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YUHO REPORT **Annual**

Fiscal Year Ended	March 31, 2002
Traded	TSE1
Stock Code	4116



DAINICHISEIKA COLOUR & CHEMICALS MFG. CO.,LTD.

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This report is based on the Company's Japanese-language annual filing with the Financial Services Agency and supplemented with materials that facilitate comparison with the Company's peers. The materials from the annual filing with the Financial Services Agency have been edited and reorganized in a format more familiar to the international investment community. All information contained in this report has been obtained from sources believed to be reliable, but the accuracy of the data and the translation, completeness, and timeliness of the information are not warranted by the Company, Pacific Associates, or Asia Securities Printing. None of the above parties shall be responsible for any errors or omissions or for any results obtained from the use of this information.

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Company Profile

Financial highlights

Years ended March 31; Millions of yen	1998	1999	2000	2001	2002	Change 2002/1998
Consolidated						
Net sales	142,925	136,604	130,522	135,161	125,331	88%
Ordinary profit	5,086	3,664	5,745	5,097	1,338	26%
Net income	2,398	953	2,625	(8,048)	(98)	
Shareholders' equity	40,687	40,661	34,501	22,625	21,940	54%
Total assets	125,271	126,195	151,643	156,178	147,291	118%
Shareholders' equity per share (Yen)	437.19	436.93	412.23	270.34	262.19	60%
Net income per share (Yen)	25.78	10.24	31.37	(96.17)	(1.17)	
Net income per share, fully diluted (Yen)	-	-	-	-	-	
Net cash used in operating activities	-	-	2,131	4,364	6,157	
Net cash used in investment activities	-	-	3,756	(3,368)	(2,180)	
Net cash provided by financing activities	-	-	(3,564)	(2,289)	(4,769)	
Cash and cash equivalents at term end	-	9,970	13,640	12,502	12,082	
Employees	-	-	3,289	3,274	3,402	

Peer comparisons

Percent	1998	1999	2000	2001	2002
Net income / net sales (%)	1.7	0.7	2.0	(6.0)	(0.1)
Peers	1.8	1.9	(0.1)	1.2	1.2
Ordinary profit / net sales (%)	3.6	2.7	4.4	3.8	1.1
Peers	4.7	4.1	4.7	4.7	3.0
Net income / equity (%)	6.0	2.3	7.0	-	-
Peers	3.0	2.8	2.8	1.7	(0.3)
Net income / assets (%)	1.9	0.8	1.7	(5.2)	(0.1)
Peers	1.6	1.4	0.5	1.0	0.7
Ordinary profit / assets (%)	4.1	2.9	3.8	3.3	0.9
Peers	3.8	3.3	3.8	3.9	2.5
Equity / assets (%)	32.5	32.2	22.8	14.5	14.9
Peers	43.4	44.6	44.8	45.2	47.5

Peers include 47 chemical companies with company codes from 4100 to 4229.

Common size statements

Years ended March 31; Percent	Consolidated		
	2000	2001	2002
Balance sheet			
Assets	100.0	100.0	100.0
Total current assets	56.8	54.2	52.2
Total tangible fixed assets	31.2	30.0	31.5
Total intangible fixed assets	0.5	0.5	0.6
Total investments and other assets	9.2	15.3	15.7
Total fixed assets	40.9	45.8	47.8
Foreign currency adjustments	2.3	-	-
Liabilities	100.0	100.0	100.0
Total current liabilities	54.5	58.7	57.5
Total long-term liabilities	20.2	25.3	25.9
Total liabilities	74.7	84.0	83.4
Minority interests	2.5	1.5	1.7
Capital stock	6.6	6.4	6.8
Capital reserves	5.4	5.2	5.5
Total retained earnings	14.1	8.0	7.8
Unrealized gains or losses on other securities	-	0.1	(0.0)
Foreign currency translation adjustments	-	(2.0)	(1.8)
Treasury stock	(0.0)	(0.0)	(0.0)
Parent company capital owned by subsidiaries	(3.3)	(3.2)	(3.4)
Total shareholders' equity	22.8	14.5	14.9
Income statement			
Net sales	100.0	100.0	100.0
Total cost of sales	81.6	81.8	83.5
Gross profit	18.4	18.2	16.5
Selling, general and administrative expenses	13.2	13.1	14.3
Operating income	5.2	5.1	2.2
Total non-operating income	1.6	1.4	1.2
Total non-operating expenses	2.4	2.7	2.3
Ordinary profit	4.4	3.8	1.1
Extraordinary gains	0.4	0.3	0.2
Extraordinary losses	0.8	14.6	1.5
Income before income taxes	4.0	(10.5)	(0.2)
Income, enterprise and other taxes	1.5	(3.9)	(0.3)
Income applicable to minority shareholders	0.5	(0.6)	0.2
Net income	2.0	(6.0)	(0.1)

Business Overview

Contents of business

The corporate group (the Company and its affiliates) comprises the Company (Dainichiseika Colour & Chemicals Mfg. Co., Ltd.) and 55 affiliated companies.

The Company has consolidated 24 of its principal subsidiaries. Of the remaining 17 nonconsolidated subsidiaries and 14 affiliates, the Company incorporates the results of four into its consolidated accounts through use of the equity method.

During the consolidated fiscal year to March 2002, the Company added P.T. Hi-Tech Ink Indonesia to the group as a new subsidiary.

It also removed Daicolor Chemicals GmbH. from the list of its consolidated subsidiaries following that company's liquidation.

The group's principal businesses, and the relationships of the various companies to those businesses, are shown below.

Because the information below does not include segment-related information, it has been organized according to the group's business divisions.

Pigments

Group members in this division handle pigments, intermediate products and other fine chemicals used in the production of inks, paints, rubber, synthetic resins, etc. The Company and Daicolorchem EU, S. A. are the principal manufacturers and marketers of these products. The Company and its affiliates transact a certain portion of the business related to products, raw materials, etc., among one another.

Colorants and Printing Inks

Group members in this division handle colorants used for various synthetic resins, colorants applied to other materials, and final products such as ink used in printing. The Company and a number of its consolidated subsidiaries (including Hokkaido Dainichiseika Kogyo Co., Ltd.; Oyodo Dainichiseika Kogyo Co., Ltd.; Kyushu Dainichiseika Kogyo Co., Ltd.; and Kanto Dainichiseika Kogyo Co., Ltd.) are the principal manufacturers and marketers of these products. The Company and its affiliates transact a certain portion of the business related to products, raw materials, etc., among one another.

Others

The businesses conducted by this division consist of the sale of various synthetic resins; photoengraving film, presensitized plates and other printing-related materials; printing machines; and chemical products. The Company is the principal marketer of these products, and it deals with its affiliates in a portion of these activities.

Group Information

Group companies

Millions of yen Thousands of foreign currency	Common stock (Millions)	Percent ownership	
			(Indirect)
Hokkaido Dainichiseika Kogyo Co., Ltd.	330	100	-
Oyodo Dainichiseika Kogyo Co., Ltd.	80	100	-
Kyushu Dainichiseika Kogyo Co., Ltd.	160	100	-
Kanto Dainichiseika Kogyo Co., Ltd.	480	100	-
Nagoya Kako Co., Ltd.	50	100	-
Hiroshima Kako Co., Ltd.	10	100	-
Dainichi PC Compound Co., Ltd.	240	51	-
UKIMA Chemicals & Color Mfg. Co., Ltd.	401	24.86	-
Hi-Tech Chemi Co., Ltd.	300	19.5	-
DSF Co., Ltd.	100	19.5	-
Daicolorchem EU, S.A.	EUR7,452	100	-
Dainichiseika (HK), Ltd.	HK\$3,500	100	-
Dainichiseika Chemical (Shenzhen) Factory, Ltd.	HK\$27,300	100	100
Hi-Tech Color, Inc.	US\$5,000	100	-
Daicolor Italy S.R.L.	EUR1,500	100	-
P. T. Hi-Tech Ink, Indonesia	IDR5,587,000	100	11.25
Dainichiseika (HK) Coloring Co., Ltd.	HK\$83,000	90	25
Dongguan Dainichi Chemical Manufacturing Co., Ltd.	HK\$80,862	90	90
Daicolor Philippines, Inc.	PHP156,042	79.26	41.47
Advanced Polymer, Inc.	US\$500	70	-
Dainichi Color (Thailand), Ltd.	Baht234,000	65	-
Nicolor Co., Ltd.	US\$3,624	55	-
Dainichiseika, Inc.	US\$30,037	50	-
Daicolor-Pope, Inc.	US\$154	50	50
Nonconsolidated companies accounted for under the equity method			
Osaka Kako Co., Ltd.	20	19.5	19.5
Affiliated companies accounted for under the equity method			
Tai Chin Chemical Industry Co., Ltd.	NT\$173,621	44.98	-
Sambo Fine Chemical Manufacturing Co., Ltd.	WON1,000,000	40	-
Plalloy MTD B.V.	EUR7,260	40	-

History

The Company was established as Saika Ganryo L.P. in 1931. In 1939, it was reorganized and renamed Saika Shikiso Kogyo Co., Ltd. It acquired two competitors in 1944 and changed its name to Dainichiseika Kogyo Kabushikigaisha (Dainichiseika Colour & Chemicals Mfg. Co., Ltd.).

Year	Event
1939	Saika Shikiso Kogyo Co., Ltd., assumes the operations of its predecessor, Saika Ganryo L.P., which was founded in 1931. Begins manufacture of pigments.
1944	Two other companies in the industry acquired and Company name changed to Dainichiseika Kogyo Kabushikigaisha (Dainichiseika Colour & Chemicals Mfg. Co., Ltd.).
1945	Operations commenced at Company headquarters (Chuo Ward, Tokyo) and at Tokyo plant (current manufacturing center).
1947	Sapporo sales office and Sapporo factory (currently a consolidated subsidiary, Hokkaido Dainichiseika Kogyo Co., Ltd.) established.
1948	1945 A vinyl toner colorant for plastics developed and successfully produced domestically.
1950	Osaka sales office (current West Japan branch) established.
1953	Undiluted colorant for use on synthetic fibers and water-based colorant for use in textile printing developed and successfully produced domestically.
1957	Research institute (current Technical Research Center) established, creating a formal structure for pigment research. UKIMA Chemicals & Color Mfg. Co., Ltd. (currently a consolidated subsidiary) established.
1960	Osaka plant (current manufacturing center) established.
1961	Shares listed on Second Section of the Tokyo Stock Exchange.
1962	Construction of new headquarters building completed. Hong Kong representative office (currently a consolidated subsidiary, Dainichiseika (HK) Ltd.) established.
1963	Narita plant (currently a consolidated subsidiary, Hi-Tech Chemi Co., Ltd.) established.
1964	Nagoya sales office (current Chubu branch) established. Taiyo Kako (current Osaka Kako Co., Ltd.) established.
1967	Manufacture of resins for use in synthetic leather and of surface finishing agents commenced.
1968	Tokai plant (current manufacturing center) established. Oyodo plant (currently a consolidated subsidiary, Oyodo Dainichiseika Kogyo Co., Ltd.) established. Sendai office (current branch) opened. Kyoto office (current branch) opened.
1969	Shares listed on First Section of the Tokyo Stock Exchange. Kyushu sales office (currently a consolidated subsidiary, Kyushu Dainichiseika Kogyo Co., Ltd.) established.

