

# Consolidated Financial Results for the Three Months Ended June 30, 2011 [JGAAP]



August 5, 2011

Company Name: DAINICHISEIKA COLOR & CHEMICALS MFG. CO., LTD.  
 Stock Code: 4116  
 (URL: <http://www.daicolor.co.jp/>)  
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 Scheduled date to submit the Quarterly Securities Report: August 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 Three Months Ended June 30, 2011 (From April 1, 2011 to June 30, 2011)

(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	%
Three months ended June 30, 2011	39,661	(0.7)	2,583	(4.6)	2,662	4.9	1,319	(32.8)
Three months ended June 30, 2010	39,923	26.2	2,706	327.7	2,538	227.5	1,962	282.2

(Note) Comprehensive income: Three months ended June 30, 2011: ¥1,947 million (40.7%)  
 Three months ended June 30, 2010: ¥1,384 million (– %)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended June 30, 2011	14.21	–
Three months ended June 30, 2010	21.14	–

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Three months ended June 30, 2011	148,558	48,554	32.0
Year ended March 31, 2011	147,740	47,088	31.2

(Reference) Equity: Three months ended June 30, 2011: ¥47,477 million  
 Year ended March 31, 2011: ¥46,052 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, 2011	–	5.00	–	5.00	10.00
Year ending March 31, 2012	–	–	–	–	–
Year ending March 31, 2012 (Forecast)	–	6.00	–	6.00	12.00

(Note) Revision of dividend forecasts from recently announced figures: Not applicable

(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 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

(Note) Revision of forecast of financial results from recently announced figures: Not applicable

#### 4. Others

- (1) Significant changes of subsidiaries during the three months ended June 30, 2011 (changes in specific subsidiaries involving changes in the scope of consolidation): Not applicable
- (2) Adoption of specific accounting treatments to the preparation of quarterly consolidated financial statements: Not applicable
- (3) Changes in accounting policies, changes in accounting estimates and corrections of errors
  - 1) Changes in accounting policies due to the revision of accounting standards, etc.: Not applicable
  - 2) Any changes in accounting policies other than 1) above: Not applicable
  - 3) Changes in accounting estimates: Not applicable
  - 4) Corrections of errors: Not applicable

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

1) Total number of issued shares at the end of the period (including treasury stock):	Three months ended June 30, 2011	93,065,554 shares	Year ended March 31, 2011	93,065,554 shares
2) Total number of treasury stock at the end of the period:	Three months ended June 30, 2011	206,273 shares	Year ended March 31, 2011	205,743 shares
3) Average number of shares during the period (cumulative):	Three months ended June 30, 2011	92,859,381 shares	Three months ended June 30, 2010	92,865,675 shares

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

These consolidated financial results for the three months ended June 30, 2011 is 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 Quarterly Financial Results

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

During the three months ended June 30, 2011, the Japanese economy rapidly deteriorated as production activities slowed down and personal consumption declined in the aftermath of the Great East Japan Earthquake. Nevertheless, signs of gradual recovery have been noted recently, as evidenced by the progress being made to rebuild the supply chain. Looking overseas, in Asia the economies of China and India continued to perform strongly, primarily driven by their domestic demand. In the U.S., economic recovery has slowed down due to the higher unemployment rate and decline in personal consumption, while Europe, despite discrepancies among the countries, is on an overall recovery trend.

In such an economic environment, net sales for the three months ended June 30, 2011 decreased to ¥39,661 million, down by 0.7% compared with the same period of the previous fiscal year, as a result of the appreciating yen and the loss generated from translating the net sales of the overseas subsidiaries into yen. In terms of profit, operating income decreased to ¥2,583 million, down by 4.6% compared with the same period of the previous fiscal year, as a result of posting a provision of allowance for doubtful accounts, while ordinary income increased to ¥2,662 million, up by 4.9% compared with the same period of the previous fiscal year, due to the foreign exchange losses turning into foreign exchange gains and the decrease in interest expenses. Net income decreased to ¥1,319 million, down by 32.8% compared with the same period of the previous fiscal year. This was mainly due to having posted a gain on negative goodwill and gain on sales of noncurrent assets under extraordinary income for the three months ended June 30, 2010.

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. Although sales of general-use pigments, mainly for the printing ink industry, generally remained the same, sales of information-recording materials for IT-related industries performed strongly, backed by demand of both the domestic and overseas markets.

