

# Consolidated Financial Results for the Six Months Ended September 30, 2010 [JGAAP]



November 5, 2010

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 Stock Code: 4116  
 (URL: <http://www.daicolor.co.jp/>)  
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 Scheduled date to submit the Quarterly Securities Report: November 12, 2010  
 Availability of supplementary briefing material on quarterly results: None  
 Scheduled date of Quarterly Results Briefing Session: Not scheduled  
 Scheduled date to commence dividend payments: December 3, 2010

(Figures are rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2010 (From April 1, 2010 to September 30, 2010)

(1) Consolidated Results of Operations (cumulative) (% indicates changes from the previous corresponding term)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2010	79,813	18.2	5,039	109.5	4,721	85.3	3,187	62.6
Six months ended September 30, 2009	67,504	(24.0)	2,405	(26.1)	2,547	(12.9)	1,960	—

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six months ended September 30, 2010	34.33	—
Six months ended September 30, 2009	21.11	—

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Six months ended September 30, 2010	148,842	46,225	30.4	487.10
Year ended March 31, 2010	147,471	45,192	29.8	472.54

(Reference) Equity: Six months ended September 30, 2010: ¥45,234 million  
 Year ended March 31, 2010: ¥43,883 million

## 2. Dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2010	—	4.00	—	5.00	9.00
Year ending March 31 2011	—	5.00			
Year ending March 31 2011(Forecast)			—	5.00	10.00

(Note) Revision of dividend forecasts: Not applicable

### 3. Forecast of Consolidated Financial Results for Fiscal Year Ending March 31, 2011 (From April 1, 2010 to March 31, 2011)

(% indicates changes from the previous corresponding term)

	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
Full year	155,000	7.7	8,600	40.4	8,000	26.3	4,800	41.2	51.69

(Note) Revision of forecast of financial results: Not applicable

#### 4. Others (for details, please refer to “Others” on page 4 of the appendix)

(1) Significant changes of subsidiaries during the period under review: Not applicable

Note: This refers to whether or not there were changes in specific subsidiaries due to change in scope of consolidation during the six months ended September 30, 2010.

(2) Adoption of simplified accounting policies and specific accounting policies: Yes

Note: This refers to whether or not simplified accounting policies and accounting policies specific to the preparation of quarterly consolidated financial statements were adopted.

(3) Changes in the accounting principles, accounting procedures, presentation, etc.

1) Changes due to the revision of accounting standards, etc.: Yes

2) Any changes other than 1) above: Not applicable

Note: This refers to whether or not there were changes in the accounting principles, accounting procedures, presentation, etc. related to preparation of quarterly consolidated financial statements that are to be described as “Changes in Significant Matters that are the Basis for Preparing Consolidated Quarterly Financial Statements.”

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury stock):

Six months ended September 30, 2010: 93,065,554 shares

Year ended March 31, 2010: 93,065,554 shares

2) Total number of treasury stock at the end of the period:

Six months ended September 30, 2010: 200,237 shares

Year ended March 31, 2010: 199,198 shares

3) Average number of shares during the period (cumulative):

Six months ended September 30, 2010: 92,865,508 shares

Six months ended September 30, 2009: 92,871,987 shares

\* Presentation regarding the implementation status of the quarterly review:

These consolidated financial results for the six months ended September 30, 2010 are not covered by the quarterly review procedure stipulated in the Financial Instruments and Exchange Act. At the time of the publication of these financial results, the quarterly review procedure for consolidated quarterly financial statements is being implemented.

\* Explanation for the appropriate use of performance forecasts and other special notes:

The statements regarding forecast of financial results in this report is based on the information that is available, as well as estimates, assumptions and projections that are believed to be reasonable at the time of publication. Therefore, there might be cases in which actual results differ from forecast values. For the premises of the forecast of financial results and the notes concerning the use of the forecast of financial results, please refer to “Qualitative Information on Forecast of Consolidated Financial Results” on page 3 of the appendix to this report.

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## 1. Qualitative Information on Performance for the Period under Review

### (1) Qualitative Information on Consolidated Results of Operations

During the six months ended September 30, 2010, the Japanese economy showed a gradual recovery, as exports increased buoyed up by growth of emerging economies, while corporate performance recovered and individual consumption rebounded. Looking overseas, the Chinese economy, primarily driven by domestic demand, maintained its prosperity due to economic stimulus measures, whereas the U.S. economy was in the process of recovery partly due to the effects of government economic measures. However the economies of Europe were sluggish as a whole, due to effects of financial crisis and other factors.

