

Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2011

August 4, 2010

Listed stock exchanges: Tokyo Stock Exchange, Osaka Securities Exchange

Company name: Unitika Ltd.

Code number: 3103

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Expected submission of quarterly report: August 13, 2010

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 to nearest million yen.)

1. Consolidated performance for 1st quarter of fiscal year ending March 31, 2011 (April 1, 2010 to June 30, 2010)

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

	Net sales		Operating income		Ordinary income		Quarterly net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1 of FY ending March 31, 2011	44,681	5.0	1,976	81.9	969	764.9	56	3.3
Q1 of FY ended March 31, 2010	42,539	(19.1)	1,086	(6.0)	112	(88.9)	54	(55.7)

	Quarterly net income per share		Quarterly net income per share after full dilution	
	Yen		Yen	
Q1 of FY ending March 31, 2011	0.12		-	
Q1 of FY ended March 31, 2010	0.11		-	

(2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Q1 of FY ending March 31, 2011	269,749	23,656	7.4	41.87
FY ended March 31, 2010	277,196	23,519	7.2	41.70

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2011: 19,906 million yen
Fiscal year ended March 31, 2010: 19,823 million yen

2. Dividend payment

(Base date)	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2010	-	0.00	-	0.00	0.00
FY ending March 31, 2011	-				
FY ending March 31, 2011 (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, 2011 (April 1, 2010 to March 31, 2011)

(% figures 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	%	Millions of yen
6-month period ending September 30, 2010 (accumulation)	90,000	(0.3)	4,000	1.5	2,000	4.2	1,500	143.2	3.16
FY ending March 31, 2011	190,000	4.3	11,500	34.6	7,000	56.4	6,000	97.6	12.62

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

4. Others (For details, please refer to 2. *Other Information* on page 3 of the attachment.)

(1) Changes in significant subsidiaries during the period: No

(Note) Changes in specified subsidiaries accompanying change of scope of consolidation during the period

(2) Application of simplified accounting treatment and specific accounting treatment: Yes

(Note) Application of simplified accounting treatment and specific accounting treatment to prepare consolidated quarterly financial statements

(3) Change in accounting principles, procedures and method of presentation

① Changes associated with revision in accounting standards: Yes

② Changes other than ①: No

(Note) Changes in accounting principles, procedures and method of presentation for preparation of consolidated quarterly financial statements described in *Changes in Basic Important Matters for Preparation of Consolidated Quarterly Financial Statements*

(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, 2011: 475,969,000 shares

Fiscal year ended March 31, 2010: 475,969,000 shares

② Number of treasury stocks at end of term

1st quarter of the fiscal year ending March 31, 2011: 549,507 shares

Fiscal year ended March 31, 2010: 546,728 shares

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

1st quarter of the fiscal year ending March 31, 2011: 475,420,533 shares

1st quarter of the fiscal year ended March 31, 2010: 475,535,087 shares

* Information on implementation of quarterly review procedures

The summary of financial statements is not subject to quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosing the summary of financial statements, the quarterly financial statement review procedures have been implemented.

* 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 assumptions used as a basis for forecasting business performance and precautionary statements when using the forecast, please refer to 1. *Qualitative Information on Quarterly Consolidated Performance*, (3) *Qualitative Information on the Forecast of Consolidated Performance* on page 3 of the attachment.

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1. Qualitative Information on Quarterly Consolidated Performance

(1) Qualitative information on consolidated performance

In the first quarter of the fiscal year ending March 31, 2011 (April 1, 2010 to June 30, 2010), economic recovery slowed, with domestic demand such as consumer spending and capital expenditures remaining anemic and exports to Asian countries losing momentum. In such an environment, the Unitika Group saw its earnings improve against the backdrop of sales recovery: net sales of 44,681 million yen (up 5.0% year-on-year), operating income of 1,976 million yen (up 81.9% year-on-year), ordinary income of 969 million yen (up 764.9% year-on-year), and net income of 56 million yen (up 3.3% year-on-year). Here is a summary of the business by segment.

