retirement benefits

To cover payment of retirement benefits to employees, the Company provides for retirement benefits based on the estimated amount of the retirement benefit obligation and the trust estate related to retirement benefit obligation (regarding some consolidated subsidiaries, the retirement benefit obligation and pension assets) at the end of the fiscal year ended March 31, 2010.

The transition difference due to a change in the accounting standards is equally expensed over 15 years.

The past service liabilities are amortized using the straight-line method over the average remaining years of service of employees (generally 9 years) when the liability is incurred.

Actuarial gains and losses are expensed using the straight-line method over the average remaining years of service of employees (generally 10 years), allocated starting from the year each respective gain or loss is incurred.

Allowance for directors' retirement bonuses

In the past, the Company and its consolidated subsidiaries provided for the amount payable at the end of the subject term under the internal rule to cover payment of retirement bonuses to directors (including executive officers). However, the Company and its consolidated subsidiaries abolished the directors' retirement bonus system in June 2006 and suspended the transfer of such amount to allowance for directors' retirement bonuses.

(4) Accounting standards for recognizing revenues and costs of construction contracts

The percentage-of-completion method has been applied to construction contracts if the outcome of the construction activity is deemed certain on March 31, 2010 (the estimated percentage of completion shall be based on the ratio of the cost incurred to the estimated total cost). The completed-contract method has been applied to other construction contracts.

(5) Standards for translating important foreign currency assets or liabilities to Japanese currency

Foreign currency monetary assets and liabilities are converted into yen currency at the spot exchange rate of the consolidated settlement date and exchange differences are treated as profit or loss. Meanwhile, the assets and liabilities of overseas subsidiaries are converted into yen currency by the spot exchange rate of the settlement date, and profits and expenses are converted into yen currency at the average market rate during the period with the exchange differences included in the currency exchange translation adjustment and minority interests.

(6) Interest relating to property for sale (inventories)

Interests paid in relation to some real estate for sale in progress among the real estate for sale held by some consolidated subsidiaries are included in the acquisition amount of such real estate.

(7) Important hedge accounting method

The Company adopts deferred hedge accounting, and uses the method for translating foreign currency receivables and payables on the basis of yen value cash flow fixed by forward contract for exchange contracts that may satisfy requirements for the said method, and preferential procedures for interest rate swaps that may satisfy requirements for preferential procedures.

(8) Treatment of consumption taxes, etc.

The Company adopts the tax-excluding method.

5. Items relating to evaluation of assets and liabilities of consolidated subsidiaries

The Company adopts the full fair value method for the evaluation of assets and liabilities of consolidated subsidiaries.

6. Items relating to amortization of goodwill

Goodwill is amortized using the straight-line method over 5 years.

7. Scope of funds in consolidated statements of cash flows

Funds (cash and cash equivalents) stated in the consolidated statements of cash flows consist of cash on hand, demand deposits and short-term investments that are readily convertible into cash, are exposed to insignificant risk of changes in value and are redeemable in 3 months or less from each acquisition date.

(7) Changes in basic important matters for preparation of consolidated financial statements

(Change in accounting policies)

- (i) For recognizing revenues and costs of construction contracts, the Company formerly applied the percentage-of-completion method to long-term construction contracts that met certain criteria. Effective from the consolidated fiscal year ended March 31, 2010, the Company has adopted the Accounting Standards for Construction Contracts (Accounting Standards Board of Japan <ASBJ> Statement No. 15, issued on December 27, 2007) and the Guidance on Accounting Standards for Construction Contracts (ASBJ Guidance No. 18, issued on December 27, 2007). Thus, the percentage-of-completion method has been applied to construction contracts if the outcome of the construction activity is deemed certain on March 31, 2010 (the estimated percentage of completion shall be based on the ratio of the cost incurred to the estimated total cost). The completed-contract method has been applied to other construction contracts.

Consequently, net sales increased by 102 million yen in the consolidated fiscal year ended March 31, 2010, while operating income, ordinary income and net income before income taxes each increased by 23 million yen.

- (ii) Effective from the consolidated fiscal year ended March 31, 2010, the Company has adopted Partial Amendments to the Accounting Standards for Retirement Benefits (Part 3) (ASBJ Statement No. 19, issued on July 31, 2008).

The adoption has no effect on operating income, ordinary income and net income before income taxes for the consolidated fiscal year ended March 31, 2010, since the Company will recognize actuarial gains and losses as expenses from the consolidated fiscal year ending March 31, 2011.

The unappropriated balance of the difference in projected benefit obligation resulting from the adoption of this standard amounts to 711 million yen.

(Change in financial statement presentation)

Consolidated statements of income

Gain on sale of investment securities, which was included in Other under non-operating income in the consolidated fiscal year ended March 31, 2009, is stated separately in the consolidated fiscal year ended March 31, 2010, since it exceeded 10/100 of the non-operating incomes. Gain on sale of investment securities, which was included in non-operating income in the consolidated fiscal year ended March 31, 2009, was 8 million yen

Consolidated statements of cash flow

Gain on sale of investment securities, which was included in Other, net cash provided by (used in) operating activities in the consolidated fiscal year ended March 31, 2009, is stated separately in the consolidated fiscal year ended March 31, 2010, since its importance increased. Gain on sale of investment securities, which was included in Other, net cash provided by (used in) operating activities in the consolidated fiscal year ended March 31, 2009, was 8 million yen.