Year	Event
1970	New York representative office (currently a consolidated subsidiary, Daicolor-Pope, Inc.) established. (Operations moved to New Jersey in 1978.)
1972	Kawaguchi plant (current manufacturing center) established.
1973	Tai Chin Chemical Industry Co., Ltd., established.
1974	Revolutionary large-scale water-disposal system completed at Tokai plant. San Paulo representative office (current Daicolor do Brasil Ind. E Com. Ltda.) established.
1984	Daicolor Italy S.R.L. (currently a consolidated subsidiary) established.
1985	Hokuriku sales office (current branch) established.
1986	Dainichiseika, Inc. (currently a consolidated subsidiary) established.
1988	Hi-Tech Color, Inc. (currently a consolidated subsidiary) and Hi-Tech Ink Mfg. Co., Ltd. established.
1989	Intermedios Organicos S.A. (currently a consolidated subsidiary, Daicolorchem EU, S.A.) acquired. Dainichi Color (Thailand), Ltd. (currently a consolidated subsidiary) established. Kanto Dainichiseika Kogyo Co., Ltd. (currently a consolidated subsidiary) established. Dainichi PC Compound Co., Ltd. (currently a consolidated subsidiary) established. Dainichi System Finance (currently a consolidated subsidiary, DSF Co., Ltd.) established.
1993	Katano manufacturing center established.
1996	Shiga manufacturing center established.
1997	Daicolor Philippines, Inc. (currently a consolidated subsidiary) established.

Research and development

The Company and its affiliates have been pioneers in providing pigments and other colorant technologies to a wide spectrum of manufacturers that use color in their products. The group has also developed an extensive line of fine chemicals and high-technology products.

The group's research and development activities currently encompass the following:

1. Improving existing products; investigating new pigments and developing commercial applications for new pigments
2. Improving colorant technologies to meet the wide demand for colors in fields such as paints, printing inks, resins, fibers, toys, etc.; developing and researching new colorants capable of sparking new demand
3. Development and applied research on urethane and polyester-based resins (polymers compounded through polycondensation)
4. Development and applied research on products that meet demand in fields incidental to color, such as special resins, dispersion media and functional materials

5. Research and development of electronic products, recording media, and functional composites that utilize processes from organic and inorganic chemistry and technologies from synthetic high-polymer chemistry
6. Interdisciplinary research and development of functional materials by chemist and biochemist

The above activities are coordinated among the technical departments of the operating divisions, the Company's technical research center, and the engineering departments of the Company's affiliates.

The group spent a total of 2,707 million yen on R&D during the fiscal year. By division, spending broke down as follows: Pigments, 396 million yen; and Colorants and Printing Inks, 2,311 million yen.

Directors and auditors

Title		Name
President	Chairman of the Board	Osamu Takahashi
Vice President	Composite Printing Systems	Minoru Yamamoto
Senior Managing Director	Corporate Planning & Control	Yukio Hayami
Senior Managing Director	Prepared Color & Chemicals Group	Mineo Tosa
Senior Managing Director	General Affairs & Personnel	Shigemitsu Yamazaki
Senior Managing Director	Corporate Administration Department	Koji Takahashi
Senior Managing Director	Pigment & Synthetic Color Group	Shigeaki Yamamoto
Managing Director	Composite Printing Systems - Off-set	Keisuke Yamamoto
Managing Director	Technical Research Center & Technology Commercialization Office	Michiei Nakamura
Director	Secretary General, Corporate Secretary & Management Office	Mamoru Takashima
Statutory Auditor		Hideo Onami
Statutory Auditor		Hiroshi Murakami
Statutory Auditor		Hisatsugu Kaiho
Auditor		Terutada Takahashi

Employees

Consolidated	2002
Business segment	Number
Pigments	643
Colorants and printing inks	2,530
Corporate staff	229
	3,402
Parent	Total or average
Number	1,557
Average age	42.6
Average years of service	20.7
Average annual salary (Yen)	7,738,834

Union

As of March 31, 2002, the Company's labor union had 1,245 members and was affiliated with no external labor organization. Labor and management enjoy a harmonious relationship based on mutual trust.

Cash Flow

Consolidated statement of cash flow

Years ended March 31; Millions of yen	2000	2001	2002
Net cash used in operating activities			
Net income (loss) before taxes and other adjustments	5,295	(14,201)	(288)
Depreciation	3,670	3,408	3,520
Increase (decrease) in allowance for doubtful accounts	417	316	102
Increase (decrease) in reserve for bonuses	(153)	(16)	(24)
Increase (decrease) in reserve for retirement allowances	(262)	(4,771)	-
Increase (decrease) in retirement benefits	-	18,663	156
Amount of pension plan assets established	-	1,555	-
Increase (decrease) in reserve for losses on guaranteed liabilities	-	697	(200)
Interest and dividend income	(379)	(412)	(275)
Interest expenses	2,403	1,980	1,762
Equity in earnings of nonconsolidated companies	(328)	(101)	(110)
Dividend income from nonconsolidated companies accounted for under the equity method	102	97	97
Loss (gain) on sales or valuation of marketable securities	8	619	136
Gain from establishment of pension plan assets	-	(427)	-
Loss (gain) on sales or disposal of tangible fixed assets	12	10	74
Loss (gain) on sales or liquidation of investment securities	19	531	18
Loss (gain) on valuation of investment securities and other investments	-	1,985	986
Loss on valuation of fixed assets	-	-	606
Decrease (increase) in trade receivables	1,558	(4,520)	7,411
Decrease (increase) in inventories	258	(699)	1,690
Decrease (increase) in accounts receivable - others	-	-	(355)
Increase (decrease) in trade payables	(5,658)	3,804	(6,438)
Others	(701)	479	(252)
	6,262	9,000	8,617
Interest and dividend income	390	434	274
Interest expenses	(2,413)	(1,960)	(1,756)
Income tax and others	(2,108)	(3,109)	(977)
	2,131	4,364	6,157

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Years ended March 31; Millions of yen	2000	2001	2002
Net cash used in investment activities			
Increase in time deposits	(110)	(118)	(234)
Proceeds from decrease in time deposits	7	123	118
Payments for purchase of marketable securities	(2,689)	(6,228)	(3,210)
Proceeds from sales of marketable securities	686	5,757	4,413
Payments for acquisition of tangible fixed assets	(2,842)	(2,939)	(2,777)
Proceeds from sales of tangible fixed assets	223	378	32
Payments for investment securities	(165)	(325)	(375)
Proceeds from sales of investment securities	255	281	19
Payments for loans	(3,098)	(776)	(1,583)
Proceeds from collection of loans	6,586	569	1,818
Proceeds from cancellation of life insurance contracts for directors and employees	4,916	-	-
Others	(11)	(91)	(400)
	3,756	(3,368)	(2,180)
Net cash provided by financing activities			
Proceeds from increase in short-term borrowings	32,624	66,402	69,190
Payments of short-term borrowings	(31,827)	(66,729)	(70,791)
Proceeds from increase in long-term debt	2,149	3,418	9,225
Payments of long-term debt	(5,659)	(4,453)	(10,098)
Payments for redemption of bonds	-	-	(1,500)
Proceeds from sales of treasury stock	0	(0)	(3)
Dividend payments	(836)	(836)	(752)
Dividend payments for minority interest	(16)	(90)	(39)
	(3,564)	(2,289)	(4,769)
Effect of exchange rate changes on cash and cash equivalents	(192)	156	259
Cash and cash equivalents	2,130	(1,137)	(533)
Cash and cash equivalents at beginning of term	9,970	13,640	12,502
Cash and cash equivalents accompanying new consolidation	1,538	-	113
Decrease in cash and cash equivalents accompanying termination of consolidation	-	(0)	-
Cash and cash equivalents at end of term	13,640	12,502	12,082

Relationship between balance of cash and cash equivalents as of term end and balance sheet items

Years ended March 31; Millions of yen	2000	2001	2002
Cash and deposits	13,763	12,621	12,316
Time deposits, etc., of 3 months and over	(123)	(118)	(234)
Cash and cash equivalents	13,640	12,502	12,082

Capital expenditures

Capital expenditures by the corporate group (the Company and its consolidated subsidiaries) amounted to 2,608 million yen, principally comprising strategic investments in growth areas and investments on rationalization and environmental-safety equipment. These investments followed guidelines established under the following two maxims adopted to encourage strengthening of the group's core businesses and rebuilding of its operating structures: "Selection and concentration," and "Integration and preparation for opportunity."

Projects funded in the Pigments Division included equipment to rationalize operations and enhance environmental safety at the Company's Tokyo manufacturing center and Tokai manufacturing center and equipment to increase capacity at Daicolorchem EU, S.A. Projects in the Colorants and Printing Inks Division included equipment to rationalize operations, increase capacity, and enhance environmental safety at the Company's Tokyo manufacturing center and equipment to increase capacity at Dongguan Dainichi Chemical Manufacturing Co., Ltd.

Finally, there were no removals or sales of major capital equipment during the consolidated fiscal year under review.

Capital expenditure and disposal plans

Millions of yen	Budgeted amount	Expenditures to date	Date of commencement	Date of completion
Tokyo manufacturing center Manufacturing equipment for colorants; testing and research facilities	175	-	2002/2	2003/10
Tokai manufacturing center Manufacturing equipment for chemical compounds and colorants; testing and research facilities	255	-	2002/10	2003/10
Kawaguchi manufacturing center Manufacturing equipment for printing inks; testing and research facilities	380	20	2002/2	2002/11

Dividend policy

With respect to dividends, the Company's policy is to endeavor to improve earnings in order to maintain a payout of 10 yen per share, a rate it has paid consistently over the years. Results in the last fiscal year, were significantly below target, however, with the group reporting sharply lower revenues and profits. Moreover, in consideration of the management measures and other actions that will be required hereafter, the Company has decided to pay a year-end dividend of 4 yen per share, which, together with the 4-yen dividend already paid at the end of the interim period, results in an annual dividend of 8 yen per share.

Our intention hereafter is to continue building our internal reserves and strengthening our basic management resources to foster greater sophistication in our corporate capabilities, to expand and develop our international businesses in response to increasing globalization, and to build a solid operating foundation.