[Polymers]

In the film business, shipment of package films recovered and orders for industrial-use films increased. However, a rise in raw material prices, mainly nylon, affected profitability. In the resins business, demand from the automobile and the electric and electronics fields remained robust, while orders for polyarylate resins recovered. In the nonwoven fabrics business, sales of spunbond products for building materials use stagnated, while those for agricultural use grew steadily. Sales of spunlace for cosmetics and sundry goods remained solid.

[Advanced Materials]

In the glass fiber business, sales of glass cloth for industrial materials use were sluggish, due to weak demand in major applications such as the building and civil engineering fields, with some exceptions. Shipment of IC cloth recovered because its orders gradually increased. However, profitability did not improve so much since their selling prices did not rebound. Sales of activated carbon fibers for use in automobile gas-phase and waste liquid treatment remained robust. Meanwhile, sales of glass beads for reflective materials use to Asian countries were strong.

[Fibers & Textiles]

In the industrial fibers and textiles business, sales of vinylon fibers for reinforced concrete use in Europe were slow to recover. Although the division tried to expand its sales in emerging countries, it failed to improve profitability due to declining selling prices and the yen's appreciation. Sales of highly resistant synthetic thread for the building and civil engineering fields and short-fiber polyester for the automobile field were strong. In the garment fibers and textiles business, sales for the functional sportswear and office uniforms fields, in particular, rebounded, despite a delay in full-fledged recovery of earnings.

[Others]

In the environment business, the division saw demands from the public sector remain weak due to the lingering difficult economic situation. In such a situation, the division strived to maintain profitability by reducing costs further and focusing on the maintenance field. In the medical business, sales of catheters for the circulatory system grew steadily and sales of enzymes recovered, but the NHI reimbursement price revision affected the division's earnings. In the health & amenity business, sales of functional dietary materials, such as Ceramide, increased favorably. In the real estate-related business, sales of condominiums were solid.

(2) Qualitative information on consolidated financial positions

Total assets decreased by 7,446 million yen from the end of the previous fiscal year to 269,749 million yen. This was mainly due to a decrease in cash and deposits. Liabilities decreased by 7,583 million yen from the end of the previous fiscal year to 246,093 million yen. This is mainly due to a decrease in loans payable. Net assets increased by 136 million yen from the end of the previous fiscal year to 23,656 million yen. This is mainly attributable to an increase in retained earnings.

Here is a summary of the cash flows situation.

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

Net cash used in operating activities amounted to 646 million yen (net cash of 2,553 million yen provided during the same period last year) due to an increase in notes and accounts receivable-trade during the first quarter of the fiscal year ending March 31, 2011.

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

Net cash used in investment activities amounted to 702 million yen (net cash of 601 million yen used during the same period last year) due to capital expenditures of 1,198 million yen during the first quarter of the fiscal year ending March 31, 2011.

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

Net cash used in financing activities amounted to 4,899 million yen (net cash of 1,147 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, 2011.

Consequently, cash and cash equivalents at the end of the first quarter of the fiscal year ending March 31, 2011 decreased 6,263 million yen from the end of the previous fiscal year to 13,897 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, 2011 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 14, 2010.

2. Other Information

(1) Changes in significant subsidiaries

Not applicable

(2) Summary of simplified accounting method and special accounting practices

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

(3) Summary of changes in accounting principles, procedures and presentations

(Changes in accounting principles and procedures)

Effective from the first quarter of the fiscal year ending March 31, 2011, *Accounting Standards for Asset Retirement Obligations* (ASBJ Statement No. 18, issued March 31, 2008) and *Guidance on Accounting Standards for Asset Retirement Obligations* (ASBJ Guidance No. 21, issued March 31, 2008) have been applied. Consequently, operating income, ordinary income, and income before income taxes decreased by 3 million yen, 4 million yen, and 155 million yen, respectively.