In such economic environment, the Group rolled out aggressive marketing policies, such as the early launch of products with functionality or environmentally conscious products, in an effort to respond to the requirements of users inside and outside of Japan. In addition, with the view to further strengthening its cost competitiveness, the Group devoted itself to the streamlining of the production process and reduction of costs which are eligible to be under control.

As a result, net sales for the six months ended September 30, 2010 increased to ¥79,813 million, up 18.2% compared with the same period of the previous fiscal year. On the other hand, due to the improvement in the cost of sales as well as the increase in sales, operating income increased to ¥5,039 million, up 109.5% compared with the same period of the previous fiscal year. Ordinary income increased to ¥4,721 million, up 85.3% compared with the same period of the previous fiscal year, despite of foreign exchange losses induced by the appreciation of the Japanese currency. Net income increased to ¥3,187 million, up 62.6% compared with the same period of the previous fiscal year.

Operating results by business segment are as follows:

The stated amount of operating income is before the reduction of corporate allocation.

#### (Pigments business)

In the Pigments business, the Group manufactures and sells various inorganic-organic pigments, various colorants, and information-recording materials. Sales of general-use pigments, primarily for the printing ink industry, remained unchanged as a whole, but information-recording materials for IT-related industries improved robustly, due to the increase in demand from newly emerging economies alongside the recovery trend in economy.

As a result, net sales in the segment stood at ¥12,455 million, while operating income was ¥1,979 million.

#### (Prepared colors and Chemicals business)

In the Prepared colors and Chemicals business, the Group manufactures and sells various colorants used in synthetic resins, various compounds and various coating materials. Various functional colorants remained solid both inside and outside Japan, mostly in the automobile industry, consumer electronics and office equipment industries, aided by the effectiveness of domestic economic measures alongside the recovery of the Japanese and Asian economies. In addition, sales of colorants for synthetic resins for the lifestyle-related industries soared, helped by a boost in seasonal summer demand for products such as beverage containers, on the back of this summer's heat wave. On the other hand, sales of various coating materials remained unchanged as a whole, except for sluggish sales within IT-related industries.

As a result, net sales in the segment stood at ¥42,971 million, while operating income was ¥3,006 million.

#### (Polymers business)

In the Polymers business, the Group manufactures and sells polymer products and natural polymer products. Although sales of various urethane resins were sluggish in certain industries, overall sales remained steady due to the recovery of demand in the automobile industry inside and outside of Japan.

As a result, net sales in the segment stood at ¥8,391 million, while operating income was ¥1,369 million.

(Printing Inks business)

In the Printing Inks business, the Group manufactures and sells various printing inks and also offers merchandise and services associated with the business. Gravure printing ink improved solidly as this summer's heat wave boosted demand for beverage and food-related packages industry. Offset printing ink, especially for leaflets and other commercial printed matters, was steady, mainly from the commercial printing industry, but remained at levels well short of a full-scale recovery.

As a result, net sales in the segment stood at ¥14,986 million, while operating income was ¥1,182 million.

(Other business)

In the Other business, the Group engages in resale of raw materials, leasing of real estate properties and financial businesses for group companies, and others.

Net sales in this segment stood at ¥1,008 million, while operating loss was ¥260 million due to the posting of real estate lease-related income as non-operating income, not as net sales.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as at the end of the second quarter ended September 30, 2010 increased ¥1,370 million compared with the end of the previous fiscal year to ¥148,842 million. This is largely because of a ¥4,071 million increase in current assets due to the rise in cash and deposits together with notes and accounts receivable-trade, driven by increasing net sales, and a ¥1,374 million decrease in investment securities, due to the fall in latent assets induced by sluggish stock markets.

(Liabilities)

Total liabilities as at the end of the second quarter ended September 30, 2010 increased ¥337 million compared with the end of the previous fiscal year to ¥102,616 million. This is largely because of a ¥2,150 million increase in notes and accounts payable-trade, and a ¥1,439 million decrease in short- and long-term loans payable due to accelerated repayment of loans payable.

(Net assets)

Net assets as at the end of the second quarter ended September 30, 2010 increased ¥1,033 million compared with the end of the previous fiscal year to ¥46,225 million. This is largely because of a ¥2,723 million increase in shareholders' equity due to net income, and a ¥738 million decrease in valuation difference on available-for-sale securities due to the decline in latent assets in investment securities, as well as a ¥632 million decrease in foreign currency translation adjustment, caused by the appreciation of the yen.

