

Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2009

August 5, 2008

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: Otofumi Onishi, President and Chief Executive Officer

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Expected submission of quarterly report: August 13, 2008

(Figures less than one million yen were omitted.)

1. Consolidated performance for 1st quarter of fiscal year ending March 31, 2009 (April 1, 2008 to June 30, 2008)

(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, 2009 | 52,605 | - | 1,155 | - | 1,005 | - | 122 | - |
| Q1 of FY ended March 31, 2008 | 54,635 | 7.6 | 2,259 | 32.4 | 2,458 | 80.1 | 1,658 | 224.9 |

| | Quarterly net income per share | | Quarterly net income per share after full dilution | |
|--------------------------------|--------------------------------|--|--|--|
| | Yen | | Yen | |
| Q1 of FY ending March 31, 2009 | 0.26 | | - | |
| Q1 of FY ended March 31, 2008 | 3.49 | | - | |

(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, 2009 | 304,863 | 34,942 | 10.3 | 65.74 |
| FY ended March 31, 2008 | 309,043 | 38,378 | 10.9 | 70.67 |

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2009: 31,264 million yen Fiscal year ended March 31, 2008: 33,611 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, 2008 | | - | - | - | 2.00 | 2.00 |
| FY ending March 31, 2009 | | - | - | - | - | - |
| FY ending March 31, 2009 (forecast) | | - | - | - | 2.00 | 2.00 |

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

3. Forecast of consolidated performance for fiscal year ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(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 | % | Million yen |
| Six-month period ending September 30, 2008 | 115,000 | - | 4,500 | - | 2,500 | - | 500 | - | 1.05 |
| Fiscal year ending March 31, 2009 | 245,000 | 4.4 | 13,000 | 12.5 | 9,000 | 12.3 | 4,000 | 157.9 | 8.41 |

(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

Included: (Company name:) Excluded: (Company name:)

(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] and "4. Others" on page 3.

(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: Yes

(Note) For details, please refer to [Qualitative information and financial statements] and "4. Others" on page 3.

(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, 2009: 475,969,000 shares

Fiscal year ended March 31, 2008: 475,969,000 shares

② Number of treasury stocks at end of term

1st quarter of the fiscal year ending March 31, 2009: 401,602 shares

Fiscal year ended March 31, 2008: 393,124 shares

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

1st quarter of the fiscal year ending March 31, 2009: 475,572,018 shares

1st quarter of the fiscal year ended March 31, 2008: 475,616,095 shares

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

1. The forward-looking statements in this document concerning the forecast of performance for the fiscal year ending March 31, 2009 are based on currently available information and the company's assumptions to be considered reasonable. The actual performance may be significantly different from the forecast due to various factors.

2. Effective from the fiscal year ending March 31, 2009, "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12) and "Implementation Guidance for Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14) have been applied. The quarterly consolidated financial statements were prepared in accordance with "Regulations for Quarterly Consolidated Financial Statements."

[Qualitative information and financial statements]

1. Qualitative information on consolidated performance

With higher natural resource prices and rising concerns over inflation, there were growing signs of a deceleration in growth. As a result, in the first quarter of the fiscal year ending March 31, 2009 (from April 1, 2008 to June 30, 2008), net sales amounted to 52,605 million yen, operating income totaled 1,155 million yen, ordinary income came to 1,005 million yen, and quarterly net income was 122 million yen. The company saw its sales and profits decrease.

Summary of business by segment

[Polymers]

In the film business, price revision and cost reduction contributed to an improvement in profitability of nylon film in the overseas market. Sale volumes increased, but price revision could not keep up with jumps in raw material and fuel prices in the domestic market. In the resin business, profitability as a whole deteriorated due to a decline in demand from the automobile industry and jumps in raw material and fuel prices. In the nonwoven fabrics business, shipment of polyester spunbond remained sluggish for construction and civil engineering use, but shipment of cotton spunlace remained steady.

[Environmental Business/Advanced Materials]

In the environmental business, further intensifying competition and soaring material prices significantly squeezed the profit margin on engineering works, preventing the company from securing sufficient profits to cover costs for sales. In the advanced materials business, shipment of activated carbon fibers grew, but shipment of glass fibers was generally slow for industrial materials use including engineering works. Shipment of IC cloth continued to be affected by inventory adjustment.

[Fibers & Textiles]

In the synthetic fiber business, shipment of long staple polyester and nylon fibers was sluggish for clothing use excluding some sportswear. Their shipment declined for industrial material use such as in the construction and automobile industries. Shipment of vinylon fibers was robust for reinforced concrete use with some price revisions. In the natural fiber business, shipment of corporate uniforms remained weak and the business as a whole was very severe with no improvement in the market condition in sight.

[Health & Amenity, Others]

In the health & amenity business, shipment of medical and dietary supplement products almost moved as planned. In other businesses, revenue from the real estate business including sales of condominiums decreased.