(Change in presentation of financial statements)

Consolidated statements of cash flow

Gain (loss) on sales of investment securities, which was stated in net cash from operating activities, is included in *Other, net* in the three-month period of the fiscal year ended June 30, 2010, because its quantitative materiality diminished. *Gain (loss) on sales of investment securities* included in *Other, net* is 0 million yen in the aforementioned period.

Meanwhile, *Cash dividends paid*, which was stated in net cash from financing activities, is included in *Other, net* in the three-month period of the fiscal year ended June 30, 2010, because its quantitative materiality diminished. *Cash dividends paid* included in *Other, net* is 0 million yen in the aforementioned period.

3. Quarterly financial statements

(1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	End of Q1 of FY ending March 2010 (June 30, 2010)	Condensed consolidated balance sheet for previous FY (March 31, 2010)
Assets		
Current assets		
Cash and deposits	13,938	20,199
Notes and accounts receivable-trade	42,736	39,361
Merchandise and finished goods	27,210	28,262
Work in process	14,524	16,676
Raw materials and supplies	4,207	3,920
Other	5,090	5,336
Allowance for doubtful accounts	(194)	(175)
Total current assets	107,512	113,581
Noncurrent assets		
Property, plant and equipment		
Land	104,606	104,452
Other (net value)	49,579	50,280
Total property, plant and equipment	154,186	154,732
Intangible assets		
Goodwill	68	90
Other	629	630
Total intangible assets	698	720
Investments and other assets		
Other	7,996	8,741
Allowance for doubtful accounts	(644)	(579)
Total investments and other assets	7,351	8,161
Total noncurrent assets	162,236	163,615
Total assets	269,749	277,196

(Unit: Millions of yen)

	End of Q1 of FY ending March 2010 (June 30, 2010)	Condensed consolidated balance sheet for previous FY (March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	23,641	24,971
Short-term loans payable	73,929	77,668
Current portion of long-term loans payable	32,406	31,436
Current portion of bonds	400	400
Income taxes payable	451	322
Provision for bonuses	617	1,085
Provision for loss on construction contracts	5	1
Provision for warranties for completed construction	7	29
Provision for business structure improvement	981	1,118
Other	10,714	11,597
Total current liabilities	143,155	148,631
Noncurrent liabilities		
Long-term loans payable	81,970	83,875
Provision for retirement benefits	4,512	4,318
Provision for directors' retirement benefits	86	170
Other	16,368	16,681
Total noncurrent liabilities	102,938	105,045
Total liabilities	246,093	253,676
Net assets		
Shareholders' equity		
Capital stock	23,798	23,798
Capital surplus	1,661	1,661
Retained earnings	(4,329)	(4,734)
Treasury stock	(54)	(54)
Total shareholders' equity	21,075	20,670
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(455)	(429)
Deferred gains or losses on hedges	(3)	3
Revaluation reserve for land	2,450	2,799
Foreign currency translation adjustment	(3,160)	(3,219)
Total valuation and translation adjustments	(1,168)	(846)
Minority interests	3,749	3,695
Total net assets	23,656	23,519
Total liabilities and net assets	269,749	277,196

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

	(Unit: Millions of yen)	
	Three-month period ended June 30, 2009 (April 1, 2009 to June 30, 2009)	Three-month period ended June 30, 2010 (April 1, 2010 to June 30, 2010)
Net sales	42,539	44,681
Cost of sales	34,797	36,537
Gross profit	7,742	8,143
Selling, general and administrative expenses	6,655	6,166
Operating income	1,086	1,976
Non-operating income		
Interest income	62	57
Dividends income	64	64
Gain on sales of investment securities	164	—
Other	365	344
Total non-operating income	657	466
Non-operating expenses		
Interest expenses	911	920
Equity in losses of affiliates	94	15
Other	625	537
Total non-operating expenses	1,631	1,474
Ordinary income	112	969
Extraordinary income		
Gain on sales of noncurrent assets	10	292
Total extraordinary income	10	292
Extraordinary loss		
Loss on disposal of noncurrent assets	176	133
Loss on valuation of investment securities	—	220
Business structure improvement expenses	135	99
Environmental expenses	—	206
Other	18	335
Total extraordinary loss	330	995
Income (loss) before income taxes and minority interests	(207)	266
Income taxes-current	94	336
Income taxes-deferred	(266)	(164)
Total income taxes	(171)	172
Income before minority interests	—	93
Minority interests in income (loss)	(90)	37
Net income	54	56

