

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2011 [JGAAP]



May 13, 2011

Company Name: DAINICHISEIKA COLOR & CHEMICALS MFG. CO., LTD.  
 Stock Code: 4116  
 (URL: <http://www.daicolor.co.jp/>)  
 Stock Exchange Listing: Tokyo  
 Representative: Osamu Takahashi, Representative Director and President  
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 Scheduled date of Ordinary General Meeting of Shareholders: June 29, 2011  
 Scheduled date to commence dividend payments: June 30, 2011  
 Scheduled date to submit the Annual Securities Report: June 29, 2011  
 Availability of supplementary briefing material on annual results: None  
 Scheduled date of Annual Results Briefing Session: Not scheduled

(Figures are rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2011 (From April 1, 2010 to March 31, 2011)

### (1) Consolidated Results of Operations

(% indicates changes from the previous term)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2011	159,177	10.6	9,596	56.6	9,236	45.8	4,665	37.2
Year ended March 31, 2010	143,928	(8.0)	6,127	112.5	6,333	365.4	3,400	—

(Note) Comprehensive income: Year ended March 31, 2011: ¥3,184 million (-44.4%)  
 Year ended March 31, 2010: ¥5,727 million (— %)

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2011	50.24	—	10.4	6.3	6.0
Year ended March 31, 2010	36.62	—	8.2	4.4	4.3

(Reference) Equity in earnings of affiliated companies: Year ended March 31, 2011: ¥121 million  
 Year ended March 31, 2010: ¥57 million

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2011	147,740	47,088	31.2	495.93
Year ended March 31, 2010	147,471	45,192	29.8	472.54

(Reference) Equity: Year ended March 31, 2011: ¥46,052 million  
 Year ended March 31, 2010: ¥43,883 million

### (3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2011	9,247	(1,211)	(2,898)	21,484
Year ended March 31, 2010	9,722	(1,904)	(2,221)	16,770

## 2. Dividends

	Annual cash dividends per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2010	–	4.00	–	5.00	9.00	835	24.6	2.0
Year ended March 31, 2011	–	5.00	–	5.00	10.00	928	19.9	2.1
Year ending March 31, 2012 (Forecast)	–	6.00	–	6.00	12.00		21.8	

(Note) To commemorate the 80th anniversary of the Company in October 2011, a commemorative dividend of 1 yen per share will be paid on top of an ordinary dividend of 5 yen per share for an interim dividend and a year-end dividend respectively for the fiscal year ending March 2012.

Breakdown of an interim dividend for the fiscal year ending March 2012: Ordinary dividend 5.00 yen, commemorative dividend 1.00 yen  
Breakdown of a year-end dividend for the fiscal year ending in March 2012: Ordinary dividend 5.00 yen, commemorative dividend 1.00 yen

## 3. Forecast of Consolidated Financial Results for Fiscal Year Ending March 31, 2012 (From April 1, 2011 to March 31, 2012)

(% 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
First half	77,000	(3.5)	3,900	(22.6)	3,900	(17.4)	2,300	(27.9)	24.77
Full year	158,000	(0.7)	8,700	(9.3)	8,600	(6.9)	5,100	9.3	54.92

## 4. Others

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

(2) Changes in the accounting principles, accounting procedures, presentation, etc., related to preparation of consolidated financial statements

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

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

Note: For details, please refer to “Changes in Significant Matters Providing the Basis for Preparing Consolidated Financial Statements” on page 24 of the appendix.

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

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

Year ended March 31, 2011	93,065,554 shares	Year ended March 31, 2010	93,065,554 shares
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2) Total number of treasury stock at the end of the period:

Year ended March 31, 2011	205,743 shares	Year ended March 31, 2010	199,198 shares
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3) Average number of shares during the period:

Year ended March 31, 2011	92,863,730 shares	Year ended March 31, 2010	92,870,016 shares
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(Reference) Summary of the Non-consolidated Financial Results

**1. Overview of the Non-consolidated Financial and Operating Results for the Fiscal Year Ended March 31, 2011 (From April 1, 2010, to March 31, 2011)**

(1) Non-consolidated Results of Operations

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2011	134,211	7.9	5,663	63.6	5,736	60.9	2,973	50.7
Year ended March 31, 2010	124,329	(3.7)	3,461	243.7	3,565	278.2	1,973	—

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2011	32.02	—
Year ended March 31, 2010	21.25	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2011	111,475	37,292	33.5	401.60
Year ended March 31, 2010	111,058	35,681	32.1	384.22

(Reference) Equity: Year ended March 31, 2011: ¥37,292 million  
Year ended March 31, 2010: ¥35,681 million

\* Presentation regarding the implementation status of the audit procedures:

These financial results are out of the scope of the audit procedures stipulated in the Financial Instruments and Exchange Act. At the time of the publication of these financial results, the financial statement audit procedures stipulated in the Financial Instruments and Exchange Act are 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 “1. Operating Results (1) Analysis of Operating Results” on page 2 of the appendix to this report.

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## 1. Operating Results

### (1) Analysis of Operating Results

During the fiscal year ended March 31, 2011, the Japanese economy showed a moderate recovery trend thanks to the increase in exports along with the expansion of emerging economies and the turnaround in corporate performance. However, the uncertainty of the economy deepened rapidly after the first half of the current fiscal year due to the slowdown of exports affected by sharp appreciation of yen and the termination of various economic measures of the government as well as the unprecedented damage from the Great East Japan Earthquake occurred in March 11. Looking overseas, economies in Asia, China and India maintained a growth trend, primarily driven by their domestic demand. In the U.S. and European economies, although their levels of unemployment stayed high, a moderate recovery trend continued supported by policy effects.

In such economic environment, the Group, in an effort to fulfill the requests from our users in Japan and overseas, implemented active sales policies including the provision of products with enhanced functions and environment-friendly products to the market. On the other hand, in order to further improve our cost competitiveness, we strove for the streamlining of production processes and the reduction of expenses that are controllable.

As a result, net sales for the fiscal year ended March 31, 2011 increased to ¥159,177 million, up by 10.6% compared with the previous fiscal year. As for profit, operating income increased to ¥9,596 million, up by 56.6% compared with the previous fiscal year, as a result of the increase in sales as well as the improved cost of sales. Ordinary income increased to ¥9,236 million, up by 45.8% compared with the previous fiscal year due to the factors including the increase in foreign exchange losses affected by the appreciation of yen, while net income increased to ¥4,665 million, up by 37.2% compared with the previous fiscal year despite of extraordinary loss including impairment loss.

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 ¥25,015 million, while operating income was ¥3,657 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 domestic business relating to various functional colorants and compounds in the latter half of the fiscal year, overall sales for the full year 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 growth of emerging economies headed by China. In addition, the sales of colorants for synthetic resins for the lifestyle-related industries generally remained robust, despite seasonal variations in demand. Sales of various coating materials were strong as a whole for any industries.

As a result, net sales in the segment stood at ¥86,809 million, while operating income was ¥6,147 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 overseas market mainly from emerging countries.