2. Qualitative information on consolidated financial positions

Total assets amounted to 304,863 million yen, a decrease of 4,180 million from the end of the previous fiscal year. This is mainly due to a decrease in notes and accounts receivable-trade. Liabilities totaled 269,921 million yen, a decrease of 743 million yen from the end of the previous fiscal year. This is mainly due to a decrease in notes and accounts payable-trade. Net assets amounted to 34,942 million yen, a decrease of 3,436 million yen from the end of the previous fiscal year. This is mainly because a decrease in foreign currency translation adjustment caused by yen appreciation and a decrease in minority interests caused by additional purchases of subsidiaries' equities.

3. Qualitative information on the forecast of consolidated performance

Since the performance for the first quarter of the fiscal year ending March 31, 2009 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 9, 2008.

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 Effective from the fiscal year ending March 31, 2009, “Accounting Standard for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14) have been applied. The quarterly consolidated financial statements were prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”
- ② Effective from the first quarter of the consolidated fiscal year ending March 31, 2009, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18 on May 17, 2006) has been applied. Accordingly, some revisions were made to consolidated accounts, as necessary. Consequently, total assets and net assets at the end of the first quarter of the consolidated fiscal year decreased 574 million yen and 658 million yen, respectively, from those obtained by the previous method. There was only minor impact on operating income, ordinary income and quarterly net income before income taxes.
- ③ Finance lease transactions without title transfer were formerly accounted for in accordance with the method conforming to ordinary rental transactions. “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 [Business Accounting Council, First Committee on June 17, 1993] revised on March 30, 2007) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 [Japanese Institute of Certified Public Accountants, Committee of Accounting System on January 18, 1994] revised on March 30, 2007) have become applicable to the preparation of quarterly consolidated financial statements for consolidated fiscal years commencing on and after April 1, 2008. Effective from the first quarter of the consolidated fiscal year ending March 31, 2009, these standards have been applied and finance lease transactions without title transfer were accounted for in a similar manner with ordinary sale and purchase transactions.
Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value. There is no impact on operating income, ordinary income and quarterly net income before income taxes from the revision.
- (Additional information)
- ④ The company revised its employee severance payment plan on April 1, 2008, shifting part of future payment of pension benefits to the defined contribution plan from the defined benefit plan. Consequently, past service liabilities (reduction of liabilities) of 652 million yen were incurred.
- ⑤ Taking advantage of the revision of ministerial ordinances on useful life, the company and some of its consolidated subsidiaries reviewed use of its assets and shortened useful life of some machines and equipment from ten years to seven years in the first quarter of the fiscal year ending March 31, 2009. There was only minor impact on operating income, ordinary income and quarterly net income before income taxes.

5. Quarterly financial statements

(1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

| | End of Q1 of FY ending March 2009 (June 30, 2008) | Condensed consolidated balance sheet for previous FY (March 31, 2008) |
|-------------------------------------|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 13,177 | 13,045 |
| Notes and accounts receivable-trade | 43,608 | 50,039 |
| Merchandise and finished goods | 40,840 | 39,171 |
| Work in process | 18,277 | 18,167 |
| Raw materials | 3,542 | 3,344 |
| Supplies | 1,561 | 1,538 |
| Other | 8,541 | 8,536 |
| Allowance for doubtful accounts | (54) | (65) |
| Total current assets | 129,494 | 133,779 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Land | 106,509 | 107,382 |
| Other (net value) | 57,536 | 56,629 |
| Total property, plant and equipment | 164,045 | 164,012 |
| Intangible assets | | |
| Goodwill | 513 | 554 |
| Other | 901 | 944 |
| Total intangible assets | 1,414 | 1,498 |
| Investments and other assets | | |
| Total investments and other assets | 9,909 | 9,753 |
| Total noncurrent assets | 175,368 | 175,264 |
| Total assets | 304,863 | 309,043 |

(Unit: Millions of yen)

| | End of Q1 of FY ending March 2009 (June 30, 2008) | Condensed consolidated balance sheet for previous FY (March 31, 2008) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 35,672 | 38,385 |
| Short-term loans payable | 71,742 | 72,273 |
| Current portion of long-term loans payable | 56,298 | 56,489 |
| Current portion of bonds | 400 | 400 |
| Income taxes payable | 410 | 952 |
| Provision for bonuses | 1,277 | 2,265 |
| Provision for warranties for completed construction | 13 | 116 |
| Other | 17,096 | 15,290 |
| Total current liabilities | 182,910 | 186,172 |
| Noncurrent liabilities | | |
| Bonds payable | 800 | 800 |
| Long-term loans payable | 64,460 | 62,823 |
| Provision for retirement benefits | 3,684 | 3,483 |
| Provision for directors' retirement benefits | 395 | 408 |
| Other | 17,670 | 16,977 |
| Total noncurrent liabilities | 87,010 | 84,492 |
| Total liabilities | 269,921 | 270,665 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 23,798 | 23,798 |
| Capital surplus | 1,661 | 1,661 |
| Retained earnings | 6,284 | 7,196 |
| Treasury stock | (44) | (43) |
| Total shareholders' equity | 31,699 | 32,612 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | (46) | (120) |
| Deferred gains or losses on hedges | (5) | (11) |
| Revaluation reserve for land | 2,914 | 3,484 |
| Foreign currency translation adjustment | (3,297) | (2,354) |
| Total valuation and translation adjustments | (434) | 998 |
| Minority interests | 3,677 | 4,767 |
| Total net assets | 34,942 | 38,378 |
| Total liabilities and net assets | 304,863 | 309,043 |

