

Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2010

August 4, 2009

Listed stock exchanges: Tokyo Stock Exchange, Osaka Securities Exchange

Company name: Unitika Ltd.

Code number: 3103

URL: <http://www.unitika.co.jp/e/home.htm>

Representative: Kenji Yasue, President and Chief Executive Officer

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Expected submission of quarterly report: August 13, 2009

Expected commencement date for paying dividend: –

(Figures rounded to nearest million yen.)

1. Consolidated performance for 1st quarter of fiscal year ending March 31, 2010 (April 1, 2009 to June 30, 2009)

(1) Consolidated performance (accumulation) (Percentages represent changes from same period in previous year.)

	Net sales		Operating income		Ordinary income		Quarterly net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of FY ending March 31, 2010	42,539	(19.1)	1,086	(6.0)	112	(88.9)	54	(55.7)
Q1 of FY ended March 31, 2009	52,605	-	1,155	-	1,005	-	122	-

	Quarterly net income per share		Quarterly net income per share after full dilution	
	Yen		Yen	
Q1 of FY ending March 31, 2010	0.11		-	
Q1 of FY ended March 31, 2009	0.26		-	

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Q1 of FY ending March 31, 2010	274,605	20,576	6.2	35.59
FY ended March 31, 2009	282,843	19,746	5.7	33.88

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2010: 16,923 million yen Fiscal year ended March 31, 2009: 16,109 million yen

2. Dividend payment

	Dividend per share					
	(Base date)	End of Q1	End of Q2	End of Q3	Year end	Annual
		Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2009	-	-	0.00	-	0.00	0.00
FY ending March 31, 2010	-	-	-	-	-	-
FY ending March 31, 2010 (forecast)	-	-	0.00	-	0.00	0.00

(Note) Revision of dividend forecast for the current quarter: No

3. Forecast of consolidated performance for fiscal year ending March 31, 2010 (April 1, 2009 to March 31, 2010)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending September 30, 2009	87,000	(19.3)	3,500	36.7	1,500	21.3	500	(4.2)	1.05
Fiscal year ending March 31, 2010	182,000	(13.2)	8,500	9.4	4,000	19.8	3,500	-	7.36

(Note) Revision of forecast of consolidated performance for the current quarter: No

4. Others

- (1) Changes in significant subsidiaries during the term (changes in specified subsidiaries accompanying change of scope of consolidation): No
- (2) Adoption of simplified accounting method and special accounting practices for preparation of quarterly consolidated financial statements: Yes
(Note) For details, please refer to [Qualitative information and financial statements] "4. Others" on page 4.
- (3) Changes in accounting principles, procedures and presentations for preparation of quarterly consolidated financial statements (those included in "Changes in Important Matters for Preparation of Quarterly Consolidated Financial Statements")
 ① Changes associated with revision of accounting standards: Yes
 ② Other changes: No
 (Note) For details, please refer to [Qualitative information and financial statements] "4. Others" on page 4.
- (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, 2010: 475,969,000 shares
 Fiscal year ended March 31, 2009: 475,969,000 shares
 ② Number of treasury stocks at end of term
 1st quarter of the fiscal year ending March 31, 2010: 435,403 shares
 Fiscal year ended March 31, 2009: 430,885 shares
 ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
 1st quarter of the fiscal year ending March 31, 2010: 475,535,087 shares
 1st quarter of the fiscal year ended March 31, 2009: 475,572,018 shares

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

The forward-looking statements in this document concerning performance forecasting, etc., are based on currently available information and assumptions considered reasonable by the company. Actual performance may differ significantly from the forecast due to various factors.

Concerning the assumptions used as a basis for performance forecasting and points to note when using the performance forecast, please refer to [Qualitative information and financial statements] "3. Qualitative information on the forecast of consolidated performance" on page 4.

[Qualitative information and financial statements]

1. Qualitative information on consolidated performance

In the first quarter of the fiscal year (April 1, 2009 to June 30, 2009), the domestic economy as a whole remained under pressure, with capital expenditure decreasing and the employment situation worsening, although there were signs that the rate of deterioration of the economy was slowing down. Under these conditions, net sales and incomes fell short of those in the previous fiscal year: net sales of 42,539 million yen (down 19.1% year-on-year), operating income of 1,086 million yen (down 6.0% year-on-year), ordinary income of 112 million yen (down 88.9% year-on-year) and quarterly net income of 54 million yen (down 55.7% year-on-year).

Here is a summary of business by segment.

[Polymers]

The film business as a whole showed a recovery trend. Although demand for packaging film was weak due to sluggish consumer spending, there were indications that the industrial film market had hit a bottom and the profitability of the nylon film business showed improvement in the overseas market. In the resin business, demand from the automobile, electronics and electronic component fields was heading toward recovery, while demand from the semiconductor and machinery fields remained very weak. Profitability did not improve due to the pressure on selling prices. In the nonwoven fabrics business, shipment of fabrics for sanitary material, diaper and cosmetic sundry goods uses remained steady, since they were less affected by the economic downturn, but shipment of spunbond fabrics for industrial material uses, such as automobile components and construction materials, was sluggish.

