

Consolidated Financial Results for the Nine Months Ended December 31, 2010 [JGAAP]



February 8, 2011

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 Stock Code: 4116
 (URL: <http://www.daicolor.co.jp/>)
 Stock Exchange Listing: Tokyo
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 Scheduled date to submit the Quarterly Securities Report: February 10, 2011
 Scheduled date to commence dividend payments: –
 Availability of supplementary briefing material on quarterly results: None
 Scheduled date of Quarterly Results Briefing Session: Not scheduled

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2010 (From April 1, 2010 to December 31, 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	%
Nine months ended December 31, 2010	120,160	14.6	7,773	64.2	7,234	53.4	4,704	49.5
Nine months ended December 31, 2009	104,865	(18.7)	4,734	17.7	4,716	48.8	3,146	–

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended December 31, 2010	50.66	–
Nine months ended December 31, 2009	33.88	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended December 31, 2010	153,903	47,523	30.2	500.73
Year ended March 31, 2010	147,471	45,192	29.8	472.54

(Reference) Equity: Nine months ended December 31, 2010: ¥ 46,498 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 nine months ended December 31, 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):

Nine months ended December 31, 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:

Nine months ended December 31, 2010: 203,783 shares

Year ended March 31, 2010: 199,198 shares

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

Nine months ended December 31, 2010: 92,864,829 shares

Nine months ended December 31, 2009: 92,870,986 shares

* Presentation regarding the implementation status of the quarterly review:

These consolidated financial results for the nine months ended December 31, 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 nine months ended December 31, 2010, the Japanese economy generally remained on a moderate recovery track thanks primarily to the turnaround in corporate performance and individual consumption, despite the slowdown of exports from the middle of the period. Looking overseas, in Asia, primarily the Chinese economy maintained growth trend, whereas the U.S. and European economies showed signs of gradual recovery thanks partially to the effect of government economic measures, though unemployment rate remained hovering at fairly high level.

In such environment, net sales for the nine months ended December 31, 2010 increased to ¥120,160 million, up 14.6% 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 ¥7,773 million, up 64.2% compared with the same period of the previous fiscal year. Ordinary income increased to ¥7,234 million, up 53.4% 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 ¥4,704 million, up 49.5% 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 recovery trend in economy.

As a result, net sales in the segment stood at ¥18,553 million, while operating income was ¥2,819 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. Although the termination of various domestic economic measures started to affect the business in the third quarter, overall sales of various functional colorants for the nine months ended December 31, 2010 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 generally remained robust, despite seasonal variations in demand. 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 ¥65,292 million, while operating income was ¥4,771 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 affected by the termination of economic measures, 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 ¥12,067 million, while operating income was ¥1,887 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, remained solid mainly from the commercial printing industry, showing signs of bottoming-out.

As a result, net sales in the segment stood at ¥22,728 million, while operating income was ¥1,754 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 ¥1,518 million, while operating loss was ¥310 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 third quarter ended December 31, 2010 increased ¥6,431 million compared with the end of the previous fiscal year to ¥153,903 million. This is largely because of a ¥9,395 million increase in current assets due to the rise in cash and deposits together with notes and accounts receivable-trade, thanks primarily to an increase in net sales and an incidental effect of the end of the third quarter ended December 31, 2010 being a bank holiday, along with a ¥2,963 million decrease in noncurrent assets due primarily to progress in the depreciation of equipment and the fall in latent assets in securities.

(Liabilities)

Total liabilities as at the end of the third quarter ended December 31, 2010 increased ¥4,100 million compared with the end of the previous fiscal year to ¥106,379 million. This is largely because of a ¥7,592 million increase in notes and accounts payable-trade, thanks primarily to the same causes as Assets which are an increase in net sales and an incidental effect of the end of the third quarter ended December 31, 2010 being a bank holiday, along with a ¥1,631 million decrease in short- and long-term loans payable due to ongoing accelerated repayment of loans payable.

(Net assets)

Net assets as at the end of the third quarter ended December 31, 2010 increased ¥2,331 million compared with the end of the previous fiscal year to ¥47,523 million. This is largely because of a ¥3,776 million increase in retained earnings due to net income, and a ¥1,159 million decrease in valuation and translation adjustment due primarily to a decline in latent assets in securities as well as an increase in latent loss in foreign currency translation adjustment.

(3) Qualitative Information on Forecast of Consolidated Financial Results

While net income during the nine months ended December 31, 2010 proved to be 98% against the forecasts announced on August 6, 2010, there is no change to forecasts of financial results for the full fiscal year ending March 31, 2011 due to uncertainty in the course of event, including the timing of the enactment of the revised tax law scheduled to be discussed in the current ordinary session of the Diet, which involves reduction in corporate tax rate, thus has a potential impact on our reversal of deferred tax assets.