(2) Consolidated quarterly statements of income
(3-month period ended June 30, 2008)

| | (Unit: Millions of yen) |
|--|--|
| | 3-month period ended June 30, 2008 (April 1, 2008 to June 30, 2008) |
| Net sales | 52,605 |
| Cost of sales | 43,692 |
| Gross profit | 8,912 |
| Selling, general and administrative expenses | 7,756 |
| Operating income | 1,155 |
| Non-operating income | |
| Interest income | 79 |
| Dividends income | 70 |
| Equity in earnings of affiliates | 31 |
| Other | 1,269 |
| Total non-operating income | 1,451 |
| Non-operating expenses | |
| Interest expenses | 971 |
| Other | 630 |
| Total non-operating expenses | 1,601 |
| Ordinary income | 1,005 |
| Extraordinary income | |
| Gain on sales of noncurrent assets | 31 |
| Total extraordinary income | 31 |
| Extraordinary loss | |
| Loss on disposal of noncurrent assets | 182 |
| Business structure improvement expenses | 257 |
| Other | 152 |
| Total extraordinary loss | 592 |
| Quarterly net income before income taxes | 445 |
| Income taxes-current | 117 |
| Income taxes-deferred | 186 |
| Total income taxes | 304 |
| Minority interests in income | 18 |
| Quarterly net income | 122 |

Effective from the fiscal year ending March 2009, “Accounting Standard for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14) have been applied. The quarterly consolidated financial statements were prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”

(3) Notes on going concern assumption
Not applicable

(4) Segment information

a. Segment information by business

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

(Unit: Millions of yen)

| | Polymers | Environmental Business/Advanced Materials | Fibers & Textiles | Health & Amenity, Others | Total | Elimination or corporate | Consolidated total |
|--------------------------------------|----------|---|----------------------|--------------------------------|--------|-----------------------------|-----------------------|
| Net sales and operating revenue | | | | | | | |
| I. 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 |
| II. Operating expenses | 17,293 | 7,274 | 23,735 | 4,762 | 53,066 | (1,617) | 51,449 |
| Operating income | 1,466 | (15) | 60 | 191 | 1,702 | (546) | 1,155 |

(Note) Of operating expenses, the amount of unallocatable operating expenses included in elimination or corporate amounted to 600 million yen.

b. Segment information by geographic area

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

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

c. 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) Only total overseas sales were provided since there were no segments whose overseas sales exceeded 10% of consolidated sales.

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

“Reference material”

Financial statements for the 1st quarter of the previous fiscal year

(1) (Condensed) Consolidated quarterly statements of income

| Account title | 3-month period ended June 30, 2007 (April 1, 2007 to June 30, 2007) |
|---|--|
| | Amount (million yen) |
| I. Net Sales | 54,635 |
| II. Cost of sales | 44,660 |
| Gross profit | 9,974 |
| III. Selling, general and administrative expenses | 7,714 |
| Operating income | 2,259 |
| IV. Non-operating income | |
| Interest and dividends income | 162 |
| Equity in earnings of affiliates | 457 |
| Other | 1,251 |
| Total non-operating income | 1,870 |
| V. Non-operating expenses | |
| Interest expenses | 996 |
| Other | 675 |
| Total non-operating expenses | 1,671 |
| Ordinary income | 2,458 |
| VI Extraordinary income | 1,249 |
| VII Extraordinary loss | 475 |
| Quarterly net income before income taxes | 3,232 |
| Tax expenses | 1,650 |
| Minority interests in income | (77) |
| Quarterly net income | 1,658 |

(2) Segment information

Segment information by business

Three-month period ended June 30, 2007 (April 1, 2007 to June 30, 2007)

(Unit: Millions of yen)

| | Polymers | Environmental Business /Advanced Materials | Fibers & Textiles | Health & Amenity, Others | Total | Elimination or corporate | Consolidated total |
|--------------------------------------|----------|---|----------------------|--------------------------------|--------|-----------------------------|-----------------------|
| Net sales and operating revenue | | | | | | | |
| I. Net sales | | | | | | | |
| (1) Net sales to outside customers | 16,931 | 6,574 | 25,086 | 6,041 | 54,635 | - | 54,635 |
| (2) Inter-segment sales or transfers | 976 | 139 | 159 | 765 | 2,040 | (2,040) | - |
| Total | 17,908 | 6,713 | 25,246 | 6,807 | 56,675 | (2,040) | 54,635 |
| II. Operating expenses | 16,062 | 6,424 | 25,182 | 6,150 | 53,820 | (1,444) | 52,375 |
| Operating income | 1,845 | 289 | 63 | 656 | 2,855 | (595) | 2,259 |

(Note) Of operating expenses, the amount of unallocatable operating expenses included in elimination or corporate amounted to 586 million yen.