[Environmental Business/Advanced Materials]

The profitability of the environmental business improved due to the implementation of restructuring measures, although sales continued to decrease as a result of a decline in public-works orders and intensified price competition. In the advanced materials business, shipment of activated carbon fibers for liquid phase fields and shipment of glass beads for road construction use were strong; however, shipment of glass fibers for industrial uses, especially construction, civil engineering works and automobiles, failed to grow. Demand for IC cloth remained low, despite progress in inventory adjustment. As a result, the profitability of the advance materials business did not recover.

[Fibers & Textiles]

In the synthetic fiber business, shipment of both long staple and short-fiber polyester remained sluggish, due to prolonged weak demand from general clothing use and a decline in demand from industrial use. In the vinylon fiber business, the export of vinylon fiber for reinforced concrete use suffered due to inventory adjustment, and shipment for other industrial uses also declined, narrowing profit margins. In the meantime, the natural fiber business, mainly for the uniform use, remained under significant pressure, although shipment of certain materials for general clothing use remained steady. The closure and downsizing of factories due to withdrawal from the nylon long staple business and the restructuring of the natural fiber business, as one of the business structure improvement measures implemented by the Company, progressed as scheduled.

[Health & Amenity, Others]

In the health & amenities business, shipment of catheters in the medical field and health supplement grew almost in line with the budget. In other business, sales of condominiums rose.

2. Qualitative information on consolidated financial positions

Total assets decreased by 8,238 million yen from the end of the previous fiscal year to 274,605 million yen. This was mainly due to a decrease in notes and accounts receivable-trade and inventories. Liabilities decreased by 9,068 million yen from the end of the previous fiscal year to 254,029 million yen. This is mainly due to a decrease in notes and accounts payable-trade. Net assets increased by 830 million yen from the end of the previous fiscal year to 20,576 million yen. This is mainly due to increases resulting from foreign currency translation adjustments. Here is a summary of the cash flows situation.

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

Net cash provided by operating activities amounted to 2,553 million yen (up 69.2% year-on-year) due to a decrease in notes and accounts receivable-trade and inventories during the first quarter of the fiscal year ending March 31, 2010.

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

Net cash used in investment activities amounted to 601 million yen (net cash of 1,944 million yen used during the same period last year) due to capital expenditures of 905 million yen during the first quarter of the fiscal year ending March 31, 2010.

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

Net cash used in financing activities amounted to 1,147 million yen (net cash of 87 million yen used during the same period last year) due to reduction of interest-bearing liabilities during the first quarter of the fiscal year ending March 31, 2010.

As a result, cash and cash equivalents at the end of the first quarter of the fiscal year ending March 31, 2010 increased by 961 million yen from the end of the previous fiscal year to 10,237 million yen.

3. Qualitative information on the forecast of consolidated performance

Since the performance for the first quarter of the fiscal year ending March 31, 2010 was almost in line with the plan, the company did not revise its six-month and full-year forecasts of consolidated performance announced on May 15, 2009.

4. Others

(1) Changes in significant subsidiaries during the term (changes in specified subsidiaries accompanying change of scope of consolidation):

Not applicable

(2) Adoption of simplified accounting method and special accounting practices for preparation of quarterly consolidated financial statements:

In computing corporate income taxes, some consolidated subsidiaries took only major items into account in terms of additions and deductions for the income and tax credits.

(3) Changes in accounting principles, procedures and presentations for preparation of quarterly consolidated financial statements

① For calculating revenues and costs of construction contracts, the Company formerly applied the percentage-of-completion method to projects with a contract value of 50 million yen or more as well as construction period of more than one year, and the completed-contract method to other construction contracts. Effective from the first quarter of the fiscal year ending March 31, 2010, the Company has adopted the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Statement No.15, issued on December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Guidance No. 18, issued on December 27, 2007). Thus, the percentage-of-completion method is applied to construction contracts that commenced in the first quarter of the fiscal year for which the percentage of progress during the period can be estimated with reasonable accuracy (the percentage of completion shall be estimated based on the percentage of the cost incurred to the estimated total cost). The completed-contract method is applied to other construction contracts. Consequently, net sales increased by 99 million yen, while operating income and ordinary income rose by 17 million yen, respectively. Quarterly net loss before income taxes decreased by 17 million yen.

(Additional information)

② The Company recorded a provision for losses on construction contracts from the first quarter of the fiscal year, reflecting anticipated future losses on uncompleted construction projects whose amounts could be reasonably estimated. Consequently, gross profit, operating income and ordinary income each decreased by six million yen. Quarterly net loss before income taxes increased by six million yen.