(3) Qualitative Information on Forecast of Consolidated Financial Results

With regards to forecasts of financial results for the full fiscal year ending March 31, 2011, the Company kept the forecasts announced on August 6, 2010 as shown unchanged below.

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Full year	155,000	8,600	8,000	4,800

## 2. Others

### (1) Significant Changes of Subsidiaries

Not applicable.

### (2) Outline of Simplified Accounting Policies and Specific Accounting Policies

#### 1. Simplified accounting policies

##### (i) Depreciation method for property, plant, and equipment

Property, plant and equipment are depreciated by proportionately distributing the amount of depreciation in the consolidated fiscal year over the assets using a declining balance method.

##### (ii) Calculation method for income tax, deferred tax assets, and deferred tax liabilities

With respect to determination of whether deferred tax assets are collectable, there has been no incident since the end of the previous consolidated fiscal year that may give rise to a possibility of collectability. At the same time, no significant changes have been recognized in the occurrence of temporary differences, etc. For these reasons, the application of the future business forecast and tax planning used in the settlement of the previous consolidated fiscal year shall continue.

#### 2. Accounting policies specific to the preparation of quarterly consolidated financial statements

Not applicable.

### (3) Outline of Changes in the Accounting Principles, Accounting Procedures, Presentation, etc.

#### 1. Application of the accounting standard for asset retirement obligations

Beginning with the three months ended June 30, 2010, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008) are applied.

As a result, operating income decreased ¥7 million, ordinary income decreased ¥9 million, and income before income taxes and minority interests decreased ¥288 million.

#### 2. Application of accounting standard related to business combination

Beginning with the first quarter ended June 30, 2010, the “Accounting Standard for Business Combination” (ASBJ Statement No. 21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), the “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, December 26, 2008), and the “Revised Guidance on Accounting Standard for Business Combinations and Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008) are applied.

### 3. Consolidated Quarterly Financial Statements

#### (1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010 (Condensed)
<b>Assets</b>		
Current assets		
Cash and deposits	18,454	16,792
Notes and accounts receivable-trade	45,083	43,080
Short-term investment securities	121	130
Merchandise and finished goods	13,441	13,721
Work in process	227	203
Raw materials and supplies	7,691	6,820
Other	2,973	3,260
Allowance for doubtful accounts	(140)	(227)
Total current assets	87,853	83,782
Noncurrent assets		
Property, plant and equipment		
Land	21,645	21,759
Other, net	21,596	22,319
Total property, plant and equipment	43,242	44,079
Intangible assets	941	970
Investments and other assets		
Investment securities	10,228	11,603
Other	7,035	9,086
Allowance for doubtful accounts	(458)	(2,050)
Total investments and other assets	16,805	18,639
Total noncurrent assets	60,989	63,689
Total assets	148,842	147,471
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	28,853	26,703
Short-term loans payable	27,719	28,229
Current portion of long-term loans payable	7,829	9,202
Income taxes payable	652	488
Provision for bonuses	2,129	2,170
Provision for loss on closing of plants	37	231
Provision for environmental measures	366	309
Other	4,027	4,467
Total current liabilities	71,616	71,803
Noncurrent liabilities		
Long-term loans payable	18,320	17,875
Provision for retirement benefits	9,258	9,848
Provision for directors' retirement benefits	457	425
Provision for environmental measures	1,068	1,301
Negative goodwill	139	184
Other	1,756	840
Total noncurrent liabilities	31,000	30,475
Total liabilities	102,616	102,279

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010 (Condensed)
Net assets		
Shareholders' equity		
Capital stock	10,039	10,039
Capital surplus	9,193	9,193
Retained earnings	30,335	27,612
Treasury stock	(85)	(85)
Total shareholders' equity	49,483	46,760
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	193	932
Deferred gains or losses on hedges	(48)	(48)
Foreign currency translation adjustment	(4,393)	(3,760)
Total valuation and translation adjustments	(4,248)	(2,877)
Minority interests	991	1,309
Total net assets	46,225	45,192
Total liabilities and net assets	148,842	147,471

## (2) Consolidated Quarterly Statements of Income

(Millions of yen)