Operations

Consolidated statement of income

Years ended March 31; Millions of yen	2000	2001	2002
Sales	130,522	135,161	125,331
Cost of sales	106,480	110,594	104,619
Gross profit	24,041	24,566	20,711
Selling, general and administrative expenses	17,303	17,729	17,986
Operating income	6,738	6,836	2,724
Non-operating income			
Interest income	269	209	179
Dividend income	109	202	96
Rental income	621	530	437
Gains from equity investments in nonconsolidated companies	328	101	110
Others	837	913	659
	2,167	1,957	1,483
Non-operating expenses			
Interest expenses	2,403	1,980	1,762
Expenses for rental assets	375	271	189
Loss on valuation of marketable securities	-	636	132
Foreign exchange losses	-	332	442
Others	381	475	342
	3,160	3,696	2,870
Ordinary profit	5,745	5,097	1,338

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Years ended March 31; Millions of yen	2000	2001	2002
Extraordinary gains			
Gain on sales of fixed assets	35	6	12
Gain on sales of investment securities	10	15	0
Reversal of allowance for doubtful accounts	25	-	-
Revised profit carried forward from previous term	31	7	-
Gain on cancellation of life insurance contracts for directors and employees	457	-	-
Reversal of reserve for retirement allowances	13	-	-
Gain from establishment of pension plan assets	-	427	-
Gain on reversal of provision for loss on loan guarantees	-	-	200
Others	-	31	12
	574	488	224
Extraordinary losses			
Loss on sales of fixed assets	9	2	6
Loss on disposal of fixed assets	38	49	79
Loss on sales of investment securities	29	507	16
Loss on valuation of investment securities	-	1,921	974
Loss on valuation of other investments	-	64	12
Directors' retirement allowances	17	-	-
Special installment in fund for welfare pension plan	604	-	-
Loss on doubtful accounts	49	-	-
Provision for allowance for doubtful accounts	274	304	34
Loss on liquidation of investment securities	0	-	-
Reserve provision for losses on guaranteed liabilities	-	697	-
Retirement benefit expenses due to changes in accounting standards	-	16,132	-
Loss on valuation of fixed assets	-	-	606
Others	-	106	119
	1,025	19,786	1,851
Income before tax adjustments	5,295	(14,201)	(288)
Income, residents and enterprise taxes	2,756	2,132	704
Deferred taxes	(778)	(7,444)	(1,122)
	1,978	(5,311)	(417)
Income applicable to minority shareholders	691	(840)	227
Net income	2,625	(8,048)	(98)

Consolidated appropriation of retained earnings

Years ended March 31; Millions of yen	2000	2001	2002
Retained earnings, beginning of term	22,485	21,340	12,423
Adjustment for tax effect in prior years	(491)	-	-
Adjustment for tax effect on subsidiaries' retained earnings	-	(111)	-
	21,993	21,228	12,423
Increase in retained earnings			
Increase due to decrease in the number of consolidated subsidiaries	-	120	-
Increase due to increase or decrease in the number of companies consolidated through the equity method	1,031	-	-
	1,031	120	-
Decrease in retained earnings			
Decrease due to increase in the number of consolidated subsidiaries	3,432	-	105
Cash dividends	836	836	752
Bonuses to directors and statutory auditors	40	40	41
[Bonuses to statutory auditors included]	[5]	[6]	[6]
	4,310	877	900
Net income	2,625	(8,048)	(98)
Balance at year-end	21,340	12,423	11,424

Results of operations

Consolidated fiscal year ended March 31, 2002

Economic and other factors affecting operations

1) Unprecedented economic deterioration

- Global economic slowdown caused by recession in IT sector, impact of September 11 terrorist attacks, etc.
- Significant effects of global slowdown on Japanese economy, particularly in corporate-sector exports and capital investments
- Sharply weaker demand for the Company's products in the face of worsening deflation

2) Efforts by the Company and its affiliates to reduce costs

- Through extensive rationalization programs
- Through restructuring aimed at reducing fixed costs and other expenses

3) Other strategic responses by the Company and its affiliates

- Further measures to internationalize operations
- Efforts to respond rapidly and effectively to customer needs
- Steps to increase competitiveness through launch of high-performance, high-value-added products tailored to the changing structure of domestic and international demand

Financial analysis (percentage changes, year-on-year)

1) 7.3% decline in consolidated revenues

- Pigments: -6.1%
- Colorants and printing inks: -5.6%
- Other businesses: -25.7%

2) 60.1% decline in operating profit

- Higher retirement benefit expenses, a result of revised assumptions concerning discount rates and expected rates of return on pension assets by domestic consolidated subsidiaries and equity-method affiliates
- Poor results by several foreign subsidiaries

3) Consolidated net loss of 98 million yen, partially reflecting valuation losses on investments held, primarily bank stocks

Segment information by region (percentage changes, year-on-year)

1) Japan

With the exception of certain environmentally friendly products, the pace of business slowed considerably in the Pigment Division, which handles products for the paint and automobile industries, and the Colorant Division, which handles functional colorants for the home electronics industry. Sales and operating profit declined as a consequence, the former by 11.4% to 102,255 million yen and the latter by 58.9% to 2,478 million yen.

2) Asia

Although demand in the Colorant Division generally weakened in the face of the U.S. economic slowdown, this segment reported higher sales and profits as a result of a strong economy in South China and the addition of a new consolidated subsidiary. Sales and operating profit increased as a result, the former by 20.1% to 15,751 million yen and the latter by 8.3% to 397 million yen.

3) Other regions

The pace of business in Europe and the United States declined as a result of weak demand and falling prices, the latter because of increased competition from Asian suppliers. Sales declined by 0.3% to 11,809 million yen as a consequence. The region registered an operating loss of 151 million yen.

Consolidated fiscal year ended March 31, 2001

Economic and other factors affecting operations

- 1) The recovery in the corporate sector slowed in the second half.
 - First half of fiscal year: Increased production of semiconductors and other information technology equipment; gradual increase in capital investment
 - Second half of fiscal year: Decreased production due to slowdown of U.S. economy and continued weakness in domestic economy
- 2) Strong economies in Asia and Europe, but weakening U.S. economy.
- 3) Internal strategic responses
 - Reduction of costs through rationalization
 - Strengthening of earnings structure through restructuring of businesses

Financial results and factors affecting results

- 1) Increase in consolidated sales of 3.6 percent to 135,161 million yen, broken down as follows:
 - Pigments – 26,955 million yen
 - Colorants and printing inks – 97,611 million yen
 - Other businesses – 10,594 million yen
- 2) Increase in consolidated operating income by 1.4 percent to 6,836 million yen
- 3) Non-operating and extraordinary items
 - Strengthening of financial position by realizing 2,797 million yen in securities valuation losses
 - Reconciliation of pension fund liabilities under new accounting standards –extraordinary loss of 16,132 million yen
- 4) Decrease in consolidated ordinary profit by 11.3 percent to 5,097 million yen, with net loss for the term of 8,048 million yen

Segment information by region (year-on-year percentage changes)

1) Japan

In general, growth in demand was slow, but strong new car sales led to increased sales to the auto industry. Sales to the home electronics industry for functional colorants also increased. Sales grew by 0.9 percent to 115,477 million yen, and operating income increased by 7.1 percent to 6,031 million.

2) Asia

Despite promising signs in some countries and strong results at the Thai colorants division, the region as a whole felt the effects of the slowing U.S. economy and weaker ASEAN currencies. Sales grew by 29.9 percent to 13,119 million yen, but operating income declined by 30.0 percent to 367 million yen.

3) Other regions

Revenue increased in Europe, but profit declined due to a weaker Euro and higher prices for raw materials resulting from higher petroleum prices. Weak demand and increased competition led to lower sales prices in the U.S., and revenue and profit declined despite a weaker yen. Overall, revenues increased by 8.5 percent to 11,840 million yen, while operating income fell by 24.7 percent to 437 million yen.

Segment information

Geographical segment information

Millions of yen	Japan	Asia	Others	Total	Eliminations	Consolidated
2002						
Sales						
External customers	98,203	15,634	11,493	125,331	-	125,331
Inter-area	4,052	116	316	4,485	(4,485)	-
	<u>102,255</u>	<u>15,751</u>	<u>11,809</u>	<u>129,816</u>	<u>(4,485)</u>	<u>125,331</u>
Operating expenses	99,776	15,353	11,960	127,091	(4,485)	122,606
Operating income	<u>2,478</u>	<u>397</u>	<u>(151)</u>	<u>2,724</u>	<u>-</u>	<u>2,724</u>
Identifiable assets	127,807	10,719	9,607	148,133	(842)	147,291
2001						
Sales						
External customers	110,683	13,053	11,423	135,161	-	135,161
Inter-area	4,794	65	416	5,276	(5,276)	-
	<u>115,477</u>	<u>13,119</u>	<u>11,840</u>	<u>140,437</u>	<u>(5,276)</u>	<u>135,161</u>
Operating expenses	109,455	12,752	11,402	133,600	(5,276)	128,324
Operating income	<u>6,031</u>	<u>367</u>	<u>437</u>	<u>6,836</u>	<u>-</u>	<u>6,836</u>
Identifiable assets	136,585	8,609	10,446	155,641	536	156,178

Overseas sales

Millions of yen	2001		2002	
	Overseas sales	As % of net sales	Overseas sales	As % of net sales
Asia	15,964	11.8	18,210	14.5
Others	12,106	9.0	12,235	9.8
	28,070	20.8	30,446	24.3
Consolidated sales	135,161		125,331	

Issues requiring action

- 1) Strengthening core businesses and rebuilding operating structures to deal effectively with medium- and long-term issues, based on strategies for divisions and headquarter operations as summarized by the following slogans:
 - Divisions: "Selection and concentration"
 - Headquarters: "Integration and preparation for opportunity"
- 2) Establishing a strong position as an integrated manufacturer of high-tech products and color chemicals in order to thrive in a period of radical change. Required measures include:
 - Furthering globalization of the business
 - Maintaining strong positions in applied color technologies, polymer-related applications, biochemicals, and IT/electronics
 - Creating a global online multimedia presence

Production and sales

Production

Tons	2002	
	Amount	Year-on-year comparison (%)
Pigments	28,318	91.3
Colorants and printing inks	244,704	91.1
	273,022	91.1

Procurement

Millions of yen	2002	
	Amount	Year-on-year comparison (%)
Pigments	1,835	85.9
Colorants and printing inks	2,212	97.3
Others	17,359	82.0
	21,407	83.7

Sales by product

Millions of yen	2002	
	Amount	Year-on-year comparison (%)
Pigments	25,323	93.9
Colorants and printing inks	92,135	94.4
Others	7,872	74.3
	125,331	92.7

Selling, general and administrative expenses

Years ended March 31; Millions of yen	2000	2001	2002
Freight and transportation	3,015	3,062	2,901
Provision of allowance for doubtful accounts	137	157	56
Employees' salaries	7,042	7,021	6,259
Provision for employees' bonuses	764	820	779
Provision for employees' retirement allowances	279	-	-
Pension benefit expenses	-	528	795
Others	6,062	6,138	7,194
	17,303	17,729	17,986

Leases

Under generally accepted accounting principles in Japan, finance leases that do not transfer ownership are accounted for in the same manner as operating leases when “as if capitalized” information is disclosed.

Pro forma information on leased property is as follows:

Years ended March 31; Millions of yen	2000	2001	2002
Machinery and delivery equipment			
Acquisition cost	1,303	1,812	1,933
Accumulated depreciation	671	815	1,030
Net leased property	631	997	902
Tools, furniture and fixtures			
Acquisition cost	466	532	541
Accumulated depreciation	225	270	296
Net leased property	240	261	245
Others (intangible fixed assets)			
Acquisition cost	70	66	73
Accumulated depreciation	35	28	41
Net leased property	35	38	32
Total			
Acquisition cost	1,840	2,411	2,549
Accumulated depreciation	932	1,114	1,368
Net leased property	907	1,297	1,180
Future minimum lease payments (including interest portion)			
Due within one year	328	390	383
Due after one year	621	947	844
	950	1,337	1,227
Lease payments	372	423	579
Pro forma depreciation expenses (assuming straight-line method)	331	385	499
Pro forma interest expenses	36	42	56
Operating leases			
Due within one year	77	84	45
Due after one year	120	102	99
	197	186	144

Capital Structure

Consolidated balance sheet: assets

Years ended March 31; Millions of yen	2000	2001	2002
Current assets			
Cash and deposits	13,763	12,621	12,316
Notes and accounts receivable, trade	40,720	45,576	39,211
Marketable securities	9,847	3,010	1,650
Inventories	19,632	20,709	19,775
Deferred tax assets	930	1,387	2,179
Others	1,468	1,690	2,111
Less allowance for doubtful accounts	(265)	(374)	(294)
	<u>86,098</u>	<u>84,621</u>	<u>76,951</u>
Fixed assets			
Tangible fixed assets			
Buildings and structures	30,124	31,645	31,513
Accumulated depreciation	15,742	17,407	18,065
	<u>14,381</u>	<u>14,237</u>	<u>13,448</u>
Machinery, equipment and vehicles	42,760	42,689	44,976
Accumulated depreciation	33,852	34,398	36,583
	<u>8,908</u>	<u>8,290</u>	<u>8,393</u>
Tools, furniture and fixtures	7,763	8,100	8,232
Accumulated depreciation	6,465	6,698	6,917
	<u>1,297</u>	<u>1,401</u>	<u>1,314</u>
Land	22,524	22,761	23,139
Construction in progress	102	129	90
	<u>47,213</u>	<u>46,820</u>	<u>46,386</u>