(4) Critical events, etc., regarding the assumption of a going concern

Since the Unitika Group's net assets amounted to 19,746 million yen in the previous consolidated fiscal year, the Company is now in violation of a restrictive financial covenant regarding the long-term loans of 20,000 million yen. However, management does not consider that there will be critical uncertainties regarding the assumption of a going concern, since the Company will implement the following measures in accordance with Reform 2011, its new medium-term management plan, which was approved by a meeting of the board of directors held on March 19, 2009.

- In order to bring about radical change in earnings, the Company will promote structural reform, which consists of measures for improving the business structure of money-losing and unprofitable businesses and reducing fixed costs.
- Management will concentrate the Company's resources on growth areas and promote a growth strategy to improve and strengthen its business by placing functional materials such as polymers and functional components as a core business.

The Company aims to post ordinary income of around 10,000 million yen in the final year of the medium-term plan by implementing the above measures.

Meanwhile, regarding the above restrictive financial covenant, as a result of each financial institution's decision, an agreement was established to refrain from exercising the right of claim to accelerate the loan maturity. This remains unchanged in the first quarter of the fiscal year.

5. Quarterly financial statements

(1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	End of Q1 of FY ending March 2009 (June 30, 2009)	Condensed consolidated balance sheet for previous FY (March 31, 2009)
Assets		
Current assets		
Cash and deposits	10,271	9,331
Notes and accounts receivable-trade	31,861	36,981
Merchandise and finished goods	37,612	38,592
Work in process	16,969	18,306
Raw materials and supplies	3,971	4,427
Other	6,296	7,574
Allowance for doubtful accounts	(130)	(142)
Total current assets	106,852	115,070
Noncurrent assets		
Property, plant and equipment		
Land	104,711	104,683
Other (net value)	53,441	53,653
Total property, plant and equipment	158,153	158,337
Intangible assets		
Goodwill	156	177
Other	743	682
Total intangible assets	899	859
Investments and other assets		
Other	10,198	10,155
Allowance for doubtful accounts	(1,498)	(1,579)
Total investments and other assets	8,700	8,576
Total noncurrent assets	167,753	167,773
Total assets	274,605	282,843

(Unit: Millions of yen)

	End of Q1 of FY ending March 2009 (June 30, 2009)	Condensed consolidated balance sheet for previous FY (March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,284	26,520
Short-term loans payable	81,619	80,811
Current portion of long-term loans payable	31,608	32,714
Current portion of bonds	400	400
Income taxes payable	190	592
Provision for bonuses	418	712
Provision for loss on construction contracts	6	-
Provision for warranties for completed construction	9	53
Provision for business structure improvement	2,688	3,675
Other	12,899	12,890
Total current liabilities	151,126	158,370
Noncurrent liabilities		
Bonds payable	400	400
Long-term loans payable	79,985	80,418
Provision for retirement benefits	3,726	4,742
Provision for directors' retirement benefits	200	342
Other	18,591	18,824
Total noncurrent liabilities	102,902	104,727
Total liabilities	254,029	263,097
Net assets		
Shareholders' equity		
Capital stock	23,798	23,798
Capital surplus	1,661	1,661
Retained earnings	(7,729)	(7,783)
Treasury stock	(46)	(46)
Total shareholders' equity	17,683	17,629
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(351)	(498)
Deferred gains or losses on hedges	10	12
Revaluation reserve for land	2,875	2,875
Foreign currency translation adjustment	(3,295)	(3,909)
Total valuation and translation adjustments	(759)	(1,520)
Minority interests	3,652	3,636
Total net assets	20,576	19,746
Total liabilities and net assets	274,605	282,843

(2) Consolidated quarterly statements of income
(Three-month period ended June 30, 2009)

(Unit: Millions of yen)

	Three-month period ended June 30, 2008 (April 1, 2008 to June 30, 2008)	Three-month period ended June 30, 2009 (April 1, 2009 to June 30, 2009)
Net sales	52,605	42,539
Cost of sales	43,692	34,797
Gross profit	8,912	7,742
Selling, general and administrative expenses	7,756	6,655
Operating income	1,155	1,086
Non-operating income		
Interest income	79	62
Dividends income	70	64
Gain on sales of investment securities	-	164
Equity in earnings of affiliates	31	-
Other	1,269	365
Total non-operating income	1,451	657
Non-operating expenses		
Interest expenses	971	911
Equity in losses of affiliates	-	94
Other	630	625
Total non-operating expenses	1,601	1,631
Ordinary income	1,005	112
Extraordinary income		
Gain on sales of noncurrent assets	31	10
Total extraordinary income	31	10
Extraordinary loss		
Loss on disposal of noncurrent assets	182	176
Business structure improvement expenses	257	135
Other	152	18
Total extraordinary loss	592	330
Quarterly net income (loss) before income taxes	445	(207)
Income taxes-current	117	94
Income taxes-deferred	186	(266)
Total income taxes	304	(171)
Minority interests in income (loss)	18	(90)
Quarterly net income	122	54