(8) Notes on consolidated financial statements
a. Segment information by business

The previous consolidated fiscal year (April 1, 2008 to March 31, 2009)

(Unit: Millions of yen)

	Polymers	Environmental Business/ Advanced Materials	Fibers & Textiles	Health & Amenity, Others	Total	Elimination or corporate	Consolidated total
I Net sales and operating income (loss)							
Net sales							
(1) Net sales to outside customers	68,534	30,408	90,595	20,046	209,584	—	209,584
(2) Inter-segment sales or transfers	3,326	141	479	3,747	7,695	(7,695)	—
Total	71,860	30,549	91,074	23,794	217,279	(7,695)	209,584
Operating expenses	63,611	28,690	91,291	22,462	206,055	(4,237)	201,817
Operating income (or operating loss)	8,249	1,859	(217)	1,332	11,224	(3,457)	7,766
II Assets, depreciation and amortization, impairment loss and capital expenditures							
Assets	77,216	26,256	97,506	66,342	267,322	15,521	282,843
Depreciation and amortization	3,180	1,066	1,719	914	6,881	631	7,513
Impairment loss	31	877	2,147	—	3,057	265	3,322
Capital expenditures	1,870	1,477	3,074	724	7,146	1,135	8,281

(Note) 1. Among operating expenses, unallocatable operating expenses that are included in elimination or corporate amounted to 3,593 million yen.

2. Among the Assets, the total company assets that are included in elimination or corporate amounted to 26,601 million yen. The main items are investment of surplus funds (cash and deposits), long-term investment funds (investment securities) and assets, etc. related to the Administration and the Research and Development Division of the parent company. Revaluation reserve for business land of the parent company is not included in the respective business segments.

Current consolidated fiscal year (April 1, 2009 to March 31, 2010)

(Unit: Millions of yen)

	Polymers	Environmental Business/ Advanced Materials	Fibers & Textiles	Health & Amenity, Others	Total	Elimination or corporate	Consolidated total
I Net sales and operating income (loss)							
Net sales							
(1) Net sales to outside customers	60,942	25,903	77,514	17,878	182,239	—	182,239
(2) Inter-segment sales or transfers	790	58	266	2,414	3,529	(3,529)	—
Total	61,732	25,962	77,780	20,293	185,769	(3,529)	182,239
Operating expenses	52,840	23,615	78,267	19,075	173,800	(104)	173,696
Operating income (or operating loss)	8,891	2,346	(487)	1,217	11,968	(3,425)	8,543
II Assets, depreciation and amortization and capital expenditures							
Assets	74,163	25,354	88,023	62,355	249,897	27,299	277,196
Depreciation and amortization	2,868	779	1,768	838	6,254	532	6,787
Capital expenditures	1,731	190	951	408	3,282	414	3,696

(Note) 1. Among operating expenses, unallocatable operating expenses that are included in elimination or corporate amounted to 3,513 million yen.

2. Among the Assets, the total company assets that are included in elimination or corporate amounted to 35,465 million yen. The main items are investment of surplus funds (cash and deposits), long-term investment funds (investment securities) and assets, etc. related to the Administration and the Research and Development Division of the parent company. Revaluation reserve for business land of the parent company is not included in the respective business segments.

b. Segment information by geographic area

The previous consolidated fiscal year (April 1, 2008 to March 31, 2009) and the current consolidated fiscal year (April 1, 2009 to March 31, 2010)

Segment information by geographic area is omitted because sales and assets in Japan accounted for more than 90% of total sales (including inter-segment sales) and total assets of all geographic segments.

c. Overseas sales

The previous consolidated fiscal year (April 1, 2008 to March 31, 2009)

I. Overseas sales (million yen)	29,017
II. Consolidated sales (million yen)	209,584
III. Ratio of overseas sales to consolidated sales (%)	13.8

(Note) There were no segments whose sales (excluding inter-segment sales or transfers) accounted for 10% or more of consolidated sales.

The current consolidated fiscal year (April 1, 2009 to March 31, 2010)

I. Overseas sales (million yen)	22,394
II. Consolidated sales (million yen)	182,239
III. Ratio of overseas sales to consolidated sales (%)	12.3

(Note) There were no segments whose sales (excluding inter-segment sales or transfers) accounted for 10% or more of consolidated sales.

Per Share Data

Previous consolidated fiscal year (April 1, 2008 to March 31, 2009)		Current consolidated fiscal year (April 1, 2009 to March 31, 2010)	
Net assets per share	33.88 yen	Net assets per share	41.70 yen
Net loss per share	29.41 yen	Net income per share	6.39 yen
Information on net income per share after full dilution is omitted, since the Company posts net loss and there is no potential common stock.		Information on net income per share after full dilution is omitted, since there is no potential common stock.	

(Note) The basis for the calculation of net income per share or net loss is as follows:

	Previous consolidated fiscal year (April 1, 2008 to March 31, 2009)	Current consolidated fiscal year (April 1, 2009 to March 31, 2010)
Net income (net loss) (million yen)	(13,983)	3,036
Net income (net loss) not attributable to common stock (million yen)	—	—
Net income (net loss) on common stocks (million yen)	(13,983)	3,036
Average number of common stock (thousand shares)	475,557	475,513

(Material subsequent events)

None

(Omission of disclosure)

Disclosure of notes regarding lease transactions, transactions with related parties, tax effect accounting, financial products, marketable securities, derivative transactions, retirement benefits, stock options, business combination and real estate for rent is omitted, because the Company considers it less necessary to disclose such information in the consolidated financial statements.