

## Financial Results for the 1st Nine-Month Period of the Fiscal Year Ending March 31, 2010

February 5, 2010

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>

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Expected submission of quarterly report: February 12, 2010

Expected commencement date for paying dividend: –

(Figures rounded to nearest million yen.)

### 1. Consolidated performance for 1st nine-month period of the fiscal year ending March 31, 2010 (April 1, 2009 to December 31, 2009)

#### (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	%
1st nine-month period of FY ending March 31, 2010	133,951	(15.0)	6,198	36.8	3,255	107.4	459	—
1st nine-month period of FY ended March 31, 2009	157,514	—	4,530	—	1,570	—	19	—

	Quarterly net income per share	Quarterly net income per share after full dilution
	Yen	Yen
1st nine-month period of FY ending March 31, 2010	0.97	-
1st nine-month period of FY ended March 31, 2009	0.04	-

#### (2) Consolidated financial situation

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1st nine-month period of FY ending March 31, 2010	283,453	20,855	6.1	36.14
FY ended March 31, 2009	282,843	19,746	5.7	33.88

(Reference) Shareholders' equity 1st nine-month period of FY ending March 31, 2010: 17,184 million yen

Fiscal year ended March 31, 2009: 16,109 million yen

### 2. Dividend payment

	Dividend per share				
	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	-	0.00	-	0.00	0.00
FY ending March 31, 2010 (forecast)	-	-	-	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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
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 nine-month period of FY 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 nine-month period of FY ending March 31, 2010: 443,571 shares  
   Fiscal year ended March 31, 2009 : 430,885 shares  
 ③ Average number of shares outstanding during the term (quarterly consolidated accumulated period)  
   1st nine-month period of FY ending March 31, 2010: 475,530,620 shares  
   1st nine-month period of FY ended March 31, 2009 : 475,562,450 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 nine-month period of the current fiscal year ending March 31, 2010 (April 1, 2009 to December 31, 2009), the outlook of the domestic economy remained uncertain, with stagnating capital expenditures, anemic consumer spending, the yen's appreciation and deepening deflation, although there were some visible signs of a recovery in business activity. In such an environment Unitika Group reported net sales of 133,951 million yen (down 15.0% year-on-year), operating income of 6,198 million yen (up 36.8% year-on-year), ordinary income of 3,255 million yen (up 107.4% year-on-year) and quarterly net income of 459 million yen (quarterly net income of 19 million yen in the same period last year). Although net sales declined due to sluggish sales, operating, ordinary and net income increased due to an improvement of profitability through the implementation of restructuring measures.

Here is a summary of business by segment.

#### [Polymers]

The film business as a whole remained steady, since demand for industrial-use film recovered mainly in the electrical and electronics fields and profitability of overseas nylon film business improved, although the recovery of packaging film sales slowed down. In the resin business, shipment to the automobile, electrical and electronics fields was on a recovery path, but orders for polyarylate resins remained sluggish. Consequently, profitability of the resin business didn't improve. In the nonwoven fabrics business, shipment of spunbond fabrics maintained its momentum for the daily-life materials-use and demand from the automobile-related field and roofing-use headed for recovery. However, shipment of spun lace declined.

#### [Environmental Business/Advanced Materials]

In the environmental business, sales continued to decrease, because public demand-related businesses remained weak, due to a decline in order volumes and intensified competition, and private capital expenditures diminished. But profitability recovered thanks to the continuation of business restructuring efforts such as focusing on the water treatment field. In the advanced materials business, shipment of activated carbon fiber was showing strong growth mainly for filter use, but profitability of the glass fibers and IC cloth businesses deteriorated, since sales of glass fibers were affected by declining demand in the building materials and civil engineering fields and the exports of IC cloth dropped for electronics board use. Shipment of glass beads stagnated particularly for reflective materials use.