As a result, net sales in the segment stood at ¥15,894 million, while operating income was ¥2,321 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 last 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 ¥29,731 million, while operating income was ¥2,080 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 ¥1,726 million, while operating loss was ¥435 million due to the posting of real estate lease-related income as non-operating income, not as net sales.

Consolidated financial results for the fiscal year ending March 31, 2012 are forecasted as follows:

(Millions of yen)

Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Consolidated net income
158,000	8,700	8,600	5,100

## (2) Analysis of Financing Status

### (i) Assets, Liabilities and Net Assets

(Asset)

Total assets as at the end of the fiscal year ended March 31, 2011 increased by ¥268 million compared with the end of the previous fiscal year to ¥147,740 million. This was because of a ¥5,517 million increase in current assets mainly as a result of increases in cash and deposits as well as notes and accounts receivable-trade driven by the increase of net sales, well offsetting a ¥5,248 million decrease in noncurrent assets due to the posting of impairment loss, progress in the depreciation of equipment and the fall in latent assets in securities.

(Liabilities)

Total liabilities as at the end of the fiscal year ended March 31, 2011 decreased by ¥1,626 million compared with the end of the previous fiscal year to ¥100,652 million. This is largely because of a ¥2,156 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 fiscal year ended March 31, 2011 increased by ¥1,895 million compared with the end of the previous fiscal year to ¥47,088 million. This is largely because of a ¥3,737 million increase in retained earnings due to net income, and a ¥1,565 million decrease in accumulated other comprehensive income due primarily to a decline in latent assets in securities as well as an increase in latent loss in foreign currency translation adjustment.

### (ii) Cash Flows

In the fiscal year ended March 31, 2011, cash and cash equivalents (hereinafter referred to as "net cash") at the end of the current fiscal year increased by ¥4,714 million (or 28.1%) compared with the end of the previous fiscal year to ¥21,484 million.

Net cash provided by (used in) respective activities are as follows:

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities decreased by ¥475 million (or 4.9%) compared with the previous fiscal year to ¥9,247 million, mainly because ¥7,944 million of income before income taxes and minority interests was recorded.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities decreased by ¥693 million (or 36.4%) compared with the previous fiscal year to ¥1,211 million. This was because of the ¥2,487 million spent in capital investment offsetting with a gain of ¥1,252 million yen through the sale of land, etc.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities increased by ¥677 million (or 30.5%) compared with the previous fiscal year to ¥2,898 million, mainly because of the ¥1,753 million used for the repayment of loans payable.

(Reference) Transition of cash flow-related ratios

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011
Equity ratio (%)	27.8	29.5	28.3	29.8	31.2
Equity ratio on a market value basis (%)	38.9	25.0	14.4	22.6	25.1
Cash flows/ interest-bearing debt ratio (years)	11.2	9.2	93.7	6.0	6.2
Interest coverage ratio (times)	5.9	6.1	0.6	9.6	10.4

Equity ratio:  $\text{Equity} / \text{Total assets}$

Equity ratio on a market value basis:  $\text{Market capitalization} / \text{Total assets}$

Cash flows / interest-bearing debt ratio:  $\text{Interest-bearing debt} / \text{Cash flows}$

Interest coverage ratio:  $\text{Cash flows} / \text{Interest payment}$

Note 1: All ratios are calculated based on the consolidated financial data.

Note 2: Market capitalization is calculated based on the number of shares issued excluding treasury stock.

Note 3: Net cash provided by operating activities is quoted as cash flow here.

Note 4: Interest-bearing debt refers to all debts involving interest payment, of all the debts recorded on the consolidated balance sheets.

### (3) Principles of Appropriation of Profits and Dividend Payment for the Current Fiscal Year and the Next

The Company makes it a principle to pursue dividend policy in which the return of profits to shareholders is regarded as an important management priority, yet with broader consideration to the reinforcement of its operation basis through building up of internal reserves, for the business development in future.

Dividend payment at the end of the current fiscal year (ended March 31, 2011) will be ¥5.00 per share, amounting to ¥10.00 per share on an annual basis, based on the overall consideration of operating results, financing status and business environment of the current fiscal year.

Dividend for the next fiscal year (ending March 31, 2012) will be the sum of a commemorative dividend of ¥1.00 per share and an ordinary dividend of ¥5.00 for an interim dividend and a year-end dividend respectively, which will result in ¥6.00 per share for an interim dividend, and another ¥6.00 per share for a year-end dividend, amounting to ¥12.00 per share on an annual basis.

## **2. Status of the Consolidated Group**

The Group (the Company and its subsidiaries and affiliates) comprises the Company (Dainichiseika Color & Chemicals Mfg. Co., Ltd.) and its 51 subsidiaries and affiliates. The Company has consolidated 26 of its principal subsidiaries. Of the unconsolidated 14 subsidiaries and 11 affiliates, 3 are subject to equity method.

The Group's principal businesses and the relationships of the Group companies to each business are as follows.

(Pigments business)

In the Pigments business, the Group manufactures and sells various inorganic-organic pigments, various colorants, and information-recording materials. The Company and its consolidated subsidiary, DAICOLOR ITALY S.R.L., are principally engaged in manufacturing and distribution of these products. The Company and its subsidiaries and affiliates have transactions in selling and buying products and raw materials between one another.

(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. The Company and its consolidated subsidiaries including DAINICHISEIKA (HK) COLORING CO., LTD., and DAINICHI COLOR (THAILAND), LTD. are principally engaged in manufacturing and distribution of these products. The Company and its subsidiaries and affiliates have transactions in selling and buying products and raw materials between one another.

(Polymers business)

In the Polymers business, the Group manufactures and sells polymer products and natural polymer products. The Company and its consolidated subsidiary, UKIMA COLOR & CHEMICALS MFG. CO., LTD., are principally engaged in manufacturing and sales of these products. The Company and its subsidiaries and affiliates have transactions in selling and buying products and raw materials between one another.

(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. The Company and its consolidated subsidiary, P.T.HI-TECH INK INDONESIA, are principally engaged in manufacturing and sales of these products. The Company and its subsidiaries and affiliates have transactions in selling and buying products and raw materials between one another.

(Others Division)

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. The Company and its consolidated subsidiary, DSF CO., LTD., are principally engaged in these businesses.

## **3. Management Policy**

(1) Basic Management Policy of the Company

Richness in our daily lives goes together with colorful environment. DAINICHISEIKA COLOR & CHEMICALS MFG. CO., LTD., a comprehensive high-tech manufacturer of color materials, and its 51 subsidiaries and affiliates comprise the Group. Each Group company provides colors using sophisticated fine chemical technologies, thus fulfills our corporate philosophy that we contribute to the creation of a beautiful color environment of the earth community.

As chemical manufacturers, we take environmental issue seriously by developing systematic approaches to manage environment, along with "responsible care movement" which involves responsible attitude paying due attention and consideration to health, safety and environment. Furthermore, we endeavor to develop global business as an environment-conscious excellent company of the 21st century, providing sponsorship to various color-creating activities as part of our corporate philanthropy.