(3) Consolidated quarterly statements of cash flows

(Unit: Millions of yen)

	Three-month period ended June 30, 2008 (April 1, 2008 to June 30, 2008)	Three-month period ended June 30, 2009 (April 1, 2009 to June 30, 2009)
Net cash provided by (used in) operating activities		
Quarterly net income (loss) before income taxes	445	(207)
Depreciation and amortization	1,711	1,628
Increase (decrease) in allowance for doubtful accounts	22	(15)
Increase (decrease) in provision for business structure improvement	-	(986)
Interest expenses	971	911
Loss (gain) on sales of investment securities	-	(164)
Decrease (increase) in notes and accounts receivable-trade	6,459	5,215
Decrease (increase) in inventories	(1,928)	2,897
Increase (decrease) in notes and accounts payable-trade	(2,686)	(5,326)
Other	(2,365)	(398)
Sub-total	2,628	3,554
Interest and dividends income received	157	143
Interest expenses paid	(558)	(688)
Income taxes paid	(717)	(456)
Net cash provided by (used in) operating activities	1,509	2,553
Net cash provided by (used in) investment activities		
Decrease (increase) in time deposits	31	22
Purchase of investment securities	(5)	(11)
Proceeds from sales of investment securities	-	330
Purchase of property, plant and equipment	(1,984)	(905)
Proceeds from sales of property, plant and equipment	207	18
Other	(193)	(55)
Net cash provided by (used in) investment activities	(1,944)	(601)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(744)	594
Proceeds from long-term loans payable	7,640	4,641
Repayment of long-term loans payable	(5,913)	(6,297)
Cash dividends paid	(892)	(1)
Other	(177)	(85)
Net cash provided by (used in) financing activities	(87)	(1,147)
Effect of exchange rate change on cash and cash equivalents	(313)	158
Net increase (decrease) in cash and cash equivalents	(835)	961
Cash and cash equivalents at beginning of period	13,209	9,275
Cash and cash equivalents at end of period	12,374	10,237

- (4) Notes on going concern assumption
Not applicable

- (5) Segment information

[Segment information by business]

Three-month period ended June 30, 2008 (April 1, 2008 to June 30, 2008)

	Polymers (Millions of yen)	Environmental Business/Advance d Materials (Millions of yen)	Fibers & Textiles (Millions of yen)	Health & Amenity, Others (Millions of yen)	Total (Millions of yen)	Elimination or corporate (Millions of yen)	Consolidated total (Millions of yen)
Net sales							
(1) Net sales to outside customers	17,818	7,067	23,587	4,132	52,605	-	52,605
(2) Inter-segment sales or transfers	941	192	208	820	2,164	(2,164)	-
Total	18,759	7,259	23,795	4,953	54,769	(2,164)	52,605
Operating income (loss)	1,466	(15)	60	191	1,702	(546)	1,155

Three-month period ended June 30, 2009 (April 1, 2009 to June 30, 2009)

	Polymers (Millions of yen)	Environmental Business/Advance d Materials (Millions of yen)	Fibers & Textiles (Millions of yen)	Health & Amenity, Others (Millions of yen)	Total (Millions of yen)	Elimination or corporate (Millions of yen)	Consolidated total (Millions of yen)
Net sales							
(1) Net sales to outside customers	1,395	5,296	18,432	4,835	42,539	-	42,539
(2) Inter-segment sales or transfers	463	6	99	791	1,361	(1,361)	-
Total	14,438	5,303	18,531	5,627	43,901	(1,361)	42,539
Operating income (loss)	1,609	106	(497)	376	1,594	(507)	1,086

[Segment information by geographic area]

Three-month period ended June 30, 2008 (April 1, 2008 to June 30, 2008) and three-month period ended June 30, 2009 (April 1, 2009 to June 30, 2009)

Segment information by geographic area is omitted since sales in Japan exceed 90% of total sales of all segments.

[Overseas sales]

Three-month period ended June 30, 2008 (April 1, 2008 to June 30, 2008)

I. Overseas sales (million yen)	8,133
II. Consolidated sales (million yen)	52,605
III. Ratio of overseas sales to consolidated sales (%)	15.5

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

Three-month period ended June 30, 2009 (April 1, 2009 to June 30, 2009)

I. Overseas sales (million yen)	5,078
II. Consolidated sales (million yen)	42,539
III. Ratio of overseas sales to consolidated sales (%)	11.9

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

- (6) Notes on significant changes in the amount of shareholders' equity
Not applicable