#### [Fibers & Textiles]

In the synthetic fiber business, sales of long and short-fiber polyester continued to be weak, since demand from general-cloth use was in the doldrums and there was no improvement in shipment for industrial use that had declined due to the economic contraction. Sales of vinylon fiber as a whole, mainly used in the building material field, remained lackluster due to slow recovery in the exports of products for cement reinforcing use. In the natural fiber business, the uniform business showed some improvement in profitability, but the business environment as a whole was very tough. In addition, we have implemented the structural reform measure related to the Fibers and Textiles business according to the schedule. Unitika Trading Co., Ltd., consolidated and established in October 2009, has been making efforts to raise the efficiency of operations and improve its profitability.

#### [Health & Amenity, Others]

In the health & amenity business, orders for konjak ceramide, a functional dietary material of health food, remained strong. In the medical business, sales of catheter-related products were almost in line with the plan. In other business, sales of condominiums remained strong.

### 2. Qualitative information on consolidated financial positions

Total assets increased by 609 million yen from the end of the previous fiscal year to 283,453 million yen, mainly due to an increase in cash and deposits despite a decrease in inventories. Liabilities decreased by 499 million yen from the end of the previous fiscal year to 262,598 million yen, mainly due to a decrease in notes and accounts payable-trade and provision despite an increase in loans payable. Net assets increased by 1,108 million yen from the end of the previous fiscal year to 20,855 million yen, mainly due to an increase in both retained earnings resulting from net income during the period and foreign currency translation adjustments.

Here is a summary of the cash flow situation.

#### (Cash flow from operating activities)

Net cash provided by operating activities amounted to 6,837 million yen (net cash of 2,709 million yen used during the same period last year) due to a decrease in cash inflow—the total of net income before income taxes and depreciation and amortization—and inventories during the first nine-month period of the fiscal year ending March 31, 2010.

(Cash flow from investment activities)

Net cash used in investment activities amounted to 2,320 million yen (net cash of 5,723 million yen used during the same period last year) due to capital expenditures of 2,877 million yen in the first nine-month period of the fiscal year ending March 31, 2010.

(Cash flow from financing activities)

Net cash provided by financing activities amounted to 6,820 million yen (net cash of 11,209 million yen provided in the same period last year) due to an increase in loans payable during the first nine-month period of the fiscal year ending March 31, 2010.

As a result, cash and cash equivalents at the end of the first nine-month period of the fiscal year ending March 31, 2010 increased by 11,719 million yen from the end of the previous fiscal year to 20,995 million yen.

### 3. Qualitative information on the forecast of consolidated performance

Since the performance for the first nine-month period of the fiscal year ending March 31, 2010 was almost in line with the plan, the company maintains its full-year forecast of consolidated performance announced on May 15, 2009 unchanged.

### 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 a construction period of more than one year, and applied 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 has been applied to construction contracts that commenced in the first quarter of the fiscal year for which the percentage of progress by the end of the first nine-month period of the fiscal year can be estimated with reasonable accuracy (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 857 million yen in the first nine-month period of the fiscal year ending March 2010, while operating income, ordinary income and quarterly net income before income taxes each increased by 187 million yen.

(Additional information)

② Regarding contract constructions at the end of the first quarter, the Company recorded a provision for losses on construction contracts from the first quarter of the fiscal year, because losses were anticipated in the future and whose amounts could be reasonably estimated.  
Consequently, operating income, ordinary income and net income before income taxes each decreased by five 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 was 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 three-year 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 positioning 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 management plan by implementing the above measures.

Regarding 17,000 million yen (outstanding balance of 15,850 million yen at the end of the first nine-month period of the fiscal year ending March 31, 2010) out of the above long-term loan agreement, a revised agreement was concluded in September 2009 and the content of the financial covenant has been revised. At the end of the first six-month period of the fiscal year ending March 31, 2010, the Company did not violate its restrictive financial covenant regarding the said long-term loan agreement. This remains unchanged in the first nine-month period of the fiscal year ending March 31, 2010.

Meanwhile, regarding a restrictive financial covenant in the long-term loan agreement for 3,000 million yen (outstanding balance of 1,500 million yen at the end of the first nine-month period of the fiscal year ending March 31, 2010), as a result of each financial institution's decision an agreement was established to refrain from exercising the right of claim acceleration of the loan maturity. This remains unchanged in the first nine-month period of the fiscal year ending March 31, 2010.