Our basic business policies are as follows:

- (i) Activities to create demand for various colors by marketing effort closely integrating sales and engineering functions within the Group
- (ii) Development of original products capitalizing on the Group's sophisticated technologies that have been developed over many years in the areas of pigment synthesis, organic synthesis, special resin synthesis, creation of functional substance, along with technologies for fine particles dispersion
- (iii) Further development of overseas businesses to keep up with the globalized market

(2) Targeted Management Benchmark

5% or higher consolidated ROA (return on asset) is targeted as the principal management objective of the Group, by way of efficient investment of assets, enhancement of earning power, as well as improvement and reinforcement of financial position.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2010)	Current fiscal year (As of March 31, 2011)
Assets		
Current assets		
Cash and deposits	16,792	21,512
Notes and accounts receivable-trade	43,080	44,128
Short-term investment securities	130	118
Merchandise and finished goods	13,721	13,275
Work in process	203	246
Raw materials and supplies	6,820	7,884
Deferred tax assets	2,589	1,402
Other	670	851
Allowance for doubtful accounts	(227)	(119)
Total current assets	83,782	89,300
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*2 36,354	*2 35,506
Accumulated depreciation	(23,265)	(23,424)
Buildings and structures, net	*3 13,089	*3 12,081
Machinery, equipment and vehicles	43,167	43,389
Accumulated depreciation	(36,204)	(37,133)
Machinery, equipment and vehicles, net	*3 6,963	*3 6,256
Tools, furniture and fixtures	9,282	9,340
Accumulated depreciation	(8,200)	(8,368)
Tools, furniture and fixtures, net	*3 1,081	*3 972
Land	*3 21,759	*3 20,312
Lease assets	744	884
Accumulated depreciation	(137)	(255)
Lease assets, net	607	628
Construction in progress	578	203
Total property, plant and equipment	44,079	40,455
Intangible assets	970	918
Investments and other assets		
Investment securities	*1 *3 11,603	*1 *3 10,474
Investments in capital	*1 1,758	*1 1,600
Deferred tax assets	3,231	3,247
Other	4,097	2,216
Allowance for doubtful accounts	(2,050)	(472)
Total investments and other assets	18,639	17,066
Total noncurrent assets	63,689	58,440
Total assets	147,471	147,740

(Millions of yen)

	Previous fiscal year (As of March 31, 2010)	Current fiscal year (As of March 31, 2011)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	26,703	28,359
Short-term loans payable	28,229	26,982
Current portion of long-term loans payable	*3 9,202	*3 7,293
Lease obligations	105	232
Income taxes payable	488	1,171
Provision for bonuses	2,170	2,040
Provision for loss on closing of plants	231	3
Provision for environmental measures	309	351
Other	4,362	3,636
<b>Total current liabilities</b>	<b>71,803</b>	<b>70,071</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	*3 17,875	*3 18,876
Lease obligations	570	1,100
Deferred tax liabilities	23	21
Provision for retirement benefits	9,848	8,602
Provision for directors' retirement benefits	425	466
Provision for environmental measures	1,301	886
Negative goodwill	*4 184	*4 94
Other	246	531
<b>Total noncurrent liabilities</b>	<b>30,475</b>	<b>30,580</b>
<b>Total liabilities</b>	<b>102,279</b>	<b>100,652</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,039	10,039
Capital surplus	9,193	9,193
Retained earnings	27,612	31,349
Treasury stock	(85)	(87)
<b>Total shareholders' equity</b>	<b>46,760</b>	<b>50,495</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	932	258
Deferred gains or losses on hedges	(48)	(27)
Foreign currency translation adjustment	(3,760)	(4,674)
<b>Total accumulated other comprehensive income</b>	<b>(2,877)</b>	<b>(4,442)</b>
<b>Minority interests</b>	<b>1,309</b>	<b>1,036</b>
<b>Total net assets</b>	<b>45,192</b>	<b>47,088</b>
<b>Total liabilities and net assets</b>	<b>147,471</b>	<b>147,740</b>

(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statements of Income)

(Millions of yen)

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
Net sales	143,928	159,177
Cost of sales	121,611	133,693
Gross profit	22,316	25,484
Selling, general and administrative expenses		
Haulage expenses	2,573	2,702
Provision of allowance for doubtful accounts	547	27
Salaries and allowances	5,015	4,951
Provision for bonuses	629	569
Provision for directors' retirement benefits	5	74
Retirement benefit expenses	786	742
Other	6,631	6,819
Total selling, general and administrative expenses	16,189	15,887
Operating income	6,127	9,596
Non-operating income		
Interest income	24	23
Dividends income	196	203
Rent income on noncurrent assets	212	187
Foreign exchange gains	208	—
Equity in earnings of affiliates	57	121
Amortization of negative goodwill	85	82
Dividends income of insurance	168	197
Other	446	407
Total non-operating income	1,401	1,223
Non-operating expenses		
Interest expenses	1,012	890
Rent expenses on noncurrent assets	47	30
Foreign exchange losses	—	504
Loss on sales of notes payable	40	33
Other	96	124
Total non-operating expenses	1,196	1,583
Ordinary income	6,333	9,236
Extraordinary income		
Gain on sales of noncurrent assets	230	573
Gain on sales of investment securities	43	—
Gain on negative goodwill	—	343
Reversal of allowance for doubtful accounts	—	146
Other	116	38
Total extraordinary income	390	1,101

(Millions of yen)

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
Extraordinary loss		
Loss on sales of noncurrent assets	0	6
Loss on retirement of noncurrent assets	161	93
Loss on sales of stocks of subsidiaries and affiliates	355	—
Loss on valuation of investments in capital of subsidiaries and affiliates	209	—
Impairment loss	—	1,613
Environmental expenses	229	—
Loss on business withdrawal	328	—
Loss on adjustment for changes of accounting standard for asset	—	279
Loss on disaster	—	148
Other	322	252
Total extraordinary losses	1,606	2,393
Income before income taxes and minority interests	5,116	7,944
Income taxes-current	651	1,536
Income taxes-deferred	930	1,612
Total income taxes	1,581	3,148
Income before minority interests	—	4,796
Minority interests in income	134	130
Net income	3,400	4,665

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
Income before minority interests	—	4,796
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(681)
Deferred gains or losses on hedges	—	21
Foreign currency translation adjustment	—	(825)
Share of other comprehensive income of associates accounted for using equity method	—	(127)
Total other comprehensive income	—	*2 (1,612)
Comprehensive income	—	*1 3,184
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	—	3,100
Comprehensive income attributable to minority interests	—	84

## (3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	10,039	10,039
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	10,039	10,039
Capital surplus		
Balance at the end of previous period	9,193	9,193
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	9,193	9,193
Retained earnings		
Balance at the end of previous period	24,861	27,612
Changes of items during the period		
Dividends from surplus	(650)	(928)
Net income	3,400	4,665
Total changes of items during the period	2,750	3,737
Balance at the end of current period	27,612	31,349
Treasury stock		
Balance at the end of previous period	(82)	(85)
Changes of items during the period		
Purchase of treasury stock	(2)	(2)
Total changes of items during the period	(2)	(2)
Balance at the end of current period	(85)	(87)
Total shareholders' equity		
Balance at the end of previous period	44,012	46,760
Changes of items during the period		
Dividends from surplus	(650)	(928)
Net income	3,400	4,665
Purchase of treasury stock	(2)	(2)
Total changes of items during the period	2,748	3,734
Balance at the end of current period	46,760	50,495