As a result, net sales in the segment stood at ¥6,536 million, up by 4.0% compared with the same period of the previous fiscal year, while operating income was ¥1,101 million, up by 8.0% compared with the same period of the previous fiscal year.

#### (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. Sales of various functional colorants intended for the automobile industry remained sluggish as a result of the scaling down of production necessitated by the disruption of the supply chain following the Great East Japan Earthquake. Additionally, sales of colorants for synthetic resins for lifestyle-related industries were relatively strong reflecting certain recovery demands, while sales of various coating materials, mainly for the film and building materials industries, remained strong.

As a result, net sales in the segment stood at ¥20,756 million, down by 2.2% compared with the same period of the previous fiscal year, while operating income was ¥1,662 million, up by 4.6% compared with the same period of the previous fiscal year.

#### (Polymers business)

In the Polymers business, the Group manufactures and sells polymer products and natural polymer products. Although exports of urethane resins intended for the automobile industry to Asia improved, domestic sales remained sluggish due to the effects of the earthquake, as was the case with the Prepared colors and Chemicals business. However, sales for the other industries remained relatively strong.

As a result, net sales in the segment stood at ¥4,153 million, down by 4.0% compared with the same period of

the previous fiscal year, while operating income was ¥619 million, down by 23.8% compared with the same period of the previous fiscal year.

(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. Although sales of gravure printing ink for foods and everyday items-related packages industry remained solid, sales of offset printing ink, mainly for leaflets and other commercial printed matters, weakened overall. Profits remained sluggish as a result of posting a provision of allowance for doubtful accounts, in addition to the effects of rising raw material costs.

As a result, net sales in the segment stood at ¥7,715 million, up by 2.7% compared with the same period of the previous fiscal year, while operating income was ¥416 million, down by 37.1% compared with the same period of the previous fiscal year.

(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 ¥498 million, down by 14.5% compared with the same period of the previous fiscal year, while operating loss was ¥48 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 first quarter ended June 30, 2011 increased by ¥817 million compared with the end of the previous fiscal year to ¥148,558 million. This is largely because of a ¥533 million increase in current assets due to the increase in inventories and a ¥488 million increase in property, plant and equipment due to capital investments.

(Liabilities)

Total liabilities as at the end of the first quarter ended June 30, 2011 decreased by ¥648 million compared with the end of the previous fiscal year to ¥100,003 million. This is largely because of payments of income taxes payable and bonuses, etc.

(Net assets)

Net assets as at the end of the first quarter ended June 30, 2011 increased by ¥1,466 million compared with the end of the previous fiscal year to ¥48,554 million. This is largely because of an ¥855 million increase in retained earnings resulting from the posting of net income, as well as a ¥569 million increase in total accumulated other comprehensive income.

(3) Qualitative Information on Forecast of Consolidated Financial Results

With regard to the forecasts of financial results, there is no change to the following forecasts announced on May 13, 2011.

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
First half	77,000	3,900	3,900	2,300
Full year	158,000	8,700	8,600	5,100

## 2. Consolidated Quarterly Financial Statements

### (1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of June 30, 2011
<b>Assets</b>		
Current assets		
Cash and deposits	21,512	19,743
Notes and accounts receivable-trade	44,128	44,898
Short-term investment securities	118	120
Inventories	21,405	23,372
Other	2,253	1,817
Allowance for doubtful accounts	(119)	(119)
Total current assets	89,300	89,833
Noncurrent assets		
Property, plant and equipment		
Land	20,312	20,432
Other, net	20,142	20,511
Total property, plant and equipment	40,455	40,943
Intangible assets	918	922
Investments and other assets		
Investment securities	10,474	10,506
Other	7,064	6,928
Allowance for doubtful accounts	(472)	(577)
Total investments and other assets	17,066	16,857
Total noncurrent assets	58,440	58,724
Total assets	147,740	148,558
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	28,359	28,663
Short-term loans payable	26,982	27,643
Current portion of long-term loans payable	7,293	8,235
Income taxes payable	1,171	587
Provision for bonuses	2,040	1,074
Provision for loss on plant closing	3	—
Provision for environmental measures	351	269
Other	3,868	4,730
Total current liabilities	70,071	71,204
Noncurrent liabilities		
Long-term loans payable	18,876	17,477
Provision for retirement benefits	8,602	8,311
Provision for directors' retirement benefits	466	404
Provision for environmental measures	886	902
Negative goodwill	94	72
Other	1,653	1,631
Total noncurrent liabilities	30,580	28,798
Total liabilities	100,652	100,003