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Years ended March 31; Millions of yen	2000	2001	2002
Intangible fixed assets			
Intangible fixed assets	795	866	908
Investments and other assets			
Investment securities	3,801	7,897	6,672
Investments in subsidiaries other than joint stock corporations	994	997	1,034
Long-term loans	3,511	3,662	3,447
Deferred tax assets	1,201	7,519	7,872
Others	5,304	4,831	5,253
Less allowance for doubtful accounts	(814)	(1,037)	(1,235)
	13,999	23,869	23,044
Total fixed assets	62,008	71,556	70,340
Foreign currency adjustments	3,536	-	-
Total assets	151,643	156,178	147,291

Consolidated balance sheet: liabilities and shareholders' equity

Years ended March 31; Millions of yen	2000	2001	2002
Current liabilities			
Notes and accounts payable, trade	23,187	27,403	22,722
Short-term borrowings	47,876	47,826	46,727
Current portion of long-term debt	4,018	9,533	7,531
Bonds redeemable within 1 year	-	-	1,000
Accrued corporate and residents taxes	1,748	769	514
Deferred tax liabilities	95	86	-
Accrued bonuses to employees	2,452	2,437	2,421
Others	3,212	3,566	3,808
	<u>82,591</u>	<u>91,622</u>	<u>84,727</u>
Long-term liabilities			
Corporate bonds	2,500	2,500	-
Long-term debt	22,700	16,475	17,868
Deferred tax liabilities	536	150	76
Employees' severance indemnities	4,771	-	-
Employees' retirement benefits	-	18,664	18,821
Reserve for losses on guaranteed liabilities	-	697	497
Others	162	1,075	844
	<u>30,671</u>	<u>39,562</u>	<u>38,108</u>
	<u>113,262</u>	<u>131,185</u>	<u>122,835</u>
Minority interests	3,879	2,367	2,515
Shareholders' equity			
Capital stock	10,039	10,039	10,039
Capital reserve	8,137	8,137	8,137
Retained earnings	21,340	12,423	11,424
Unrealized gains or losses on other securities	-	198	(37)
Foreign currency translation adjustments	-	(3,157)	(2,603)
Treasury stock	(0)	(0)	(4)
Parent company capital owned by subsidiaries	(5,015)	(5,015)	(5,015)
	<u>34,501</u>	<u>22,625</u>	<u>21,940</u>
Total liabilities, minority interest and shareholders' equity	<u>151,643</u>	<u>156,178</u>	<u>147,291</u>

Market value of securities

Marketable securities for trading purposes

2001		2002	
Millions of yen			
Book value	Unrealized gains or losses recognized at year-end	Book value	Unrealized gains or losses recognized at year-end
590	(636)	400	(132)

Other quoted securities

Millions of yen	2001			2002		
	Cost of acquisition	Book value	Unrealized gain (loss)	Cost of acquisition	Book value	Unrealized gain (loss)
Securities whose value on the consolidated balance sheet exceeds purchase cost						
Shares	1,838	2,635	797	894	1,465	570
Others	4	4	0	-	-	-
	1,842	2,640	797	894	1,465	570
Securities whose value on the consolidated balance sheet does not exceed purchase cost						
Shares	2,880	2,433	(447)	2,980	2,340	(640)
Others	5	5	(0)	9	7	(1)
	2,886	2,438	(447)	2,990	2,348	(642)
	4,728	5,078	350	3,884	3,813	(71)

In the last consolidated fiscal year, the Company provided for permanent diminution in the value of "Other quoted securities—shares" in the amount of 965 million yen. The Company recognizes permanent diminution for all securities whose market value as of the end of the term has declined by more than 50 percent of acquisition costs. In instances where the rate of decline is more than 30 percent but less than 50 percent, the Company recognizes permanent diminution primarily on the basis of internal regulations entitled "Management Regulations Relating to Transactions in Securities and Derivatives."

Other marketable securities that were sold during the years ended March 31, 2001 and 2002

2001			2002		
Millions of yen					
Amount sold	Total gain on sales	Total loss on sales	Amount sold	Total gain on sales	Total loss on sales
3,951	427	507	20	0	16

Major investment securities without market prices

Millions of yen	2001	2002
Bonds held to maturity		
Negotiable certificates of deposit	2,400	1,250
Other securities		
Unlisted stocks (excluding OTC stocks)	694	808

Scheduled redemptions of bonds with maturity dates and bonds being held to maturity (among holdings in the "other securities" account)

Millions of yen	2001				2002			
	Up to 1 year	Greater than 1 and up to 5 years	Greater than 5 and up to 10 years	Greater than 10 years	Up to 1 year	Greater than 1 and up to 5 years	Greater than 5 and up to 10 years	Greater than 10 years
Bonds								
Corporate bonds	-	-	5	-	-	5	-	-
Others	2,400	-	-	-	1,250	-	-	-
Others								
Securities investment trust	-	-	4	-	-	2	-	-
	2,400	-	9	-	1,250	7	-	-

Derivatives

Millions of yen	2001				2002			
	Total	Over 1 year	Market value	Unrealized gain (loss)	Total	Over 1 year	Market value	Unrealized gain (loss)
Future exchange contract								
U.S. dollars	17	-	17	(0)	-	-	-	-
	17	-	17	(0)	-	-	-	-

Fixed assets

Facilities

Millions of yen	Buildings and structures	Machinery and equipment	Land		Others	Total	Number of employees
	Book value	Book value	Book value	Square meters	Book value		
Parent							
Tokyo production plant	1,953	1,485	504	33,577	482	4,425	401
Kawaguchi production plant	407	214	1,346	20,150	88	2,057	146
Tokai production plant	2,056	2,013	471	175,506	87	4,629	283
Osaka production plant	296	389	1,040	20,783	83	1,809	186
Shiga production plant	318	195	620	20,077	16	1,152	11
Headquarter (Tokyo)	883	58	2,920	3,747	198	4,060	371
West Japan branch	166	23	349	2,520	1	542	108
Chubu branch	86	27	1,039	13,810	2	1,155	51
Domestic subsidiaries							
UKIMA Chemicals & Color Mfg.	1,056	426	7,232	31,570	93	8,812	244
Others	2,054	838	3,275	97,516	113	6,292	514
Overseas subsidiaries							
	2,293	2,653	300	231,164	96	5,354	950

Debt

Bonds

Millions of yen	Date issued	Issue amount	Outstanding	Interest rate	Maturity
Mortgage debenture	9/29/95	1,500	-	3.0%	-
Mortgage debenture	3/25/96	1,000	1,000	3.2%	3/31/03
	-	2,500	1,000	-	-

Borrowings

Millions of yen	Previous period	Outstanding	Average rate	Maturity
Short-term borrowings	47,826	46,727	1.1%	-
Current portion of long-term debt	9,533	7,531	2.2%	-
Long-term debt (except current portion of long-term debt)	16,475	17,868	2.4%	From 2003 to 2036
Other interest-bearing liabilities	-	-	-	-
	73,835	72,128	-	-

Assets provided as collateral

Millions of yen	2001	2002
Assets provided as collateral		
Buildings and structures	6,130	5,296
Machinery and delivery equipment	3,703	3,834
Tools, furniture and fixtures	680	653
Land	8,753	6,639
Marketable securities	3,274	2,028
	22,543	18,453
Liabilities for which collateral provided		
Corporate bonds	2,500	-
Bonds redeemable within 1 year	-	1,000
Long-term debt	15,761	11,838
	18,261	12,838

Guarantees

Millions of yen	2001	2002
DAISECO Co., Ltd.	974	1,641
Dainichi Pla Board Co., Ltd.	653	892
Will Corporation	479	578
REGLUS Co., Ltd.	401	433
21 other companies	2,032	1,347
	<u>4,541</u>	<u>4,894</u>
Discounts on notes receivable	6,344	5,849
Endorsed notes receivable	192	161

Retirement benefits

Summary of retirement benefit system

The Company, its domestic consolidated subsidiaries and its nonconsolidated companies accounted for under the equity method offer pension annuity fund systems, eligible retirement pension systems and lump-sum retirement benefits as defined benefit plans. In addition to these defined benefit pension plans, certain overseas subsidiaries have established defined contribution annuity plans. The Company has also established a retirement benefit investment trust.

Matters related to retirement benefit liabilities

Millions of yen	2001	2002
Retirement benefit liabilities	(44,579)	(45,390)
Pension assets	20,284	17,247
Unaccrued pension benefit liabilities	<u>(24,294)</u>	<u>(28,143)</u>
Provisions required due to changes in accounting standards	-	-
Unrecognized actuarial gains or losses	5,630	9,974
Unrecognized liabilities for past service costs (reduction in amount of obligations)	-	(652)
Net amount shown on consolidated balance sheet	<u>(18,664)</u>	<u>(18,821)</u>
Prepaid pension expenses	-	-
Allowance for retirement benefits	<u>(18,664)</u>	<u>(18,821)</u>

Matters related to retirement benefit expenses

Millions of yen	2001	2002
Current service costs	1,281	1,451
Interest expenses	1,358	1,332
Expected earnings on pension fund assets	(1,216)	(848)
Accrual of differences arising due to changes in accounting standards	16,132	-
Expensing of differences based on actuarial calculations	-	374
Amortization period for past service costs recognized as expenses	-	(34)
Retirement benefit expenses	17,556	2,274

Assumptions underlying the calculation of retirement benefit liabilities

	2001	2002
Method of allocating prospective retirement benefits to each period	Equal payments basis	Equal payments basis
Discount rate	3.0% (The discount rate used in the calculation at the beginning of the year was 3.5%.)	3.0%
Expected rate of return	6.76%	4.5%
Number of years for amortization of past service costs	-	10 years (Amortized using the straight-line method over a fixed number of years that is less than the average remaining period of service for employees at the time when the liability accrues)
Amortization period for actuarial gains or losses	15 years (Amortized from the following fiscal year using the straight-line method, based on a fixed number of years that does not exceed the average number of years of employees' remaining years of service)	15 years (Amortized using the straight-line method over a fixed number of years that is less than the average remaining period of service for employees in the consolidated fiscal year in which the gains or losses are accrued, with amortization beginning in the consolidated fiscal year following that in which the gains or losses are accrued)
Amortization period for differences arising due to changes in accounting standards	As the entire amount of retirement benefit obligations at the beginning of the term was written off as a one-time expense, there were no outstanding differences at the time of changes in accounting standards.	-

Deferred taxes

Millions of yen	2001	2002
Deferred tax assets	10,957	11,970
Deferred tax liabilities	(2,287)	(1,995)
Deferred tax assets - net	8,669	9,975

Percent	2001	2002
Legal effective tax rate	(42.05)	-
<Adjustments>		
Effect of possible increase in collection of deficit forward	2.64	-
Expenses not deductible for tax purposes (such as entertainment expenses)	1.26	-
Others	0.74	-
Income tax and others accompanying adoption of tax effect accounting	(37.41)	-

Notes: Because the Company recognized a loss under income before tax adjustments, this breakdown was omitted for the consolidated fiscal year.