(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) Valuation method for inventories

The value of inventories are calculated using a reasonable method based on actual inventories at the end of the second quarter ended September 30, 2010, while omitting actual inventories count in relation to the nine months ended December 31, 2010.

(ii) 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.

(iii) 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 first quarter 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 ¥10 million, ordinary income decreased ¥13 million, and income before income taxes and minority interests decreased ¥293 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 December 31, 2010	As of March 31, 2010 (Condensed)
Assets		
Current assets		
Cash and deposits	19,934	16,792
Notes and accounts receivable-trade	48,525	43,080
Short-term investment securities	119	130
Merchandise and finished goods	14,093	13,721
Work in process	268	203
Raw materials and supplies	7,969	6,820
Other	2,392	3,260
Allowance for doubtful accounts	(126)	(227)
Total current assets	93,177	83,782
Noncurrent assets		
Property, plant and equipment		
Land	21,649	21,759
Other, net	20,847	22,319
Total property, plant and equipment	42,496	44,079
Intangible assets	926	970
Investments and other assets		
Investment securities	10,725	11,603
Other	7,033	9,086
Allowance for doubtful accounts	(456)	(2,050)
Total investments and other assets	17,302	18,639
Total noncurrent assets	60,725	63,689
Total assets	153,903	147,471
Liabilities		
Current liabilities		
Notes and accounts payable-trade	34,295	26,703
Short-term loans payable	28,043	28,229
Current portion of long-term loans payable	7,132	9,202
Income taxes payable	539	488
Provision for bonuses	1,012	2,170
Provision for loss on closing of plants	16	231
Provision for environmental measures	337	309
Other	4,278	4,467
Total current liabilities	75,655	71,803
Noncurrent liabilities		
Long-term loans payable	18,501	17,875
Provision for retirement benefits	8,962	9,848
Provision for directors' retirement benefits	461	425
Provision for environmental measures	983	1,301
Negative goodwill	116	184
Other	1,697	840
Total noncurrent liabilities	30,724	30,475
Total liabilities	106,379	102,279

(Millions of yen)

	As of December 31, 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	31,388	27,612
Treasury stock	(86)	(85)
Total shareholders' equity	50,534	46,760
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	449	932
Deferred gains or losses on hedges	(33)	(48)
Foreign currency translation adjustment	(4,452)	(3,760)
Total valuation and translation adjustments	(4,036)	(2,877)
Minority interests	1,024	1,309
Total net assets	47,523	45,192
Total liabilities and net assets	153,903	147,471

(2) Consolidated Quarterly Statements of Income
(Nine months ended December 31)

(Millions of yen)

	Nine months ended December 31, 2009 (From April 1, 2009 to December 31, 2009)	Nine months ended December 31, 2010 (From April 1, 2010 to December 31, 2010)
Net sales	104,865	120,160
Cost of sales	88,373	100,518
Gross profit	16,491	19,641
Selling, general and administrative expenses		
Salaries	3,794	3,838
Provision for bonuses	335	306
Retirement benefit expenses	585	525
Haulage expenses	1,924	2,053
Provision of allowance for doubtful accounts	287	25
Other	4,829	5,117
Total selling, general and administrative expenses	11,757	11,868
Operating income	4,734	7,773
Non-operating income		
Interest income	18	16
Dividends income	161	185
Amortization of negative goodwill	63	60
Equity in earnings of affiliates	10	109
Dividends income of insurance	168	191
Other	481	378
Total non-operating income	903	942
Non-operating expenses		
Interest expenses	764	672
Foreign exchange losses	—	658
Other	156	151
Total non-operating expenses	921	1,481
Ordinary income	4,716	7,234
Extraordinary income		
Gain on sales of noncurrent assets	236	197
Gain on negative goodwill	—	343
Reversal of allowance for doubtful accounts	—	135
Other	65	0
Total extraordinary income	301	676
Extraordinary loss		
Loss on valuation of investment securities	394	—
Loss on business withdrawal	367	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	279
Other	261	153
Total extraordinary losses	1,023	432
Income before income taxes and minority interests	3,994	7,478
Income taxes-current	324	877
Income taxes-deferred	413	1,794
Total income taxes	738	2,671
Income before minority interests	—	4,806
Minority interests in income	109	101
Net income	3,146	4,704

(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 nine months ended December 31, 2010 (From April 1, 2010 to December 31, 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	18,553	65,292	12,067	22,728	1,518	120,160	–	120,160
Intersegment net sales and transfer	167	26	47	159	10,207	10,607	(10,607)	–
Total	18,720	65,319	12,115	22,887	11,725	130,768	(10,607)	120,160
Segment income [Operating income] (loss)	2,819	4,771	1,887	1,754	(310)	10,923	(3,150)	7,773

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 ¥3,150 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 nine months ended December 31, 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.