

# Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2013

August 6, 2012

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 10, 2012

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, 2013 (April 1, 2012 to June 30, 2012)

## (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, 2013	38,883	(12.7)	1,454	(52.2)	559	(73.7)	59	(93.1)
Q1 of FY ended March 31, 2012	44,565	(0.3)	3,040	53.8	2,124	119.2	862	—

(Note) Comprehensive income Q1 of FY ending March 31, 2013: 777 million yen [(26.8) %]  
Q1 of FY ended March 31, 2012: 1,062 million yen [675.6%]

	Quarterly net income per share	Quarterly net income per share after full dilution
	Yen	Yen
Q1 of FY ending March 31, 2013	0.10	—
Q1 of FY ended March 31, 2012	1.74	1.55

## (2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q1 of FY ending March 31, 2013	272,877	32,936	10.8
FY ended March 31, 2012	268,486	32,207	10.6

(Reference) Shareholders' equity 1st quarter of fiscal year ending March 31, 2013: 29,438 million yen  
Fiscal year ended March 31, 2012: 28,511 million yen

## 2. Dividend payment

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2012	—	0.00	—	0.00	0.00
FY ending March 31, 2013	—	—	—	—	—
FY ending March 31, 2013 (forecast)	—	0.00	—	0.00	0.00

(Note) Revision of the latest dividend forecast: None

## 3. Forecast of consolidated performance for fiscal year ending March 31, 2013 (April 1, 2012 to March 31, 2013)

(% 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	%	Yen
6-month period ending September 30, 2012 (accumulation)	83,500	(4.1)	3,500	(28.4)	2,000	(22.9)	300	(71.1)	0.52
FY ending March 31, 2013	175,000	0.2	9,000	(6.1)	6,000	4.3	2,000	54.1	3.47

(Note) Revision of the latest forecasts of operational results: None

\* Notes

- (1) Changes in significant subsidiaries during the period: No
- (2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
  - ① Changes in accounting policies due to revisions of accounting standards: No
  - ② Changes of accounting policies other than the above: No
  - ③ Changes in accounting estimates: No
  - ④ Retrospective restatement: No
- (4) Number of shares outstanding (Common stock)
  - ① Number of shares outstanding at end of term (including treasury stock):
    - 1st quarter of the fiscal year ending March 31, 2013: 577,523,433 shares
    - Fiscal year ended March 31, 2012: 572,960,324 shares
  - ② Number of treasury stocks at end of term
    - 1st quarter of the fiscal year ending March 31, 2013: 757,845 shares
    - Fiscal year ended March 31, 2012: 570,138 shares
  - ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)
    - 1st quarter of the fiscal year ending March 31, 2013: 575,501,163 shares
    - 1st quarter of the fiscal year ended March 31, 2012: 494,795,794 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 forecasting of performance etc. are based on currently available information and assumptions considered by the company to be reasonable. Such statements are neither promises nor guarantees of future performance. The actual performance may be significantly different from the forecast due to various factors. Concerning assumptions used as a basis for forecasting business performance and precautionary statements when using the forecast of performance, please refer to *1. Qualitative Information on Quarterly Results (3) Qualitative information on the forecast of consolidated results* on page 3 of the attachment).

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## 1. Qualitative Information on Quarterly Results

### (1) Qualitative Information on Consolidated Results

In the first quarter of the fiscal year ending March 31, 2013 (April 1, 2012 to June 30, 2012), the outlook for the Japanese economy remained uncertain, because the impact of a subsidy program for eco-friendly cars on the domestic production and sales of automobiles was not large enough to turn things around; the country faced an energy problem against a backdrop of concern over the stable supply of electricity; the Japanese yen continued appreciating; the European sovereign debt crisis was once again on the rise; and there was a slowdown in economic growth in emerging countries including China.

Amid such an environment, the Group reported net sales of 38,883 million yen (down 12.7% year-on-year), operating income of 1,454 million yen (down 52.2% year-on-year), ordinary income of 559 million yen (down 73.7% year-on-year), and net income of 59 million yen (down 93.1% year-on-year). This was because demand in the Polymers business etc., which had dropped since summer 2011, was slow to recover, resulting in a decrease in earnings.