## 5. Quarterly financial statements

## (1) Consolidated quarterly balance sheets

(Unit: Millions of yen)

	End of 1st nine-month period of FY ending March 2010 (December 31, 2009)	Condensed consolidated balance sheet for previous FY (March 31, 2009)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	21,041	9,331
Notes and accounts receivable-trade	38,378	36,981
Merchandise and finished goods	31,506	38,592
Work in process	17,742	18,306
Raw materials and supplies	3,925	4,427
Other	6,240	7,574
Allowance for doubtful accounts	(133)	(142)
<b>Total current assets</b>	<b>118,700</b>	<b>115,070</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Land	104,448	104,683
Other (net value)	51,113	53,653
<b>Total property, plant and equipment</b>	<b>155,561</b>	<b>158,337</b>
<b>Intangible assets</b>		
Goodwill	112	177
Other	655	682
<b>Total intangible assets</b>	<b>767</b>	<b>859</b>
<b>Investments and other assets</b>		
Other	8,983	10,155
Allowance for doubtful accounts	(559)	(1,579)
<b>Total investments and other assets</b>	<b>8,423</b>	<b>8,576</b>
<b>Total noncurrent assets</b>	<b>164,753</b>	<b>167,773</b>
<b>Total assets</b>	<b>283,453</b>	<b>282,843</b>

(Unit: Millions of yen)

	End of 1st nine-month period of FY ending March 2010 (December 31, 2009)	Condensed consolidated balance sheet for previous FY (March 31, 2009)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	23,565	26,520
Short-term loans payable	78,006	80,811
Current portion of long-term loans payable	32,466	32,714
Current portion of bonds	400	400
Income taxes payable	280	592
Provision for bonuses	370	712
Provision for loss on construction contracts	5	-
Provision for warranties for completed construction	19	53
Provision for business structure improvement	1,674	3,675
Other	12,034	12,890
<b>Total current liabilities</b>	<b>148,822</b>	<b>158,370</b>
<b>Noncurrent liabilities</b>		
Bonds payable	200	400
Long-term loans payable	90,564	80,418
Provision for retirement benefits	4,155	4,742
Provision for directors' retirement benefits	172	342
Other	18,683	18,824
<b>Total noncurrent liabilities</b>	<b>113,775</b>	<b>104,727</b>
<b>Total liabilities</b>	<b>262,598</b>	<b>263,097</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	23,798	23,798
Capital surplus	1,661	1,661
Retained earnings	(7,311)	(7,783)
Treasury stock	(47)	(46)
<b>Total shareholders' equity</b>	<b>18,100</b>	<b>17,629</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	(393)	(498)
Deferred gains or losses on hedges	(3)	12
Revaluation reserve for land	2,799	2,875
Foreign currency translation adjustment	(3,318)	(3,909)
<b>Total valuation and translation adjustments</b>	<b>(916)</b>	<b>(1,520)</b>
Minority interests	3,670	3,636
<b>Total net assets</b>	<b>20,855</b>	<b>19,746</b>
<b>Total liabilities and net assets</b>	<b>283,453</b>	<b>282,843</b>

(2) Consolidated quarterly statements of income  
(1st nine-month period ended December 31, 2009)

(Unit: Millions of yen)

	1st nine-month period ended December 31, 2008 (April 1, 2008 to December 31, 2008)	1st nine-month period ended December 31, 2009 (April 1, 2009 to December 31, 2009)
Net sales	157,514	133,951
Cost of sales	129,846	108,614
Gross profit	27,667	25,337
Selling, general and administrative expenses	23,137	19,138
Operating income	4,530	6,198
Non-operating income		
Interest income	227	138
Dividends income	120	99
Gain on sales of investment securities	–	184
Equity in earnings of affiliates	136	30
Other	1,549	1,206
Total non-operating income	2,034	1,659
Non-operating expenses		
Interest expenses	2,939	2,756
Other personal expenses	920	912
Other	1,134	933
Total non-operating expenses	4,995	4,602
Ordinary income	1,570	3,255
Extraordinary income		
Gain on sales of noncurrent assets	33	17
Compensation income for expropriation	–	108
Total extraordinary income	33	126
Extraordinary loss		
Loss on disposal of noncurrent assets	407	733
Loss on valuation of investment securities	473	204
Business structure improvement expenses	1,044	498
Other	665	1,263
Total extraordinary loss	2,590	2,700
Income (loss) before income taxes and minority interests	(987)	680
Income taxes-current	433	333
Income taxes-deferred	(1,551)	(129)
Total income taxes	(1,117)	203
Minority interests in income	110	17
Net income	19	459