(Millions of yen)

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(263)	932
Changes of items during the period		
Net changes of items other than shareholders' equity	1,195	(673)
Total changes of items during the period	1,195	(673)
Balance at the end of current period	932	258
Deferred gains or losses on hedges		
Balance at the end of previous period	(39)	(48)
Changes of items during the period		
Net changes of items other than shareholders' equity	(9)	21
Total changes of items during the period	(9)	21
Balance at the end of current period	(48)	(27)
Foreign currency translation adjustment		
Balance at the end of previous period	(4,683)	(3,760)
Changes of items during the period		
Net changes of items other than shareholders' equity	922	(913)
Total changes of items during the period	922	(913)
Balance at the end of current period	(3,760)	(4,674)
Total accumulated other comprehensive income		
Balance at the end of previous period	(4,986)	(2,877)
Changes of items during the period		
Net changes of items other than shareholders' equity	2,109	(1,565)
Total changes of items during the period	2,109	(1,565)
Balance at the end of current period	(2,877)	(4,442)
Minority interests		
Balance at the end of previous period	1,144	1,309
Changes of items during the period		
Net changes of items other than shareholders' equity	164	(272)
Total changes of items during the period	164	(272)
Balance at the end of current period	1,309	1,036
Total net assets		
Balance at the end of previous period	40,171	45,192
Changes of items during the period		
Dividends from surplus	(650)	(928)
Net income	3,400	4,665
Purchase of treasury stock	(2)	(2)
Net changes of items other than shareholders' equity	2,273	(1,838)
Total changes of items during the period	5,021	1,895
Balance at the end of current period	45,192	47,088

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	5,116	7,944
Depreciation and amortization	3,628	3,595
Impairment loss	—	1,613
Increase (decrease) in provision for retirement benefits	(691)	(1,239)
Increase (decrease) in provision for directors' retirement benefits	(21)	40
Increase (decrease) in provision for bonuses	546	(37)
Increase (decrease) in allowance for doubtful accounts	406	(1,678)
Interest and dividends income	(221)	(226)
Interest expenses	1,012	890
Equity in (earnings) losses of affiliates	(57)	(121)
Proceeds from dividends income from affiliates accounted for by equity method	22	71
Loss (gain) on securities operation	(30)	—
Loss (gain) on sales of investment securities	(42)	—
Loss (gain) on sales of property, plant and equipment	(229)	(566)
Loss on retirement of property, plant and equipment	161	93
Decrease (increase) in notes and accounts receivable-trade	(8,047)	(1,883)
Decrease (increase) in inventories	2,576	(1,169)
Increase (decrease) in notes and accounts payable-trade	5,624	2,547
Other, net	1,314	1,127
Subtotal	11,067	11,002
Interest and dividends income received	221	226
Interest expenses paid	(1,009)	(892)
Income taxes paid	(556)	(1,088)
Net cash provided by (used in) operating activities	9,722	9,247
Net cash provided by (used in) investing activities		
Payments into time deposits	(69)	(50)
Proceeds from withdrawal of time deposits	85	45
Purchase of short-term investment securities	(12)	(19)
Proceeds from sales of short-term investment securities	4	26
Purchase of property, plant and equipment	(2,209)	(2,487)
Proceeds from sales of property, plant and equipment	294	1,252
Purchase of investment securities	(133)	(129)
Proceeds from sales of investment securities	132	20
Purchase of investments in subsidiaries	(142)	—
Payments of loans receivable	(423)	(96)
Collection of loans receivable	869	120
Other, net	*2 (299)	106
Net cash provided by (used in) investing activities	(1,904)	(1,211)

(Millions of yen)

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	13,284	17,399
Decrease in short-term loans payable	(14,511)	(18,346)
Proceeds from long-term loans payable	8,256	8,104
Repayment of long-term loans payable	(8,452)	(8,911)
Repayments of lease obligations	(129)	(196)
Purchase of treasury stock	(2)	(2)
Cash dividends paid	(650)	(928)
Cash dividends paid to minority shareholders	(16)	(17)
Net cash provided by (used in) financing activities	(2,221)	(2,898)
Effect of exchange rate change on cash and cash equivalents	105	(423)
Net increase (decrease) in cash and cash equivalents	5,701	4,714
Cash and cash equivalents at beginning of period	11,068	16,770
Cash and cash equivalents at end of period	*1 16,770	*1 21,484

- (5) Notes to Going Concern Assumption  
Not applicable.

(6) Significant Matters Providing the Basis for Preparing Consolidated Financial Statements

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
<p>1. Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries: 26 companies</p> <p>Names of the principal consolidated subsidiaries are omitted, as they are outlined in “2. Status of the Consolidated Group.”</p> <p>NICOLOR Rt. and DAISECO Co., Ltd., which were consolidated subsidiaries in the previous fiscal year, have been excluded from the scope of consolidation because the Company sold stocks of NICOLOR Rt. and DAISECO Co., Ltd was liquidated.</p> <p>(2) Name of principal non-consolidated subsidiaries Principal non-consolidated subsidiaries: DAICOLOR DO BRASIL IND.E COM.LTDA. (Reason for exclusion from scope of consolidation) Subsidiaries classified as non-consolidated are all small, and none has total assets, net sales, net income (loss) (corresponding to the percentage of equity held), retained earnings (corresponding to the percentage of equity held), etc. that materially impact the consolidated financial statements.</p> <p>2. Scope of application of the equity method</p> <p>(1) Number of affiliates accounted for by the equity method: 3 companies TAI CHIN CHEMICAL INDUSTRY CO., LTD. Sambo Fine Chemical Manufacturing Co., Ltd. PLALLOY MTD B.V.</p> <p>(2) As net income (loss) and retained earnings (corresponding to the percentage of equity held) of non-consolidated subsidiaries not accounted for by the equity method (such as Sanwa Process Inc.) and affiliates not accounted for by the equity method (such as Kyosei Chemical Co., Ltd.) have minor impact on the consolidated financial statements even if they are excluded from the scope of equity method, and their overall importance is also small. Therefore, they are not included in the scope of the equity method.</p>	<p>1. Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries: 26 companies</p> <p>Names of the principal consolidated subsidiaries are omitted, as they are outlined in “2. Status of the Consolidated Group.”</p> <p>(2) Name of principal non-consolidated subsidiaries Principal non-consolidated subsidiaries: Same as on the left (Reason for exclusion from scope of consolidation) Same as on the left</p> <p>2. Scope of application of the equity method</p> <p>(1) Number of affiliates accounted for by the equity method: 3 companies Same as on the left</p> <p>(2) Same as on the left</p>