To further enhance the strategic unity and mobility of the Unitika Group, making the best use of the Group's management resources, the Company made Terabo Co., Ltd., a consolidated and listed subsidiary, a wholly-owned subsidiary through a share exchange with an effective date of May 1, 2012. Here is an overview of the business results by segment.

#### [Polymers]

In the Films business, earnings diminished in both the packaging and industrial sectors. This was because shipments in the packaging sector decreased from the same period the year before, the time when demand sharply increased just after the March 11th earthquake, though demand gradually recovered from the adjustment that started from fall 2011; and in the industrial sector, demand from the electric and electronics equipment sectors recovered more slowly compared to the packaging sector. In the Resins business, shipments of nylon for the automobile sector, a major sector, were solid, but shipments of polyester and polyarylate resin for the electric and electronics equipment and office equipment sectors remained sluggish, centering on high-value-added products. That was why earnings decreased. In the Non-Woven Fabric business, earnings fell because shipments of polyester spunbond for general material applications were weak, though those for automobile carpet and civil engineering applications were steady. In addition, shipments of cotton spunlace for wet sheet application remained almost flat on a year-on-year basis.

Consequently, the Polymers business posted operating income of 1,712 million yen (down 40.6% year-on-year) on net sales of 15,148 million yen (down 17.7% year-on-year).

#### [Advanced Materials]

In the Glass Fibers business, shipments for building and civil engineering refurbishment grew solidly in the industrial material sector. However, profitability of IC cloth in the electronic material sector continued deteriorating because of lingering weak market conditions, despite efforts to step up sales of high-value-added products. In the Glass Beads business, shipments for some reflective materials applications were steady, but those for road marking applications were sluggish because of bad weather in some regions. In the Activated Carbon Fibers business, shipments for water purifiers including those built into faucets in Japan were strong, but those for waste water treatment applications overseas including China were weak.

Consequently, the Advanced Materials business posted operating income of 204 million yen (down 43.1% year-on-year) on net sales of 3,489 million yen (down 11.5% year-on-year).

#### [Fibers and Textiles]

In the Industrial Materials business, demand for mainstay ultra-high-strength polyester filament yarn for construction and civil engineering applications remained weak, while sales of short-fiber polyester struggled because of price competition with imported products. The profitability of vinylon fiber did not improve because of lingering weak market conditions in Europe, a main market, despite efforts to expand sales for reinforced concrete applications in emerging countries by seeking new customers. In the Garments, Lifestyle Materials, and Bedding business, shipments of uniforms for public and private customers continued solid, while those of high-functional materials for sportswear and ladies' fashion clothing remained steady.

Consequently, the Fibers and Textiles business posted operating income of 90 million yen (down 80.0% year-on-year) on net sales of 17,390 million yen (down 10.0% year-on-year).

[Others]

In the Health & Amenity business, sales of health food and feeding stuffs were generally solid, while those of functional dietary materials, both domestic and overseas, remained sluggish. In the Medical business, sales of catheters for the treatment of circulatory system diseases struggled in the medical product sector. Sales of clinical diagnostic reagents exceeded the budget, but those of enzymes were weak in the biochemical sector, because orders from overseas customers tended to lag behind schedule. In the Real Estate business, sales of condominiums were relatively firm.

Consequently, the Others category posted operating income of 148 million yen (operating loss of 55 million yen a year earlier) on net sales of 2,855 million yen (down 1.7% year-on-year).

(2) Qualitative information on financial positions

Total assets increased by 4,391 million yen from the end of the previous consolidated fiscal year to 272,877 million yen. This was mainly due to an increase in the notes and accounts receivable-trade. Liabilities grew by 3,662 million yen from the end of the previous consolidated fiscal year to 239,941 million yen. This was mainly due to an increase in loans payable. Net assets increased by 728 million yen from the end of the previous consolidated fiscal year to 32,936 million yen, mainly as a result of an increase in foreign currency translation adjustment.

(3) Qualitative information on the forecast of consolidated results

The Group did not revise its six-month and full-year forecasts of consolidated results announced on May 15, 2012.