Nonconsolidated Statements

Nonconsolidated statement of income

Years ended March 31; Millions of yen	2000	2001	2002
Net sales			
Net sales - finished goods	95,916	96,426	86,177
Net sales - merchandise	23,400	25,275	20,886
	119,316	121,702	107,064
Cost of sales			
Inventory of finished goods and semifinished goods, beginning of term	9,096	8,685	8,682
Production costs for the term	59,106	58,994	54,522
Purchase of finished goods for the term	20,525	21,707	19,089
	79,631	89,386	82,294
Inventory of finished goods and semifinished goods, end of term	8,685	8,682	8,447
	80,043	80,704	73,847
Merchandise inventory, beginning of term	279	196	235
Purchase of merchandise for the term	23,059	24,858	19,832
	23,338	25,055	20,067
Merchandise inventory, end of term	196	235	226
	23,141	24,819	19,841
Total cost of sales	103,184	105,524	93,689
Gross profit	16,132	16,178	13,375
Selling, general and administrative expenses			
Packing and shipping expenses	2,136	2,126	1,975
Business entertainment expenses	289	297	243
Provision for allowance for doubtful accounts	14	4	86
Payroll expenses	5,150	5,021	4,184
Reserve provision for bonuses	678	649	589
Employee benefit expenses	1,378	1,283	1,137
Reserve provision for retirement allowances	274	-	-
Pension benefit expenses	-	471	706
Travel and transportation expenses	374	404	356
Depreciation expenses	202	165	79
Rental expenses	942	952	993
Others	1,536	1,399	2,413
	12,979	12,775	12,765
Operating income	3,153	3,403	609

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Years ended March 31; Millions of yen	2000	2001	2002
Non-operating income			
Interest income	83	72	69
Dividend income	336	386	380
Rental income	1,003	932	746
Cash discounts on purchases	40	31	28
Others	382	410	346
	<u>1,847</u>	<u>1,834</u>	<u>1,572</u>
Non-operating expenses			
Interest and bank discounts paid	1,050	-	-
Interest expenses	-	761	641
Expenses on assets leased to others	655	611	455
Others	190	395	247
	<u>1,896</u>	<u>1,768</u>	<u>1,344</u>
Ordinary profit	<u>3,103</u>	<u>3,469</u>	<u>838</u>
Extraordinary gains			
Gain on sales of fixed assets	4	0	0
Gain on sales of investment securities	48	15	0
Gain on cancellation of life insurance contracts for directors and employees	457	-	-
Revised profit carried forward from previous term	20	-	-
Gain on sales of other investments	-	7	-
Gain from establishment of pension plan assets	-	427	-
Gain on reversal of provision for loss on loan guarantees	-	-	200
Gain from liquidation of affiliated company	-	-	279
	<u>531</u>	<u>450</u>	<u>479</u>

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Years ended March 31; Millions of yen	2000	2001	2002
Extraordinary losses			
Loss on sales of fixed assets	1	1	5
Loss on disposal of fixed assets	19	34	66
Loss on sales of investment securities	8	507	16
Loss on valuation of investment securities	-	1,573	961
Loss on valuation of securities of affiliated companies	-	3,776	595
Loss on liquidation of investment securities	0	2	-
Loss on liquidation of shares of affiliated companies	-	-	0
Loss on valuation of other investments	-	62	12
Provision for allowance for doubtful accounts	274	304	34
Reserve provision for losses on guaranteed liabilities	-	697	613
Special installment for fund of welfare pension plan	491	-	-
Directors' retirement allowances	17	-	34
Retirement benefit expenses due to changes in accounting standards	-	12,703	-
Loss on compensation for product-warranty claims	-	67	-
	814	19,730	2,341
Income before income taxes	2,820	(15,811)	(1,023)
Income, residents and enterprise taxes	1,816	1,341	280
Deferred taxes	(543)	(6,327)	(1,513)
	1,272	(4,986)	(1,233)
Net income	1,547	(10,825)	210
Unappropriated retained earnings brought forward	1,252	2,494	2,369
Adjustment for tax effect in prior years	(692)	-	-
Interim dividends	465	465	372
Transfer to legal reserve with respect to interim dividends	46	46	-
Reversal of reserve for officers' retirement	17	-	-
Disposition of reserve for retirement allowances	-	-	34
Reclassification of deferred income tax on the deferred taxable gain	1,418	-	-
Disposition of reserve for losses on overseas investments accompanying adoption of tax effect accounting	3	-	-
Disposition of reserve for special depreciation accompanying adoption of tax effect accounting	4	-	-
Unappropriated retained earnings at year-end	3,040	(8,842)	2,241

Nonconsolidated appropriation of retained earnings

Millions of yen	June 29, 2000	June 28, 2001	June 27, 2002
Unappropriated retained earnings, fiscal year-end	3,040	(8,842)	2,241
Disposition of voluntary reserves			
Reversal of reserve for reduction entry of acquisition costs	-	0	3
Reversal of reserve for overseas investment losses	4	-	-
Reversal of reserve for special depreciation	6	-	-
Reversal of reserve for dividends	-	3,770	-
Reversal of special reserves	-	8,000	-
	11	11,770	3
	3,051	2,927	2,244
Appropriation of retained earnings			
Legal reserves	51	51	-
Cash dividends	465	465	372
Bonuses to directors and statutory auditors	40	41	12
(Bonuses to statutory auditors)	[6]	[6]	[1]
	557	558	384
Unappropriated retained earnings carried forward	2,494	2,369	1,860

Cost of goods sold

Years ended March 31; Millions of yen	2000	%	2001	%	2002	%
Cost of raw materials	37,340	62.9	37,216	62.9	33,905	61.9
Labor costs	9,056	15.3	9,184	15.5	9,627	17.6
Expenses	12,914	21.8	12,776	21.6	11,227	20.5
(Subcontracted processing expenses)	7,573	12.8	7,691	13.0	6,279	11.5
(Depreciation expenses)	1,795	3.0	1,546	2.6	1,575	2.9
(Other manufacturing expenses)	3,545	6.0	3,539	6.0	3,372	6.1
Total manufacturing overhead	59,311	100.0	59,178	100.0	54,759	100.0
Work-in-process inventory, beginning of term	238		212		181	
	59,550		59,390		54,940	
Work-in-process inventory, end of term	212		181		196	
Transfers to other accounts	232		215		221	
Production and semifinished goods costs for the term	59,106		58,994		54,522	

Nonconsolidated balance sheet: assets

Years ended March 31; Millions of yen	2000	2001	2002
Current assets			
Cash and time deposits	8,732	8,374	9,033
Notes receivable, trade	8,097	9,619	8,203
Accounts receivable, trade	29,756	33,072	26,519
Marketable securities	9,458	2,400	1,250
Treasury stock	0	0	-
Merchandise	196	235	226
Finished products	7,389	7,339	7,052
Semifinished goods	1,296	1,343	1,395
Raw materials	2,289	2,431	2,187
Work in process	212	181	196
Supplies	173	179	178
Accounts receivable, other	0	13	46
Prepaid expenses	311	305	259
Short-term loans	1,796	1,478	1,890
Deferred tax assets	387	521	1,405
Others	383	479	1,012
Less allowance for doubtful accounts	(43)	(178)	(139)
	<u>70,438</u>	<u>67,796</u>	<u>60,717</u>
Fixed assets			
Tangible fixed assets			
Buildings	17,959	18,046	18,245
Accumulated depreciation	10,398	10,961	11,485
	<u>7,560</u>	<u>7,084</u>	<u>6,760</u>
Structures	3,790	3,797	3,775
Accumulated depreciation	2,770	2,884	2,943
	<u>1,020</u>	<u>912</u>	<u>832</u>
Machinery and equipment	30,452	30,184	30,528
Accumulated depreciation	25,726	25,826	26,106
	<u>4,726</u>	<u>4,357</u>	<u>4,421</u>
Vehicles and delivery equipment	912	898	894
Accumulated depreciation	773	749	765
	<u>138</u>	<u>148</u>	<u>129</u>
Tools, furniture and fixtures	5,961	6,141	6,235
Accumulated depreciation	4,999	5,125	5,275
	<u>962</u>	<u>1,016</u>	<u>960</u>

DAINICHISEIKA

Years ended March 31; Millions of yen	2000	2001	2002
Land	8,852	8,923	9,035
Construction in progress	71	102	73
	23,331	22,545	22,212
Intangible fixed assets			
Leaseholdings	163	163	163
Software	4	3	1
Others	61	58	55
	229	224	219
Investments and other assets			
Investment securities	1,095	5,616	4,402
Capital stock of affiliated companies	11,536	8,245	7,682
Other equity investments of affiliated companies	1,281	1,281	1,582
Long-term loans	0	0	0
Long-term loans to employees	1,109	1,061	956
Long-term loans to affiliated companies	246	53	150
Cash value of insurance for officers	-	-	1,256
Long-term accounts receivable	938	907	1,015
Rights to assets in liquidation or reorganization	73	85	287
Long-term prepaid expenses	104	94	92
Lease deposits	1,344	1,269	1,269
Deferred tax assets	-	5,507	6,313
Others	1,299	1,587	462
Less allowance for doubtful accounts	(801)	(972)	(1,104)
	18,228	24,739	24,369
Total fixed assets	41,789	47,510	46,801
Total assets	112,228	115,306	107,518

Nonconsolidated balance sheet: liabilities and shareholders' equity

Years ended March 31; Millions of yen	2000	2001	2002
Current liabilities			
Notes payable, trade	3,320	3,327	3,368
Accounts payable, trade	19,626	24,611	19,063
Short-term borrowings	20,888	20,638	20,138
Current portion of long-term debt	3,054	6,959	5,674
Accounts payable, other	1,702	1,920	1,691
Accrued expenses	143	194	174
Accrued consumption taxes	191	172	206
Accrued corporate and residents taxes	1,146	436	332
Deposits received	108	117	152
Advances from customers	2	24	88
Accrued bonuses to employees	1,723	1,701	1,682
Notes payable, construction	119	272	118
Others	84	85	77
	52,110	60,461	52,767
Long-term liabilities			
Long-term debt	15,293	10,740	11,098
Deferred tax liabilities	536	-	-
Employees' severance indemnities	3,751	-	-
Employees' retirement benefits	-	14,326	14,422
Reserve for losses on guaranteed liabilities	-	697	1,110
Others	-	135	92
	19,581	25,900	26,724
Total liabilities	71,692	86,361	79,491

DAINICHISEIKA

Years ended March 31; Millions of yen	2000	2001	2002
Shareholders' equity			
Capital stock	10,039	10,039	10,039
Capital reserves	8,137	8,137	8,137
Legal reserves	2,075	2,173	2,224
Retained earnings			
Reserve for officers' retirement	638	638	604
Reserve for reduction entry of acquisition costs	1,952	1,952	1,951
Reserve for dividends	3,770	3,770	-
Reserve for overseas investment losses	4	-	-
Reserve for special depreciation	6	-	-
Special reserves	10,870	10,870	2,870
Total voluntary reserves	17,242	17,230	5,425
Unappropriated retained earnings	3,040	(8,842)	2,241
	20,282	8,387	7,667
Unrealized gains or losses on other securities	-	206	(36)
Treasury stock	-	-	(4)
Total shareholders' equity	40,535	28,945	28,027
Total liabilities and shareholders' equity	112,228	115,306	107,518