## (3) Consolidated quarterly statements of cash flows

(Unit: Millions of yen)

	1st nine-month period ended December 31, 2008 (April 1, 2008 to December 31, 2008)	1st nine-month period ended December 31, 2009 (April 1, 2009 to December 31, 2009)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(987)	680
Depreciation and amortization	5,457	5,017
Increase (decrease) in allowance for doubtful accounts	303	273
Increase (decrease) in provision for business structure improvement	–	(2,001)
Interest expenses	2,939	2,756
Loss (gain) on sales of investment securities	–	(184)
Decrease (increase) in notes and accounts receivable-trade	5,706	(1,348)
Decrease (increase) in inventories	(5,236)	8,223
Increase (decrease) in notes and accounts payable-trade	(6,088)	(2,955)
Other	(1,534)	(673)
Sub-total	560	9,789
Interest and dividends income received	362	253
Interest expenses paid	(2,637)	(2,524)
Income taxes paid	(994)	(680)
Net cash provided by (used in) operating activities	(2,709)	6,837
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	14	10
Purchase of investment securities	(20)	(23)
Proceeds from sales of investment securities	1	368
Purchase of property, plant and equipment	(5,686)	(2,877)
Proceeds from sales of property, plant and equipment	283	268
Other	(315)	(67)
Net cash provided by (used in) investing activities	(5,723)	(2,320)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	8,793	(2,626)
Proceeds from long-term loans payable	49,495	31,960
Repayment of long-term loans payable	(45,585)	(22,070)
Redemption of bonds	(200)	(200)
Cash dividends paid	(939)	(2)
Other	(354)	(240)
Net cash provided by (used in) financing activities	11,209	6,820
Effect of exchange rate change on cash and cash equivalents	(454)	383
Net increase (decrease) in cash and cash equivalents	2,321	11,719
Cash and cash equivalents at beginning of period	13,209	9,275
Cash and cash equivalents at end of period	15,530	20,995

- (4) Notes on going concern assumption  
Not applicable

- (5) Segment information

[Segment information by business]

1st nine-month period ended December 31, 2008 (April 1, 2008 to December 31, 2008)

	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	55,420	20,875	69,436	11,781	157,514	—	157,514
(2) Inter-segment sales or transfers	2,600	516	1,742	2,968	7,827	(7,827)	—
Total	58,021	21,391	71,179	14,750	165,342	(7,827)	157,514
Operating income (loss)	5,669	300	(344)	638	6,264	(1,734)	4,530

1st nine-month period ended December 31, 2009 (April 1, 2009 to December 31, 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	44,044	17,261	57,736	14,908	133,951	—	133,951
(2) Inter-segment sales or transfers	1,606	52	243	1,952	3,853	(3,853)	—
Total	45,650	17,313	57,979	16,860	137,804	(3,853)	133,951
Operating income (loss)	6,360	926	(834)	1,433	7,885	(1,686)	6,198

[Segment information by geographic area]

1st nine-month period ended December 31, 2008 (April 1, 2008 to December 31, 2008) and 1st nine-month period ended December 31, 2009 (April 1, 2009 to December 31, 2009)

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

[Overseas sales]

1st nine-month period ended December 31, 2008 (April 1, 2008 to December 31, 2008)

I. Overseas sales (Millions of yen)	23,911
II. Consolidated sales (Millions of yen)	157,514
III. Ratio of overseas sales to consolidated sales (%)	15.2

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

1st nine-month period ended December 31, 2009 (April 1, 2009 to December 31, 2009)

I. Overseas sales (Millions of yen)	16,381
II. Consolidated sales (Millions of yen)	133,951
III. Ratio of overseas sales to consolidated sales (%)	12.2

(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