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
<p>(3) For the affiliates accounted for by the equity method having fiscal year end different from the consolidated fiscal year end, the financial statements regarding their respective fiscal year are used.</p> <p>3. Fiscal year, etc. of consolidated subsidiaries The fiscal year end of all 26 consolidated subsidiaries except for 14 overseas consolidated subsidiaries is March 31, the same as the consolidated fiscal year end. The fiscal year end of overseas consolidated subsidiaries is December 31 and the Company used their financial statements as of their respective fiscal year end in the preparation of the consolidated financial statements, making adjustments, if necessary, for significant transactions that occurred in the period from their fiscal year end to the consolidated fiscal year end.</p>	<p>(3) Same as on the left</p> <p>3. Fiscal year, etc. of consolidated subsidiaries Same as on the left</p>

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
<p>4. Accounting standards</p> <p>(1) Valuation standards and methods regarding significant assets</p> <p>1) Short-term investment securities</p> <p>a. Short-term investment securities for trading purposes: Market value method (cost of securities sold is calculated primarily using the moving-average method.)</p> <p>b. Held-to-maturity debt securities: Cost amortization method (straight-line)</p> <p>c. Available-for-sale securities: Securities with market value Market value method based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of securities sold is calculated primarily using the moving-average method). Securities with no market value Stated at cost calculated primarily using the moving-average method.</p> <p>2) Derivatives Market value method</p> <p>3) Monetary trusts for investment purposes Market value method</p> <p>4) Inventories Mainly stated at cost, computed on a periodic average basis (where amounts shown on the balance sheet take into account declines in book values based on reduced profitability) for the Company and consolidated subsidiaries in Japan, and mainly stated at cost or market, computed on FIFO basis for consolidated overseas subsidiaries.</p>	<p>4. Accounting standards</p> <p>(1) Valuation standards and methods regarding significant assets</p> <p>1) Short-term investment securities</p> <p>a. Short-term investment securities for trading purposes: Same as on the left</p> <p>b. Held-to-maturity debt securities: Same as on the left</p> <p>c. Available-for-sale securities: Securities with market value Same as on the left</p> <p>Securities with no market value Same as on the left</p> <p>2) Derivatives Same as on the left</p> <p>3) Monetary trusts for investment purposes Same as on the left</p> <p>4) Inventories Same as on the left</p>

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)				
<p>(2) Depreciation method for significant depreciable assets</p> <p>1) Property, plant and equipment (excluding lease assets)</p> <p>The declining balance method is applied in principle. However, for buildings, machinery and equipment of the Company's Tokai manufacturing plant, and buildings and structures, machinery, equipment and vehicles, and tools, furniture and fixtures of overseas consolidated subsidiaries, the straight-line method is applied. In addition, for buildings acquired by the Company's plants other than Tokai manufacturing plant or domestic consolidated subsidiaries on and after April 1, 1998 (excluding accompanying facilities), the straight-line method is also applied.</p> <p>Useful lives for major items are as follows:</p> <table style="margin-left: 40px;"> <tr> <td>Buildings and structures</td> <td style="text-align: right;">8 – 50 years</td> </tr> <tr> <td>Machinery, equipment and vehicles</td> <td style="text-align: right;">4 – 10 years</td> </tr> </table> <p>2) Intangible assets (excluding lease assets)</p> <p>Straight-line method is applied.</p> <p>To software for sale, straight-line method over an estimated marketable life (3 years) is applied, and to software for internal use, straight-line method over an estimated internal useful life (5 years) is applied.</p> <p>3) Lease assets</p> <p>Lease assets on finance leases that do not transfer ownership:</p> <p>Straight-line method is applied, with useful lives being lease terms and assuming that residual values would be zero.</p> <p>All lease transactions entered into on or before March 31, 2008 related to finance leases that do not transfer ownership continue to be treated as ordinary rental transactions for accounting purposes.</p>	Buildings and structures	8 – 50 years	Machinery, equipment and vehicles	4 – 10 years	<p>(2) Depreciation method for significant depreciable assets</p> <p>1) Property, plant and equipment (excluding lease assets)</p> <p style="text-align: center;">Same as on the left</p> <p>2) Intangible assets (excluding lease assets)</p> <p style="text-align: center;">Same as on the left</p> <p>3) Lease assets</p> <p style="text-align: center;">Same as on the left</p>
Buildings and structures	8 – 50 years				
Machinery, equipment and vehicles	4 – 10 years				

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
<p>(3) Accounting standards for significant allowances and provisions</p> <p>1) Allowance for doubtful accounts The Company and domestic consolidated subsidiaries provide for possible credit losses stemming from notes and accounts receivable-trade and loans receivable. Estimates of irrecoverable amounts are calculated based on historical default rates for ordinary receivables, and on a consideration of feasibly recoverable amounts in individual cases of specific debts where recovery is doubtful. Overseas subsidiaries recognize allowances primarily for specific receivables based on the estimated uncollectible amounts.</p> <p>2) Provision for bonuses The Company and domestic consolidated subsidiaries provide for payments of employee bonuses based on the estimated amount that is attributable to the fiscal year.</p> <p>3) Provision for environmental measures The Company provides for expenditure for environmental measures based on the estimated amount of such expenditure as of the end of this fiscal year.</p> <p>4) Provision for loss on plant closing The Company provides for estimated expenses for closing of Montcada Factory and Barcelona office of DAICOLORCHEM EU, S. A. (Spain).</p>	<p>(3) Accounting standards for significant allowances and provisions</p> <p>1) Allowance for doubtful accounts Same as on the left</p> <p>2) Provision for bonuses Same as on the left</p> <p>3) Provision for environmental measures Same as on the left</p> <p>4) Provision for loss on plant closing Same as on the left</p>

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
<p>5) Provision for retirement benefits</p> <p>The Company and its domestic consolidated subsidiaries provide for the payment of employees' retirement benefits based on the projected retirement benefit obligations and related pension assets as of the end of this fiscal year.</p> <p>Past service liabilities are charged to expenses, using the straight-line method, over the determined years (10 years) that are no longer than average remaining service years of the employees at the time of occurrence.</p> <p>Actuarial differences are amortized evenly using the straight-line method over the determined years (15 years) that are no longer than the average remaining service years of employees, beginning from the fiscal year following the time of occurrence.</p> <p>(Change in accounting policies)</p> <p>Beginning with this fiscal year, the "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No. 19, July 31, 2008) is applied. There is no impact on operating income, ordinary income and income before income taxes and minority interests as a result of this change.</p> <p>6) Provision for directors' retirement benefits</p> <p>The Company provides for the payment of retirement benefits to directors based on the amount of liabilities as of the end of this fiscal year in accordance with internal regulations regarding directors' retirement benefits.</p>	<p>5) Provision for retirement benefits</p> <p>The Company and its domestic consolidated subsidiaries provide for the payment of employees' retirement benefits based on the projected retirement benefit obligations and related pension assets as of the end of this fiscal year.</p> <p>Past service liabilities are charged to expenses, using the straight-line method, over the determined years (10 years) that are no longer than average remaining service years of the employees at the time of occurrence.</p> <p>Actuarial differences are amortized evenly using the straight-line method over the determined years (14 years) that are no longer than the average remaining service years of employees, beginning from the fiscal year following the time of occurrence.</p> <p>(Additional information)</p> <p>Previously, actuarial differences were amortized over 15 years, which was the average remaining service years (less than one year to be rounded down), following the time of occurrence. However, due to a decrease in the average remaining service years of employees to below 15 years, amortization period was changed into 14 years.</p> <p>As a result of this change, operating income, ordinary income and income before income taxes and minority interests decreased by ¥118 million, respectively.</p> <p>6) Provision for directors' retirement benefits</p> <p>Same as on the left</p>