Trade credit

Notes receivable — trade

Millions of yen	2002
IBJ LEASING CO., LTD.	571
Kimura Fine Tsusho Co., Ltd.	526
Yamamoto Ink Co., Ltd.	388
Meiwa Packs Co., Ltd.	278
New Fine Chemical Co., Ltd.	216
Others	6,223
	<u>8,203</u>
April 2002	780
May 2002	1,899
June 2002	2,558
July 2002	2,161
August 2002	734
September 2002 and later	69
	<u>8,203</u>

Accounts receivable — trade

Millions of yen	2002
DSF Co., Ltd.	1,646
Japan Poli Chem Co., Ltd.	1,524
Oyodo Dainichiseika Kogyo Co., Ltd.	703
INCTEC INC.	692
Sakata INX Corp.	538
Others	21,413
	<u>26,519</u>

Turnover of accounts receivable

Millions of yen	2002
Beginning balance	33,072
Increase	112,047
Collected	118,601
Ending balance	26,519
Turnover	81.7%
Average months for collection	3.19

Notes payable — trade

Millions of yen	2002
KOMORI Corporation	882
Shoei Chemical Inc.	380
Process Shizai Co., Ltd.	242
SK Eki Seizou Co., Ltd.	184
Chuwa Kagaku Yakuin Co., Ltd.	121
Others	1,558
	<u>3,368</u>
April 2002	1,501
May 2002	525
June 2002	469
July 2002	871
August 2002	-
September 2002 and later	-
	<u>3,368</u>

Accounts payable — trade

Millions of yen	2002
Hi-Tech Chemi Co., Ltd.	1,813
Japan Poli Chem Co., Ltd.	1,132
UKIMA Chemicals & Color Mfg. Co., Ltd.	996
Nagase & Co., Ltd.	842
Mitsui & Co., Ltd.	502
Others	13,776
	<u>19,063</u>

Marketable and investment securities

Millions of yen		
Stocks		
	Number of shares	Book value
Investment securities		
Other securities		
Sumitomo Mitsui Bank (8318)	588,300	311
UFJ Holdings, Inc. (8307)	833	254
Mizuho Holdings, Inc. (8305)	740	223
Mitsubishi Tokyo Financial Group, Inc. (8306)	412	326
Taiyo Ink Manufacturing (4626)	58,200	256
Nissha Printing (7915)	165,653	109
Nippon Paint (4612)	401,356	116
Mitsubishi Pencil (7976)	346,554	247
Half Century More	2,000	100
LONA INDUSTRIES LTD.	618,925	113
Others (148 shares)	8,615,301	2,337
	10,798,275	4,397
Bonds	Total face value	Book value
Marketable securities		
Bonds being held to maturity	1,250	1,250
Investment securities		
Bonds being held to maturity	5	5
	1,255	1,255

Tangible fixed assets

Millions of yen	Beginning of term	Increase	Decrease	End of term	Depreciation		End of term, net
					Accumulated	Current	
					Tangible fixed assets		
Buildings	18,046	248	48	18,245	11,485	565	6,760
Structures	3,797	28	50	3,775	2,943	103	832
Machinery and equipment	30,184	1,095	751	30,528	26,106	976	4,421
Vehicles and delivery equipment	898	35	39	894	765	52	129
Tools, furniture and fixtures	6,141	172	78	6,235	5,275	223	960
Land	8,923	111	-	9,035	-	-	9,035
Construction in progress	102	567	596	73	-	-	73
	68,093	2,259	1,564	68,788	46,576	1,920	22,212
Intangible fixed assets							
Leaseholdings	-	-	-	163	-	-	163
Software	-	-	-	9	8	1	1
Other intangible fixed assets	-	-	-	77	22	2	55
	-	-	-	250	30	4	219
Long-term prepaid expenses	185	7	45	147	55	9	92

Reserves

Millions of yen	Beginning of term	Increase	Decrease	End of term
Allowance for doubtful accounts	1,150	151	57	1,243
Accrued bonuses to employees	1,701	1,682	1,701	1,682
Reserve for losses on guaranteed liabilities	697	613	200	1,110

Accounting Policies

Summary of accounting policies: Consolidated

Basis of presentation	Japanese GAAP
Marketable securities and investments in securities	Trading securities: market value method (calculated primarily using the moving average cost method) Bonds held to maturity: cost amortization method (straight-line) Other securities: Quoted securities: market value method, based on market prices, etc., on the day of closing of consolidated accounts (The Company debits or credits valuation differences entirely to shareholders' equity, calculating the cost of shares sold using the moving average method.) Unquoted securities: valued at cost using the moving average method
Derivatives	Market value method
Monetary trusts for investment purposes	Market value method
Inventories	Valued at cost, computed on a periodic average basis
Depreciation	Tangible fixed assets: declining balance method and straight-line method Intangible fixed assets: straight-line method Software for internal use is amortized on a straight-line basis (based on length of internal useful life).
Allowance for doubtful accounts	To provide for doubtful accounts that arise in relation to trade receivables, loans, etc., the Company and its consolidated subsidiaries in Japan recognize allowances for nonspecific receivables on the basis of a statutory deduction ratio. For problematic and other specified receivables, allowances are recognized on the basis of analyses of individual accounts. By contrast, the Company's overseas subsidiaries recognize allowances for specified receivables primarily on the basis of estimated uncollectible amounts.
Reserve for bonuses	Accrual of 100% of the amount deductible for income tax purposes
Reserve for retirement benefits	To provide for employees' retirement benefits, the Company recognizes an amount based on retirement benefit liabilities and estimated pension assets as of the end of the consolidated fiscal year to March 2002.
Reserve for guarantees of obligations	In order to reserve for losses arising from the performance of guarantees of obligations, the required amount is estimated and reserved, taking into consideration the detailed financial condition of each guaranteed party.
Significant hedge accounting methods	Hedging instruments, and risks hedged: Hedging instruments: foreign exchange forward contracts and interest rate swaps Risks hedged: foreign currency-denominated monetary claims and obligations and provisional foreign currency-denominated transactions and borrowings Hedging policy: The Company enters into hedging transactions in accordance with internal regulations which regulate authority regarding derivative transactions and which place limits on amounts that may be transacted. Method of evaluating the effectiveness of hedging: In principle, the Company evaluates the effectiveness of transactions to hedge cash-flow fluctuation risks caused by interest rate fluctuations on floating-rate borrowings by performing a ratio analysis of the total of the interest rate fluctuation amount on the underlying borrowing and the interest rate fluctuation amount on the interest rate swap transaction. This evaluation is carried out at least once every six months, including at the fiscal year-end. However, the Company does not evaluate the effectiveness of interest rate swaps that meet conditions set for exceptional treatment (tokurei shori).
Opinion of independent auditors	Auditors: Yasumori Audit Corporation Opinion: unqualified

Summary of accounting policies: Nonconsolidated

Basis of presentation	Japanese GAAP
Marketable securities and investments in securities	<p>Bonds held to maturity: cost amortization method (straight line)</p> <p>Shares in subsidiaries and affiliated companies: valued at cost using the moving average method</p> <p>Other securities:</p> <p>Quoted securities: market value method, based on market prices, etc., on the day of closing of consolidated accounts (The Company debits or credits valuation differences entirely to shareholders' equity, calculating the cost of shares sold using the moving average method.)</p> <p>Unquoted securities: valued at cost using the moving average method</p>
Derivatives	Market value method
Inventories	Valued at cost, computed on a periodic average basis
Depreciation	<p>Tangible fixed assets: declining balance method and straight-line method</p> <p>Intangible fixed assets: straight-line method</p> <p>Software for internal use is amortized on a straight-line basis (based on length of internal useful life).</p>
Allowance for doubtful accounts	<p>To provide for doubtful accounts that arise in relation to trade receivables, loans, etc., the Company and its consolidated subsidiaries in Japan recognize allowances for nonspecific receivables on the basis of a statutory deduction ratio.</p> <p>For problematic and other specified receivables, allowances are recognized on the basis of analyses of individual accounts.</p> <p>By contrast, the Company's overseas subsidiaries recognize allowances for specified receivables primarily on the basis of estimated uncollectible amounts.</p>
Reserve for bonuses	Accrual of 100% of the amount deductible for income tax purposes
Reserve for retirement benefits	To provide for employees' retirement benefits, the Company recognizes an amount based on retirement benefit liabilities and estimated pension assets as of the end of the consolidated fiscal year to March 2002.
Reserve for guarantees of obligations	In order to reserve for losses arising from the performance of guarantees of obligations, the required amount is estimated and reserved, taking into consideration the detailed financial condition of each guaranteed party.
Significant hedge accounting methods	<p>Hedging instruments, and risks hedged:</p> <p>Hedging instruments: foreign exchange forward contracts and interest rate swaps</p> <p>Risks hedged: foreign currency-denominated monetary claims and obligations, and provisional foreign currency-denominated transactions and borrowings</p> <p>Hedging policy: The Company enters into hedging transactions in accordance with internal regulations which regulate authority regarding derivative transactions and which place limits on the amounts that may be transacted.</p> <p>Method of evaluating the effectiveness of hedging: In principle, the Company evaluates the effectiveness of transactions to hedge cash-flow fluctuation risks caused by interest rate fluctuations on floating-rate borrowings by performing a ratio analysis of the total of the interest rate fluctuation amount on the underlying borrowing and the interest rate fluctuation amount on the interest rate swap transaction.</p> <p>This evaluation is carried out at least once every six months, including at the fiscal year-end.</p> <p>However, the Company does not evaluate the effectiveness of interest rate swaps that meet conditions set for exceptional treatment (tokurei shori).</p>
Opinion of independent auditors	<p>Auditors: Yasumori Audit Corporation</p> <p>Opinion: unqualified</p>

Share-related Information

Shares in issue

Class of shares	Common
Registered or bearer	Registered
Number of shares authorized	250,000,000
Issued	
As of March 31, 2002	93,065,554
As of June 27, 2002	93,065,554
Stock exchange listings or registration	Tokyo Stock Exchange, First Section
Comments	Full voting rights attached: The Company places no limitations on the rights inhering in common stock, which are its standard shares in issue.