(3) Consolidated quarterly statements of cash flows

(Unit: Millions of yen)

	Three-month period ended June 30, 2009 (April 1, 2009 to June 30, 2009)	Three-month period ended June 30, 2010 (April 1, 2010 to June 30, 2010)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(207)	266
Depreciation and amortization	1,628	1,525
Increase (decrease) in allowance for doubtful accounts	(15)	109
Increase (decrease) in provision for business structure improvement	(986)	(136)
Interest expenses	911	920
Loss (gain) on sales of investment securities	(164)	—
Decrease (increase) in notes and accounts receivable-trade	5,215	(3,346)
Decrease (increase) in inventories	2,897	2,944
Increase (decrease) in notes and accounts payable-trade	(5,326)	(1,359)
Other, net	(398)	(896)
Subtotal	3,554	25
Interest and dividends income received	143	369
Interest expenses paid	(688)	(726)
Income taxes paid	(456)	(315)
Net cash provided by (used in) operating activities	2,553	(646)
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	22	(2)
Purchase of investment securities	(11)	(5)
Proceeds from sales of investment securities	330	14
Purchase of property, plant and equipment	(905)	(1,198)
Proceeds from sales of property, plant and equipment	18	518
Other	(55)	(29)
Net cash provided by (used in) investing activities	(601)	(702)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	594	(3,847)
Proceeds from long-term loans payable	4,641	4,230
Repayment of long-term loans payable	(6,297)	(5,171)
Cash dividends paid	(1)	—
Other	(85)	(110)
Net cash provided by (used in) financing activities	(1,147)	(4,899)
Effect of exchange rate change on cash and cash equivalents	158	(14)
Net increase (decrease) in cash and cash equivalents	961	(6,263)
Cash and cash equivalents at beginning of period	9,275	20,160
Cash and cash equivalents at end of period	10,237	13,897

- (4) Notes on going concern assumption
Not applicable

(5) Segment information

[Segment information by business]

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

	Polymers (Millions of yen)	Environmental Business/ Advanced 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	13,975	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, 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, 2009 (April 1, 2009 to June 30, 2009)

I. Overseas sales (Millions of yen)	5,078
II. Consolidated sales (Millions of 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.

[Segment Information]

Information on net sales, income or loss by reportable segment

Three-month period ended June 30, 2010 (April 1, 2010 to June 30, 2010)

(Unit:Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Figure in quarterly consolidated statements of income (Note 3)
	Polymers	Advanced Materials	Fibers & Textiles	Total				
Net sales								
Net sales to outside customers	16,388	3,680	18,537	38,606	6,074	44,681	-	44,681
Inter-segment sales or transfers	2	-	40	43	389	432	(432)	-
Total	16,391	3,680	18,577	38,649	6,464	45,113	(432)	44,681
Segment income (loss)	2,418	358	(105)	2,670	(53)	2,617	(641)	1,976

(Notes) 1. *Other* includes the Environmental Business, Medical Business, Health & Amenity Business, and Real Estate-related Business.

2. The adjustment of 641 million yen for *Segment income (loss)* includes corporate expenses that are not allocated to each reportable segment.

3. *Segment income (loss)* is adjusted with operating income in quarterly consolidated statements of income.

(Additional information)

Effective from the first quarter of the fiscal year ending March 31, 2011, *Accounting Standards for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No. 17, issued March 27, 2009) and *Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Guidance No. 20, issued March 21, 2008) have been applied.

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