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
<p>(4) Translation of significant assets and liabilities denominated in foreign currencies into yen Monetary claims and liabilities denominated in foreign currencies have been translated into yen at the rates of exchange in effect at the fiscal year end. Translation adjustments are treated as gains or losses. Assets and liabilities as well as revenues and expenses of overseas subsidiaries have been translated into yen at the exchange rates in effect as of the fiscal year end, and the resulting translation differences are included in foreign currency translation adjustment and minority interests in net assets.</p>	<p>(4) Translation of significant assets and liabilities denominated in foreign currencies into yen Same as on the left</p>
<p>(5) Significant hedge accounting method</p> <p>1) Hedge accounting method In principle, deferred hedge accounting is adopted. Designation transactions are applied to foreign exchange forward contracts which conform to the requirements for designation transactions. Special treatment is applied to interest rate swaps which conform to the special treatment requirements.</p> <p>2) Means of hedging and hedging items <u>Means of hedging</u>: Foreign exchange forward contracts <u>Hedging items</u>: Foreign currency-denominated monetary claims and liabilities and provisional foreign currency-denominated transactions <u>Means of hedging</u>: Interest rate swaps <u>Hedging items</u>: Borrowings</p> <p>3) Hedging policy The Company enters into hedging transactions principally in accordance with internal regulations, the “Risk Management Policy regarding Derivative Transactions” for the sole purpose of hedging risks from fluctuations in foreign exchange rate and interest rate. The Company will not make use of them for the purpose of short-term gain on sales or speculative transactions.</p>	<p>(5) Significant hedge accounting method</p> <p>1) Hedge accounting method Same as on the left</p> <p>2) Means of hedging and hedging items Same as on the left</p> <p>3) Hedging policy Same as on the left</p>

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
<p>4) Methods for evaluating the effectiveness of hedges In principle, the Company evaluates the effectiveness of transactions to hedge cash-flow fluctuation risks caused by interest rate fluctuations on floating-rate loans payable by performing a ratio analysis of the total of the interest rate fluctuation amount on the underlying loans payable and the interest rate fluctuation amount on the interest rate swap transaction. The Company evaluates hedge effectiveness on a periodic basis. However, the Company does not evaluate the effectiveness of interest rate swaps that meet the conditions established for exceptional treatment.</p> <p style="text-align: center;">—</p>	<p>4) Methods for evaluating the effectiveness of hedges Same as on the left</p> <p>(6) Amortization of goodwill Goodwill is in principle amortized on a straight line basis over 5 years from the date of accrual. Though negative goodwill is in principle recorded as income of the fiscal year in which negative goodwill is accrued, negative goodwill accrued before March 31, 2010 is amortized on a straight line basis over 5 years.</p> <p>(7) Scope of cash and cash equivalents in the consolidated statements of cash flows Cash and cash equivalents as stated in the consolidated statements of cash flows consist of cash in hand, readily available deposits, and any short-term liquid investments with a maturity not exceeding three months at the time of purchase whose value is not subject to significant fluctuation risk.</p>
<p>(6) Other significant matters for preparing consolidated financial statements</p> <p>1) Accounting method for consumption taxes All accounting transactions are booked exclusive of any national or local consumption taxes.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries Assets and liabilities of consolidated subsidiaries are stated at fair value using the full fair value method.</p> <p>6. Amortization of goodwill and negative goodwill Goodwill and negative goodwill are in principle amortized in equal amounts over 5 years from the date of accrual.</p>	<p>(8) Other significant matters for preparing consolidated financial statements</p> <p>1) Accounting method for consumption taxes Same as on the left</p> <p style="text-align: center;">—</p> <p style="text-align: center;">—</p>

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
<p>7. Scope of cash and cash equivalents in the consolidated statements of cash flows</p> <p>Cash and cash equivalents as stated in the consolidated statements of cash flows consist of cash in hand, readily available deposits, and any liquid short-term investments with a maturity not exceeding three months at the time of purchase whose value is not subject to significant fluctuation risk.</p>	—

(7) Changes in Significant Matters Providing the Basis for Preparing Consolidated Financial Statements

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
—	<p>(Application of the accounting standard for asset retirement obligations)</p> <p>Beginning with this fiscal year, 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.</p> <p>As a result, operating income decreased by ¥15 million, ordinary income decreased by ¥18 million, and income before income taxes and minority interests decreased by ¥297 million.</p> <p>(Application of accounting standard related to business combination)</p> <p>Beginning with this fiscal year, 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.</p>

(8) Changes in Presentation

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
<p>(Consolidated Balance Sheets)</p> <p>1. “Long-term loans receivable,” which was presented as a separate item in the previous fiscal year (¥233 million as of the end of this fiscal year), is included in “Other” in “Investments and other assets” in this fiscal year, as it does not account for more than 1 percent of total assets.</p> <p>(Consolidated Statements of Income)</p> <p>1. “Gain on sales of investment securities,” which was included in “Other” in “Extraordinary income” in the previous fiscal year, is presented as a separate item in this fiscal year, as it exceeds 10 percent of total extraordinary income. The amount of “Gain on sales of investment securities” in the previous fiscal year was ¥2 million.</p> <p>2. “Loss on valuation of investment securities,” which was presented as a separate item in the previous fiscal year (¥81 million in this fiscal year), is included in “Other” in “Extraordinary loss” in this fiscal year, as it does not account for more than 10 percent of total extraordinary loss.</p>	—
	<p>(Consolidated Statements of Income)</p> <p>1. “Gain on sales of investment securities,” which was presented as a separate item in the previous fiscal year (¥0 million in this fiscal year), is included in “Other” in “Extraordinary income” in this fiscal year, as it does not account for more than 10 percent of total extraordinary income.</p> <p>2. “Reversal of allowance for doubtful accounts,” which was included in “Other” in “Extraordinary income” in the previous fiscal year, is presented as a separate item in this fiscal year, as it accounts for more than 10 percent of total extraordinary income. The amount of “Reversal for allowance for doubtful accounts” in the previous fiscal year was ¥6 million.</p> <p>3. “Loss on valuation of investments in capital of subsidiaries and affiliates,” which was presented as a separate item in the previous fiscal year (¥110 million in this fiscal year), is included in “Other” in “Extraordinary loss” in this fiscal year, as it does not account for more than 10 percent of total extraordinary loss.</p> <p>4. “Impairment loss,” which was included in “Other” in “Extraordinary loss” in the previous fiscal year, is presented as a separate item in this fiscal year, as it accounts for more than 10 percent of total extraordinary loss. The amount of “Impairment loss” in the previous fiscal year was ¥104 million.</p> <p>5. “Environmental expenses,” which was presented as a separate item in the previous fiscal year (¥41 million in this fiscal year), is included in “Other” in “Extraordinary loss” in this fiscal year, as it does not account for more than 10 percent of total extraordinary loss.</p>