Changes in common stock and number of shares outstanding

Millions of yen Shares Date	Shares outstanding		Common stock		Additional paid-in capital		Remark
	Increase or decrease	Balance	Increase or decrease	Balance	Increase or decrease	Balance	
1997/4/1-1998/3/31	279	93,065	120	10,039	120	8,137	Exercise of warrants

Shareholders by type of investor

Type of investor	Number of shareholders	Shares Thousands	% owned
National and local government agencies	-	-	-
Financial institutions	52	41,191	44.54
Securities companies	20	1,114	1.21
Business and other corporations	228	24,638	26.64
Nonresidents	35	852	0.92
Nonresidents (individuals)	2	5	0.00
Individuals and others	3,896	24,678	26.69
	4,231	92,473	100.00
Shares less than one unit	-	592,554	-

Largest shareholders

Name	Thousands of shares owned	% of shares outstanding
UKIMA Chemicals & Color Mfg.	5,887	6.32
Mitsui Mutual Life Insurance	4,575	4.91
Sumitomo Mitsui Bank	4,412	4.74
UFJ Bank	3,806	4.08
Employees' shareholders association	3,335	3.58
Yasuda Fire & Marine Insurance	2,897	3.11
Nissan Fire & Marine Insurance	2,768	2.97
Yasuda Trust & Banking	2,752	2.95
Highbridge	2,708	2.91
Bank of Tokyo-Mitsubishi	2,036	2.18
	35,177	37.79

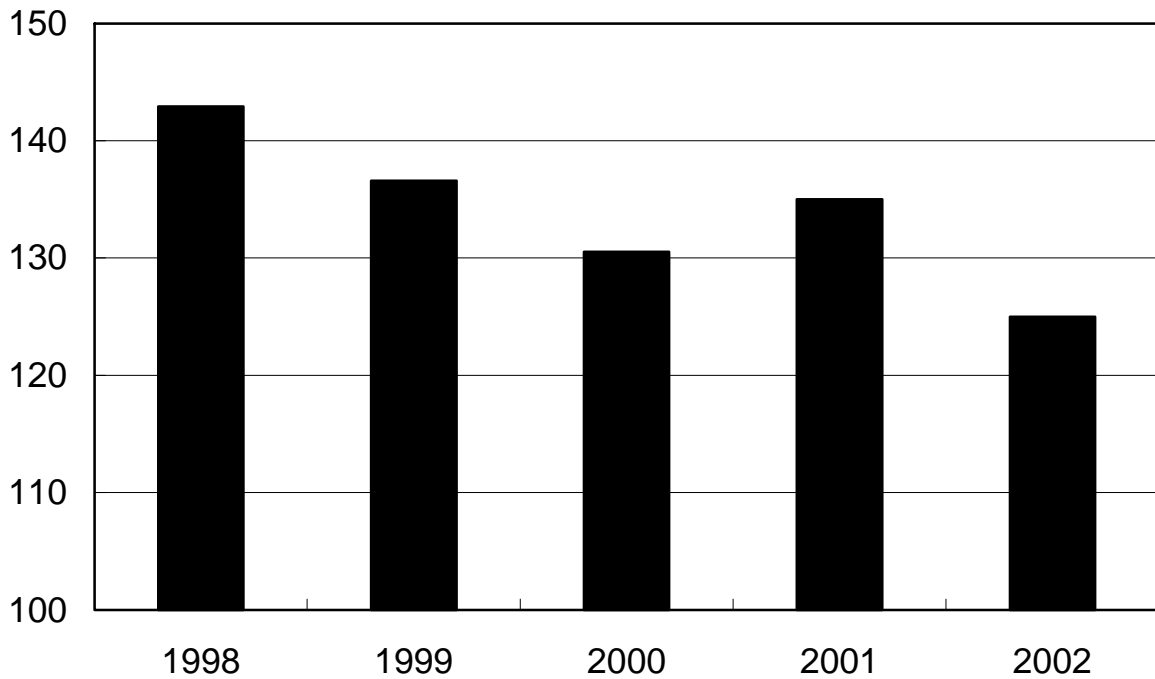
Share information

Fiscal year-end	March 31
Ex-rights date	March 31
Ex-rights date for interim dividend	September 30
Annual general meeting of shareholders	June
Trading unit	1,000 shares
Types of share certificates	1, 10, 50, 100, 500, 1,000, and 5,000 shares Stock certificates for fractional shares of less than 100
Transfer agent	Mizuho Trust & Banking, 1-5-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Publication of record	Nihon Keizai Shimbun