	Six months ended September 30, 2009 (From April 1, 2009 to September 30, 2009)	Six months ended September 30, 2010 (From April 1, 2010 to September 30, 2010)
Net sales	67,504	79,813
Cost of sales	57,436	66,805
Gross profit	10,067	13,008
Selling, general and administrative expenses		
Salaries	2,277	2,178
Provision for bonuses	461	572
Retirement benefit expenses	392	350
Haulage expenses	1,252	1,372
Provision of allowance for doubtful accounts	58	23
Other	3,218	3,470
Total selling, general and administrative expenses	7,661	7,968
Operating Income	2,405	5,039
Non-operating income		
Interest income	13	11
Dividends income	99	117
Foreign exchange gains	107	—
Amortization of negative goodwill	41	38
Equity in earnings of affiliates	—	73
Dividends income of insurance	168	191
Other	362	272
Total non-operating income	792	705
Non-operating expenses		
Interest expenses	529	462
Foreign exchange losses	—	431
Equity in losses of affiliates	23	—
Other	96	128
Total non-operating expenses	650	1,023
Ordinary income	2,547	4,721
Extraordinary income		
Gain on sales of noncurrent assets	229	195
Gain on negative goodwill	—	343
Other	58	123
Total extraordinary income	288	661
Extraordinary loss		
Loss on valuation of investment securities	265	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	279
Loss on business withdrawal	384	—
Other	229	129
Total extraordinary losses	879	408
Income before income taxes and minority interests	1,956	4,974
Income taxes-current	224	667
Income taxes-deferred	(248)	1,053
Total income taxes	(23)	1,721
Income before minority interests	—	3,253
Minority interests in income	19	65
Net income	1,960	3,187

### (3) Notes on Going Concern Assumption

Not applicable.

### (4) Segment Information

#### 1. Outline of reportable segments

Reportable segments of the Group are the organizational units for which separated financial information is available, and the operating results of each segment are regularly reviewed by the Board of Directors to make decisions on management resources to be allocated to and evaluate financial performance.

As a comprehensive high-tech and color science manufacturer, the Group deals in manufacturing and sales of various products related to coloring inside and outside of Japan, as well as conducting business related to coloring.

For this reason, the Group has listed five reportable segments by product types, namely “Pigments business,” “Prepared colors and Chemicals business,” “Polymers business,” “Printing Inks business,” and “Other business.”

#### 2. Information regarding sales and income/loss by the reportable segments

For the six months ended September 30, 2010 (From April 1, 2010 to September 30, 2010)

(Millions of yen)

	Reportable segments						Adjusted amount (Note 2)	Posted amount to the consolidated quarterly statements of income
	Pigments business	Prepared colors and Chemicals business	Polymers business	Printing Inks business	Other business (Note 1)	Subtotal		
Net sales								
Net sales to external customers	12,455	42,971	8,391	14,986	1,008	79,813	—	79,813
Intersegment net sales and transfer	110	15	32	98	6,734	6,991	(6,991)	—
Total	12,565	42,986	8,424	15,084	7,743	86,804	(6,991)	79,813
Segment income [Operating income] (loss)	1,979	3,006	1,369	1,182	(260)	7,277	(2,237)	5,039

Notes: 1. “Other business” includes companies operating real estate management and financial businesses. However, income deriving from those companies are not included in sales; instead, such income is posted as non-operating income.

2. The adjusted amount of segment income includes corporate allocation of ¥2,237 million not allocated to each reportable segment. Corporate allocation refer to the expenses at the head office organizations, such as general affairs and accounting that do not belong to those reportable segments, as well as research and development expenses.

#### Main Products/Services in each reportable segment

Reportable segment	Main Products/Services
Pigments business	Inorganic-organic pigments, various colorants, and information-recording materials
Prepared colors and Chemicals business	Various colorants used in synthetic resins, various compounds and various coating materials
Polymers business	Polymer products and natural polymer products
Printing Inks business	Various printing inks and merchandise and services associated with the business
Other business	Resale of raw materials, leasing of real estate properties and financial businesses for group companies, others

3. Information concerning impairment loss of noncurrent assets, goodwill and others for each reportable segment

(Significant impairment loss concerning property, plant, and equipment)

There is no significant loss in this item.

(Significant changes in the amount of goodwill)

There are no significant changes in this item.

(Significant gain on negative goodwill)

In the “Polymer business” segment, the percentage of the Company’s equity in Ukima Color & Chemicals Mfg. Co., Ltd., which belongs to the “Polymer business,” has increased as the Company additionally acquired shares of High bridge Co., Ltd., which belongs to the “Other business” segment. As a result, a ¥343 million negative goodwill has occurred.

The amount posted as gain on negative goodwill induced by the above event, is ¥343 million during the six months ended September 30, 2010. The amount of gain on negative goodwill is not included in the income of reportable segment.

(Additional information)

Beginning with the first quarter ended June 30, 2010, the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17, March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008) are applied.

(5) Notes on Significant Changes in the Amount of Shareholders’ Equity

Not applicable.