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
<p>(Consolidated Statements of Cash Flows)</p> <p>1. “Loss (gain) on valuation of investment securities” in “Net cash provided by (used in) operating activities” is included in “Other, net” in this fiscal year, as its amount has become immaterial. The amount of “Loss (gain) on valuation of investment securities” included in “Other, net” in this fiscal year is ¥81 million.</p> <p>2. “Increase (decrease) in accounts payable-other” in “Net cash provided by (used in) operating activities” is included in “Other, net” in this fiscal year, as its amount has become immaterial. The amount of “Increase (decrease) in accounts payable-other” included in “Other, net” in this fiscal year is ¥490 million.</p>	<p>6. Beginning with this fiscal year, based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, December 26, 2008), and the “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5, March 24, 2009) are applied. As a result, the item “Income before minority interests” is presented.</p> <p>(Consolidated Statements of Cash Flows)</p> <p>1. “Impairment loss” in “Net cash provided by (used in) operating activities,” which was included in “Other, net” in the previous fiscal year, is presented as a separate item in this fiscal year, as its amount has become material. The amount of “Impairment loss” included in “Other, net” in the previous fiscal year was ¥104 million.</p> <p>2. “Loss (gain) on securities operation” in “Net cash provided by (used in) operating activities” is included in “Other, net” in this fiscal year, as its amount has become immaterial. The amount of “Loss (gain) on securities operation” included in “Other, net” in this fiscal year is ¥4 million.</p> <p>3. “Loss (gain) on sales of investment securities” in “Net cash provided by (used in) operating activities” is included in “Other, net” in this fiscal year, as its amount has become immaterial. The amount of “Loss (gain) on sales of investment securities” included in “Other, net” in this fiscal year is ¥2 million.</p> <p>4. “Purchase of investments in subsidiaries” in “Net cash provided by (used in) investing activities” is included in “Other, net” in this fiscal year, as its amount has become immaterial. The amount of “Purchase of investments in subsidiaries” included in “Other, net” in this fiscal year is minus ¥6 million.</p>

## (9) Additional Information

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
—	Beginning with this fiscal year, the “Accounting Standard of Presentation of Comprehensive Income” (ASBJ Statement No.25, June 22, 2010) is applied. However, the amounts of “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” in the previous fiscal year are presented as the amounts of “Valuation and translation adjustments” and “Total valuation and translation adjustments.”

## (10) Notes to Consolidated Financial Statements

## (Notes to Consolidated Balance Sheets)

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)																																																						
<p>*1 Items and their amount to non-consolidated subsidiaries and affiliates are as follows:</p> <p style="text-align: right;">(Millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Investment securities (stocks)</td> <td style="width: 10%; text-align: right;">1,908</td> <td style="width: 10%;"></td> </tr> <tr> <td>Investment in capital</td> <td style="text-align: right;">1,686</td> <td></td> </tr> </table> <p>*2 For the structures acquired in past fiscal year, the amount of reduction entry for the subsidies from local governments is ¥6 million, which is deducted from the amount on the consolidated balance sheets.</p> <p>*3 Pledged assets and secured debt</p> <p>Pledged assets are as follows:</p> <p style="text-align: right;">(Millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings and structures</td> <td style="width: 10%; text-align: right;">3,520</td> <td style="width: 10%; 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(Notes to Consolidated Statements of Comprehensive Income)

Current fiscal year (From April 1, 2010 to March 31, 2011)

\*1 Comprehensive income in the latest consolidated fiscal year just before this fiscal year.

	(Millions of yen)
Comprehensive income attributable to owners of the parent	5,509
Comprehensive income attributable to minority interests	217
Total	5,727

\*2 Other comprehensive income in the latest consolidated fiscal year just before this fiscal year.

	(Millions of yen)
Valuation difference on available-for-sale securities	1,254
Deferred gains or losses on hedges	(9)
Foreign currency translation adjustment	525
<u>Share of other comprehensive income of associates accounted for using equity method</u>	<u>420</u>
Total	2,192

(Notes to Consolidated Statements of Changes in Net Assets)

Previous fiscal year (From April 1, 2009 to March 31, 2010)

1. Class and total number of issued shares and class and number of treasury stock

	Number of shares at the end of previous fiscal year (1,000 shares)	Increased number of shares during the current fiscal year (1,000 shares)	Decreased number of shares during the current fiscal year (1,000 shares)	Number of shares at the end of the current fiscal year (1,000 shares)
Number of issued shares				
Common stock	93,065	-	-	93,065
Total	93,065	-	-	93,065
Treasury stock				
Common stock (Note)	191	7	-	199
Total	191	7	-	199

Note: Increase of 7 thousand shares in treasury stock of common stock is due to the purchase of shares of less than one unit.

2. Dividends

(1) Dividend payment amount

(Resolution)	Class of shares	Total dividend amount (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2009	Common stock	278	3.0	March 31, 2009	June 29, 2009
Board of Directors' meeting held on November 4, 2009	Common stock	371	4.0	September 30, 2009	December 4, 2009

(2) Of the dividends whose record date belongs to the current fiscal year, those whose effective date will be in the next fiscal year

(Resolution)	Class of shares	Total dividend amount (Millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2010	Common stock	464	Retained earnings	5.0	March 31, 2010	June 30, 2010

Current fiscal year (From April 1, 2010 to March 31, 2011)

1. Class and total number of issued shares and class and number of treasury shares

	Number of shares at the end of previous fiscal year (1,000 shares)	Increased number of shares during the current fiscal year (1,000 shares)	Decreased number of shares during the current fiscal year (1,000 shares)	Number of shares at the end of the current fiscal year (1,000 shares)
Number of issued shares				
Common stock	93,065	–	–	93,065
Total	93,065	–	–	93,065
Treasury stock				
Common stock (Note)	199	6	–	205
Total	199	6	–	205

Note: Increase of 6 thousand shares in treasury shares of common stock is due to the purchase of shares of less than one unit.