Performance in Graphs

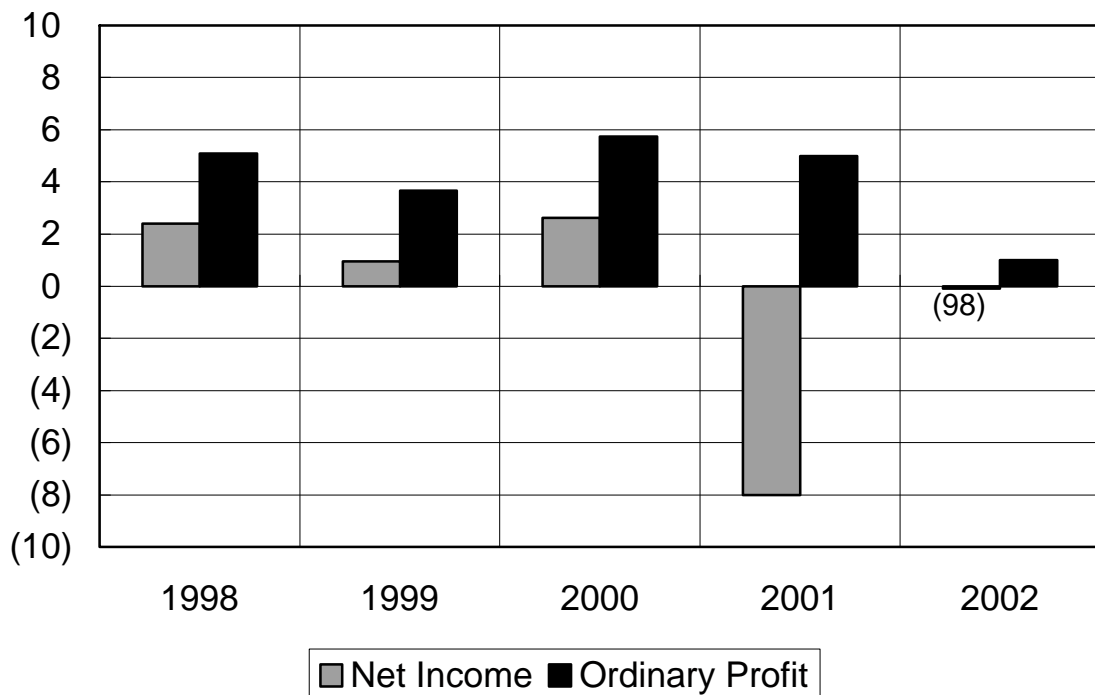
Net Sales

Yen billions

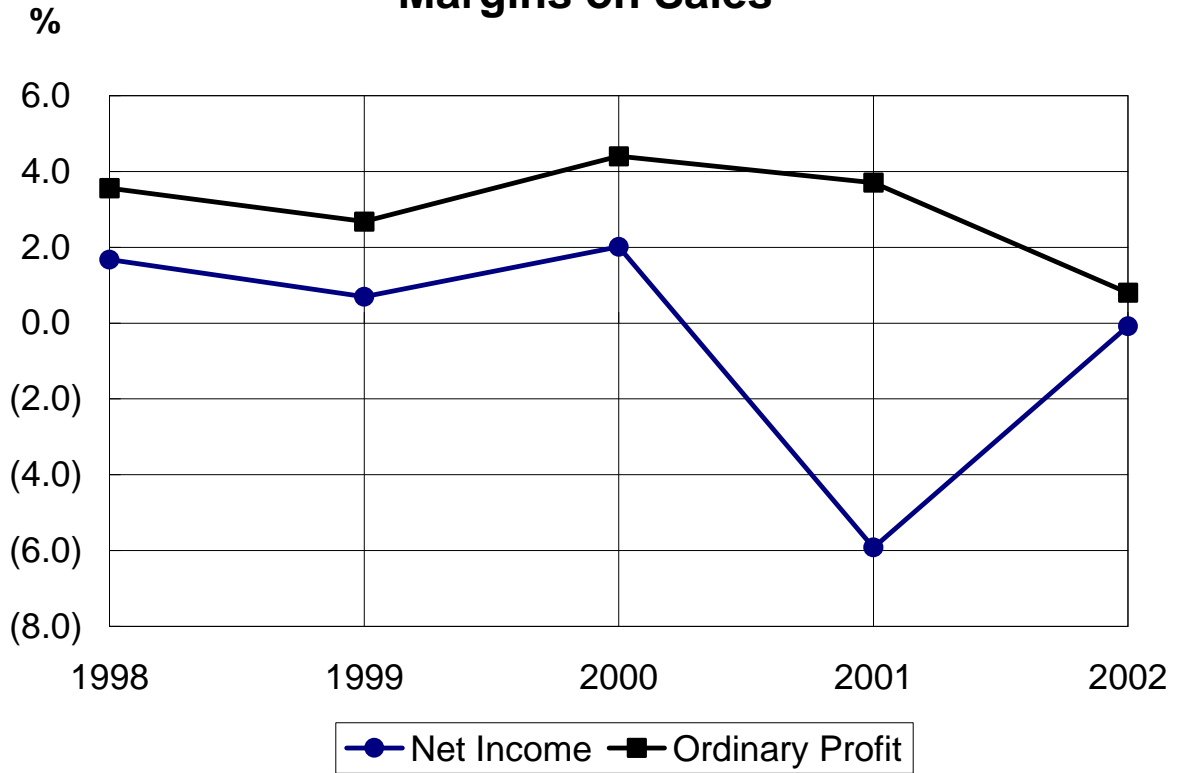


Ordinary and Net Profits

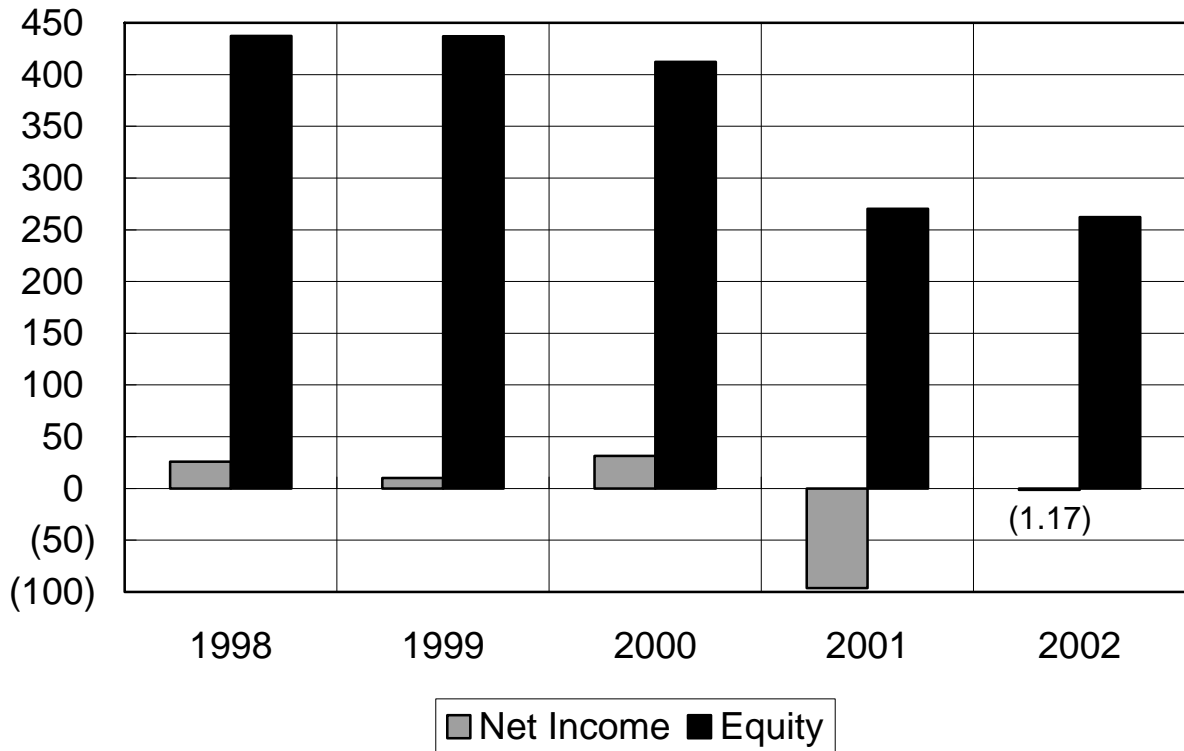
Yen billions



Margins on Sales

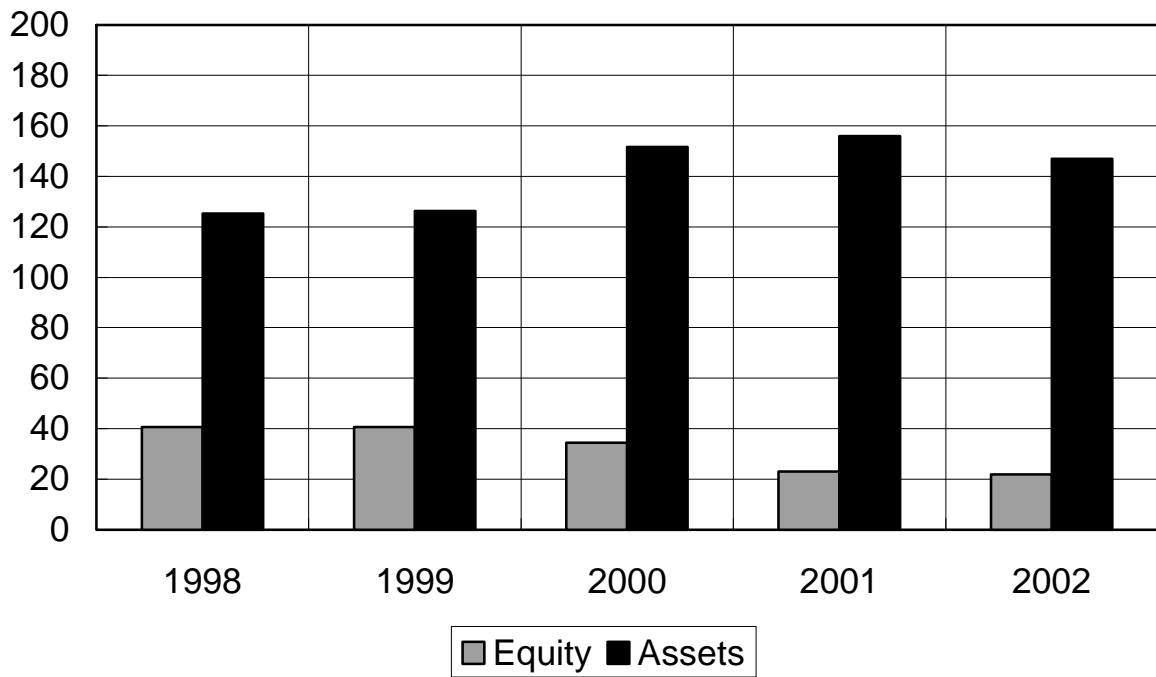


Yen Per Share



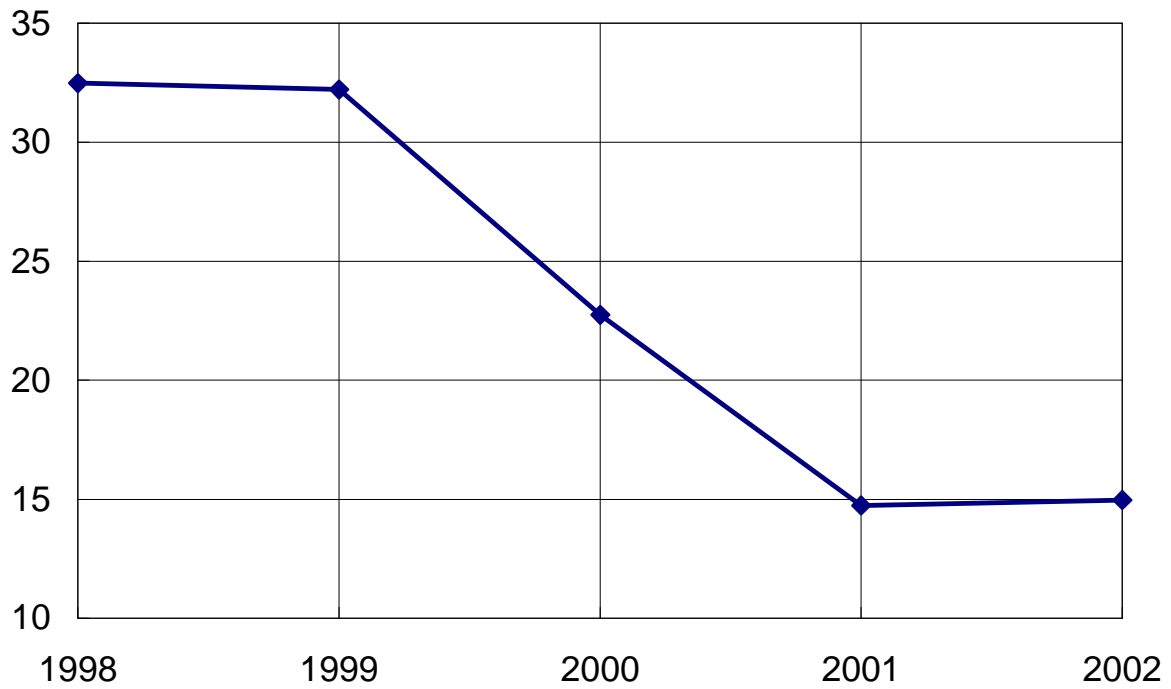
Equity and Assets

Yen billions

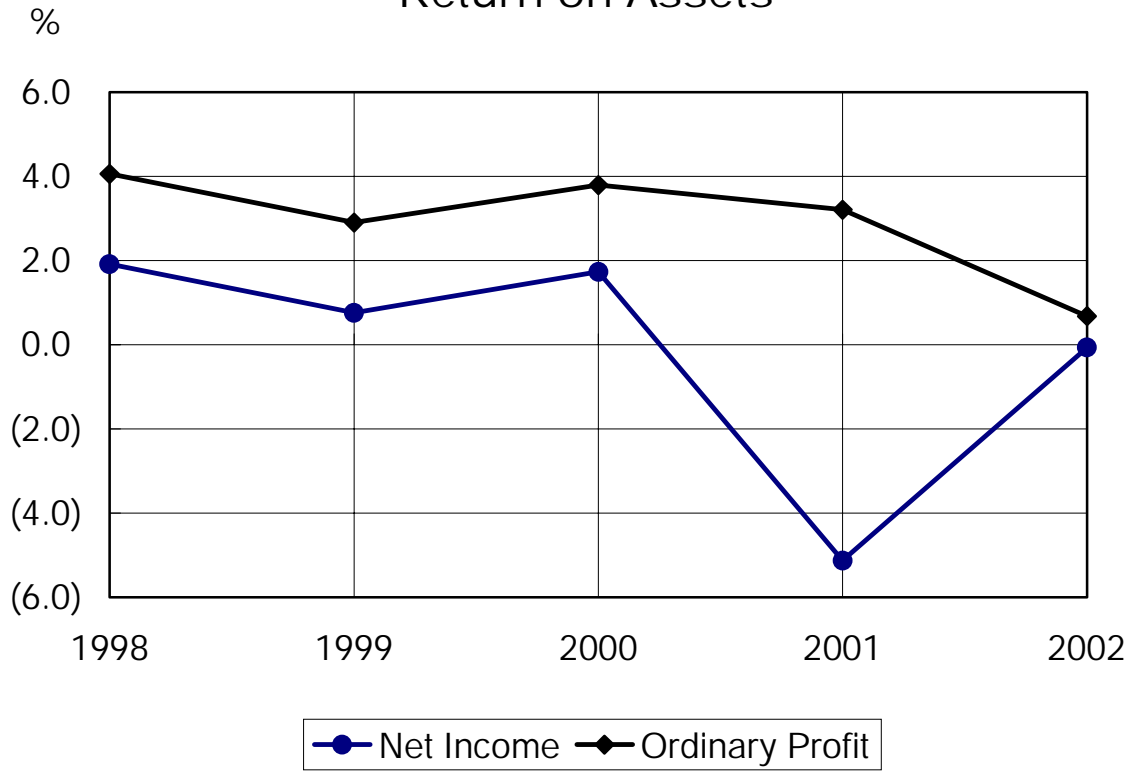


Equity / Assets

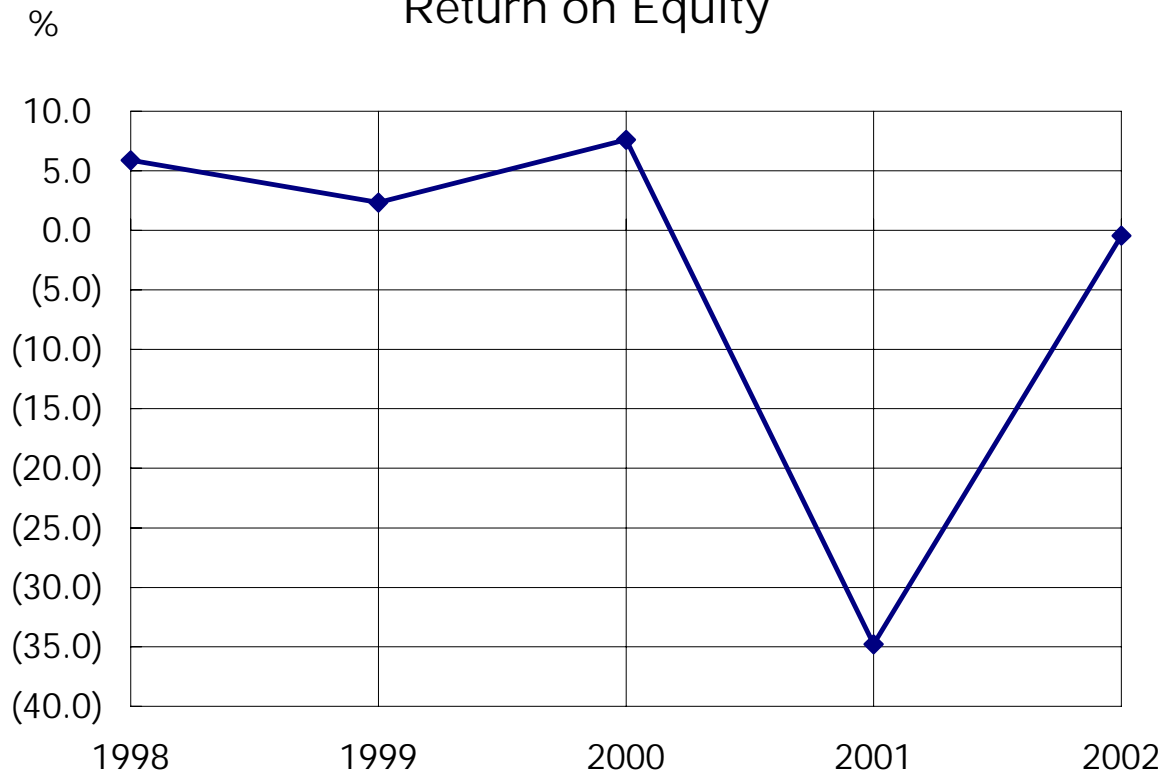
%



Return on Assets



Return on Equity



Contact

Yoshihiko Takeichi

General Manager, General Finances and Accounts Department

Dainichiseika Colour & Chemicals Mfg. Co., Ltd.

1-7-6, Nihonbashi-Bakuro-cho, Chuo-ku,

Tokyo 103-8383, Japan

Telephone: 81-3-3662-7111

Facsimile: 81-3-5695-1420

DAINICHISEIKA COLOUR & CHEMICALS MFG. CO.,LTD.

1-7-6, Nihonbashi-Bakuro-cho, Chuo-ku, Tokyo 103-8383 Japan

Telephone: 81-3-3662-7111

Facsimile: 81-3-5695-1420

URL: <http://www.daicolor.co.jp/>