2. Matters concerning Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

Not applicable

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements

Not applicable

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatements

Not applicable

## 3. Quarterly Financial Statements

## (1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2012)	Q1 of FY ending March 2013 (June 30, 2012)
Assets		
Current assets		
Cash and deposits	15,361	17,819
Notes and accounts receivable-trade	39,884	44,033
Inventories	47,797	47,296
Other	5,600	4,262
Allowance for doubtful accounts	(217)	(209)
Total current assets	108,425	113,203
Noncurrent assets		
Property, plant and equipment		
Land	104,766	104,374
Other, net	48,378	48,731
Total property, plant and equipment	153,145	153,105
Intangible assets		
Goodwill	21	20
Other	751	784
Total intangible assets	773	805
Investments and other assets		
Other	6,657	6,284
Allowance for doubtful accounts	(515)	(520)
Total investments and other assets	6,141	5,763
Total noncurrent assets	160,060	159,674
Total assets	268,486	272,877

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2012)	Q1 of FY ending March 2013 (June 30, 2012)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	25,191	21,572
Short-term loans payable	69,993	68,049
Current portion of long-term loans payable	34,613	35,419
Income taxes payable	515	136
Provision for bonuses	1,848	909
Provision for loss on construction contracts	23	13
Provision for business structure improvement	142	116
Other	11,693	12,493
<b>Total current liabilities</b>	<b>144,022</b>	<b>138,710</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	68,601	77,734
Provision for retirement benefits	7,189	7,408
Provision for directors' retirement benefits	58	53
Other	16,405	16,034
<b>Total noncurrent liabilities</b>	<b>92,255</b>	<b>101,230</b>
<b>Total liabilities</b>	<b>236,278</b>	<b>239,941</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	26,298	26,298
Capital surplus	4,161	4,385
Retained earnings	(646)	(586)
Treasury stock	(55)	(43)
<b>Total shareholders' equity</b>	<b>29,757</b>	<b>30,052</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	26	3
Deferred gains or losses on hedges	4	(12)
Revaluation reserve for land	2,764	2,764
Foreign currency translation adjustment	(4,041)	(3,369)
<b>Total accumulated other comprehensive income</b>	<b>(1,245)</b>	<b>(614)</b>
<b>Minority interests</b>	<b>3,696</b>	<b>3,497</b>
<b>Total net assets</b>	<b>32,207</b>	<b>32,936</b>
<b>Total liabilities and net assets</b>	<b>268,486</b>	<b>272,877</b>

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income  
 (Consolidated quarterly statements of income)  
 (Three-month period ended June 30, 2012)

(Unit: Millions of yen)

	Three-month period ended June 30, 2011 (April 1, 2011 to June 30, 2011)	Three-month period ended June 30, 2012 (April 1, 2012 to June 30, 2012)
Net sales	44,565	38,883
Cost of sales	35,453	31,599
Gross profit	9,112	7,283
Selling, general and administrative expenses	6,071	5,829
Operating income	3,040	1,454
Non-operating income		
Interest income	46	27
Dividends income	61	51
Other	329	233
Total non-operating income	436	312
Non-operating expenses		
Interest expenses	823	750
Equity in losses of affiliates	39	41
Other	489	415
Total non-operating expenses	1,352	1,207
Ordinary income	2,124	559
Extraordinary income		
Gain on sales of noncurrent assets	16	—
Gain on negative goodwill	—	48
Total extraordinary income	16	48
Extraordinary loss		
Loss on disposal of noncurrent assets	137	84
Loss on valuation of investment securities	7	137
Other	862	128
Total extraordinary loss	1,007	349
Income before income taxes and minority interests	1,133	258
Income taxes-current	69	92
Income taxes-deferred	185	119
Total income taxes	255	211
Income before minority interests	877	46
Minority interests in income (loss)	15	(13)
Net income	862	59



## (Consolidated quarterly statements of comprehensive income)

(Three-month period ended June 30, 2012)

(Unit: Millions of yen)

	Three-month period ended June 30, 2011 (April 1, 2011 to June 30, 2011)	Three-month period ended June 30, 2012 (April 1, 2012 to June 30, 2012)
Income before minority interests	877	46
Other comprehensive income		
Valuation difference on available-for-sale securities	(21)	(23)
Deferred gains or losses on hedges	(37)	(19)
Foreign currency translation adjustment	253	775
Share of other comprehensive income of associates accounted for using equity method	(10)	(2)
Total other comprehensive income	184	730
Quarterly comprehensive income	1,062	777
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	1,015	691
Quarterly comprehensive income attributable to minority interests	46	85