2. Dividends

(1) Dividend payment amount

(Resolution)	Class of shares	Total dividend amount (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2010	Common stock	464	5.0	March 31, 2010	June 30, 2010
Board of Directors' meeting held on November 5, 2010	Common stock	464	5.0	September 30, 2010	December 3, 2010

(2) Of the dividends whose record date belongs to the current fiscal year, those whose effective date will be in the next fiscal year

(Resolution)	Class of shares	Total dividend amount (Millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 29, 2011	Common stock	464	Retained earnings	5.0	March 31, 2011	June 30, 2011

## (Notes to Consolidated Statements of Cash Flows)

Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
*1. Relationship between the balance of cash and cash equivalents at the end of the fiscal year and items stated in the consolidated balance sheets (As of March 31, 2010; millions of yen)	*1. Relationship between the balance of cash and cash equivalents at the end of the fiscal year and items stated in the consolidated balance sheets (As of March 31, 2011; millions of yen)
Cash and deposits 16,792	Cash and deposits 21,512
Time deposits with maturities of <u>more than three months</u> (22)	Time deposits with maturities of <u>more than three months</u> (28)
Cash and cash equivalents <u>16,770</u>	Cash and cash equivalents <u>21,484</u>
*2. Major components of assets and liabilities of the companies that are excluded from the scope of consolidation because of the sales of stocks during this fiscal year Breakdown of assets and liabilities at the time of the exclusion of NICOLOR Rt. from the scope of consolidation due to the sales of stocks, and the amount of the sales of stocks of NICOLOR Rt. and its income (loss) on sales. (Millions of yen)	
Current assets 219	
Noncurrent assets 78	
Current liabilities (4)	
Noncurrent liabilities (197)	
Loss on sales of stocks <u>(96)</u>	
Amount of the sales of stocks of NICOLOR Rt. 0	
Cash and cash equivalents of NICOLOR Rt. <u>(207)</u>	
Balance: Income (loss) on sales <u>(207)</u>	

(Segment Information, etc.)

a. Business segments

Previous consolidated fiscal year (April 1, 2009 to March 31, 2010)

Business segment information is omitted because the amount of sales, operating income and assets of pigments, colorants and printing inks business accounts for more than 90% of the total amount of sales, operating income and assets of all businesses, respectively.

b. Geographical segments

Previous fiscal year (From April 1, 2009 to March 31, 2010)

(Millions of yen)

	Japan	Asia	Other regions	Total	Eliminations or Corporate	Consolidated
I Net sales and operating income (loss)						
Net sales						
(1) Net sales from external customers	113,243	27,630	3,054	143,928	–	143,928
(2) Intersegment net sales and transfer	4,036	156	123	4,315	(4,315)	–
Total	117,279	27,786	3,177	148,244	(4,315)	143,928
Operating expenses	111,546	27,058	3,512	142,117	(4,315)	137,801
Operating income (loss)	5,733	728	(334)	6,127	–	6,127
II Assets	140,419	18,461	3,127	162,008	(14,536)	147,471

Notes:

- Countries and regions are categorized on the basis of geographic proximity.
- Main countries and regions in segments other than Japan are as follows:  
Asia: Hong Kong, Thailand, China, the Philippines, Indonesia, Vietnam  
Other regions: The U.S., Spain, Italy, etc.
- Major items in assets included under and eliminations or corporate are the Company's surplus operating capital (cash and securities), long-term investment funds (investment securities), and assets associated with management. For the fiscal year, these items totaled ¥2,514 million.

c. Overseas sales

Previous fiscal year (From April 1, 2009 to March 31, 2010)

(Millions of yen)

	Asia	Other regions	Total
I Overseas sales	33,884	4,395	38,280
II Consolidated net sales	–	–	143,928
III Percentage of overseas sales in consolidated net sales (%)	23.5	3.1	26.6

Notes:

- Countries and regions are categorized on the basis of geographic proximity.
- Main countries and regions in segments are as follows:  
Asia: Hong Kong, Thailand, China, etc.  
Other regions: The U.S., Europe, South America, etc.
- Overseas sales are sales of the Company and its consolidated subsidiaries in countries and regions outside of Japan.

#### d. Segment Information

Current consolidated fiscal year (April 1, 2010 to March 31, 2011)

##### 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. The calculating method regarding sales, operating income or loss, assets, liabilities and other items by the reportable segments

For accounting treatment for reported business segments, a similar method described in “Significant Matters that are the Basis for Preparing Consolidated Financial Statements” is used.

Income of reportable segments is the amount based on operating income.

Intersegment net sales and transfer are based on prevailing market prices.

##### 3. Information regarding sales, operating income or loss, assets, liabilities and other items by the reportable segments

(Millions of yen)

	Reportable segments						Adjusted amount (Notes 2, 3)	Posted amount to the consolidated financial statements
	Pigments business	Prepared colors and Chemicals business	Polymers business	Printing Inks business	Other business (Note 1)	Total		
Net sales								
Net sales to external customers	25,015	86,809	15,894	29,731	1,726	159,177	–	159,177
Intersegment net sales and transfer	223	33	69	191	13,289	13,807	(13,807)	–
Total	25,239	86,842	15,963	29,923	15,015	172,985	(13,807)	159,177
Segment income [Operating income] (loss)	3,657	6,147	2,321	2,080	(435)	13,771	(4,174)	9,596
Segment assets (Property, plant and equipment)	6,677	14,096	9,266	5,081	1,524	36,646	3,808	40,455
Other items								
Increased amount in property, plant and equipment	794	889	133	416	4	2,237	48	2,286

Notes:

1. Operating loss reported in “Other businesses” includes the loss from the company which engages in property management and financial businesses for the Group in the other businesses. This is mainly due to the fact that revenue associated with the other businesses is reported as non-operating income and operating expenses are not allocated to each reportable segment.
2. The adjusted amount of segment income includes corporate allocation of ¥4,174 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.
3. The adjusted amount of segment assets (property, plant and equipment) includes corporate assets of ¥3,808 million which is not allocated to each reportable segment. The corporate assets mainly include assets of functions in the headquarters, such as general affairs and accounting divisions and some welfare facilities which do not belong to each reportable segment.

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

(Additional information)

Beginning with this fiscal year, 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.

## (Per Share Information)

Previous fiscal year (From April 1, 2009 to March 31, 2010)		Current fiscal year (From April 1, 2010 to March 31, 2011)	
Net assets per share	472.54 yen	Net assets per share	495.93 yen
Net income per share	36.62 yen	Net income per share	50.24 yen
Fully diluted net income per share is not stated since the Company does not have residual securities.		Same as on the left	

Note 1: The basis for calculation of net assets per share is as follows:

(Millions of yen unless otherwise stated)

	As of the end of the previous fiscal year (As of March 31, 2010)	As of the end of the current fiscal year (As of March 31, 2011)
Total net assets	45,192	47,088
Amount deducted from the total net assets	1,309	1,036
(Minority interests included in the above)	(1,309)	(1,036)
Amount of net assets related to common stock as of the end of the fiscal year	43,883	46,052
Number of shares of common stock used in the calculation of net assets per share as of the end of the fiscal year	92,866,356 shares	92,859,811 shares

Note 2: The basis for calculation of net income per share is as follows:

(Millions of yen unless otherwise stated)

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)
Net income	3,400	4,665
Net income not attributable to common shareholders	–	–
Net income related to common stock	3,400	4,665
Average number of shares outstanding during the fiscal year	92,870,016 shares	92,863,730 shares

(Significant Subsequent Events)

Not applicable.

5. Other

(1) Changes in Directors and Corporate Auditors

1) Change in Representative Director

-Retiring Director (planned)

Current Representative Director and Senior Managing Executive Officer Shigemitsu Yamazaki  
(Planned to assume the post of Corporate Advisor.)

2) Change in Other Director and Corporate Auditor

-New candidate Director

Director Takeshi Hayakawa

(Current Managing Executive Officer, Head of Osaka manufacturing facility)

3) Planned date of changes

June 29, 2011