## (3) Notes on going concern assumption

Not applicable

## (4) Notes on significant changes in shareholders' equity

Not applicable

## (5) Segment information

[Segment Information]

Three-month period ended June 30, 2011 (April 1, 2011 to June 30, 2011)

Information on net sales, income or loss by reportable segment

(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	18,397	3,943	19,319	41,661	2,903	44,565	—	44,565
Inter-segment sales or transfers	3	13	45	62	399	461	(461)	—
Total	18,401	3,957	19,365	41,723	3,303	45,027	(461)	44,565
Segment income (loss)	2,884	359	452	3,697	(55)	3,641	(601)	3,040

- (Notes) 1. *Other* includes the Environmental Business, Medical Business, Health & Amenity Business, and Real Estate-related Business.  
2. Adjustment of 601 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.

Three-month period ended June 30, 2012 (April 1, 2012 to June 30, 2012)

## 1. Information on net sales, income or loss by reportable segment

(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	15,148	3,489	17,390	36,028	2,855	38,883	—	38,883
Inter-segment sales or transfers	5	2	61	69	579	648	(648)	—
Total	15,153	3,491	17,452	36,097	3,434	39,532	(648)	38,883
Segment income	1,712	204	90	2,008	148	2,157	(702)	1,454

- (Notes) 1. *Other* includes the Environmental Business, Medical Business, Health & Amenity Business, and Real Estate-related Business.  
2. Adjustment of 702 million yen for segment income includes corporate expenses that are not allocated to each reportable segment.  
3. Segment income is adjusted with operating income presented in quarterly consolidated statements of income.

## 2. Information concerning goodwill, etc. by reportable segment.

(Significant gain on negative goodwill)

The Company posted a gain on negative goodwill in the Polymers business. This was because the acquisition cost of shares in Terabo Co., Ltd. that the Company additionally acquired fell below the amount of the minority interests that decreased due to the additional acquisition. For information, the gain on negative goodwill amounted to 48 million yen in the first quarter of the fiscal year ending March 31, 2013.

(6) Business combinations

The first quarter of the current consolidated fiscal year ending March 31, 2013 (April 1, 2012 to June 30, 2012)

(Transactions under common control)

1. Outline of the transaction

(1) Name and major businesses of the combined entity

Name of the combined entity: Terabo Co., Ltd.

Major businesses of the combined entity: Processing and sale of plastic products (compounds, sheets and pressed products)

(2) Date of business combination

May 1, 2012

(3) Legal form of the business combination

Under the share exchange agreement, the Company became a wholly-owning parent company and Terabo became a wholly-owned subsidiary. The Company implemented the Share Exchange by following the procedures for a simplified share exchange as provided for under paragraph 3 of Article 796 of the Companies Act.

2. Outline of the accounting treatment implemented

The combination was implemented as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008)

3. Acquisition cost and details of shares in a subsidiary additionally acquired by the Company

(1) Acquisition cost: 263 million yen

(2) Details of the acquisition cost: fund to acquire shares of common stock of the Company

4. Share exchange rate by type of stock, calculation method for the share exchange rate and number of issued shares

(1) Share exchange rate by type of issued stock

1.46 shares of common stock of Terabo Co., Ltd. per share of common stock of the Company

(2) Calculation method for the share exchange rate

The Company requested several financial advisors to calculate the share exchange rate. Based on the reports submitted, the parties concerned decided the share exchange rate after consultation.

(3) Number of issued shares

Common stock: 4,963,109 shares of common stock of the Company (including 400,000 shares from treasury stock it owns)

5. Amount of and reason for gain on negative goodwill

(1) Amount of gain on negative goodwill

48 million yen

(2) Reason for gain on negative goodwill

A gain on negative goodwill was posted because the acquisition cost of shares in Terabo Co., Ltd. that the Company additionally acquired fell below the amount of the minority interests that decreased due to the additional acquisition.