(Millions of yen)

	As of March 31, 2011	As of June 30, 2011
Net assets		
Shareholders' equity		
Capital stock	10,039	10,039
Capital surplus	9,193	9,193
Retained earnings	31,349	32,204
Treasury stock	(87)	(88)
Total shareholders' equity	50,495	51,349
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	258	501
Deferred gains or losses on hedges	(27)	(19)
Foreign currency translation adjustment	(4,674)	(4,354)
Total accumulated other comprehensive income	(4,442)	(3,872)
Minority interests	1,036	1,077
Total net assets	47,088	48,554
Total liabilities and net assets	147,740	148,558

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

(Millions of yen)

	Three months ended June 30, 2010 (From April 1, 2010 to June 30, 2010)	Three months ended June 30, 2011 (From April 1, 2011 to June 30, 2011)
Net sales	39,923	39,661
Cost of sales	33,190	32,933
Gross profit	6,732	6,728
Selling, general and administrative expenses	4,026	4,145
Operating income	2,706	2,583
Non-operating income		
Interest income	5	6
Dividends income	101	99
Foreign exchange gains	—	41
Amortization of negative goodwill	15	22
Equity in earnings of affiliates	37	13
Other	126	128
Total non-operating income	286	311
Non-operating expenses		
Interest expenses	229	204
Foreign exchange losses	149	—
Other	74	28
Total non-operating expenses	454	232
Ordinary income	2,538	2,662
Extraordinary income		
Gain on sales of noncurrent assets	194	0
Gain on negative goodwill	343	—
Other	87	0
Total extraordinary income	624	0
Extraordinary loss		
Loss on valuation of investment securities	54	390
Loss on adjustment for changes of accounting standard for asset retirement obligations	279	—
Other	18	18
Total extraordinary losses	352	409
Income before income taxes and minority interests	2,810	2,253
Income taxes-current	467	437
Income taxes-deferred	341	454
Total income taxes	808	892
Income before minority interests	2,002	1,361
Minority interests in income	39	42
Net income	1,962	1,319

(Consolidated Quarterly Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2010 (From April 1, 2010 to June 30, 2010)	Three months ended June 30, 2011 (From April 1, 2011 to June 30, 2011)
Income before minority interests	2,002	1,361
Other comprehensive income		
Valuation difference on available-for-sale securities	(680)	245
Deferred gains or losses on hedges	4	7
Foreign currency translation adjustment	48	279
Share of other comprehensive income of associates accounted for using equity method	10	52
Total other comprehensive income	(617)	585
Comprehensive income	1,384	1,947
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,336	1,889
Comprehensive income attributable to minority interests	48	58

(3) Notes to Going Concern Assumption

Not applicable.

(4) Segment Information

I. For the three months ended June 30, 2010 (From April 1, 2010 to June 30, 2010)

1. Information regarding sales and operating income or loss by the reportable segments

(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)	Total		
Net sales								
Net sales to external customers	6,286	21,217	4,326	7,509	583	39,923	–	39,923
Intersegment net sales and transfer	54	13	24	55	3,655	3,803	(3,803)	–
Total	6,341	21,231	4,351	7,565	4,238	43,726	(3,803)	39,923
Segment income [Operating income] (loss)	1,019	1,588	812	661	(158)	3,923	(1,216)	2,706

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 expenses of ¥1,216 million not allocated to each reportable segment. Corporate expenses 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.

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

(Significant impairment loss concerning property, plant and equipment)

Not applicable.

(Significant changes in the amount of goodwill)

There are no significant changes in this item.

(Significant gain on negative goodwill)

In the “Polymers business” segment, the percentage of the Company’s equity in UKIMA COLOR & CHEMICALS MFG. CO., LTD., which belongs to the “Polymers business,” has increased as the Company additionally acquired shares of HIGH BRIDGE CO., LTD., which belongs to the “Other business” segment.

As a result, the amount posted as gain on negative goodwill induced by the above event is ¥343 million during the three months ended June 30, 2010. The amount of gain on negative goodwill is not included in the income of the 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.

II For the three months ended June 30, 2011 (From April 1, 2011 to June 30, 2011)

1. Information regarding sales and operating income or loss by the reportable segments

(Millions of yen)

	Reportable segments						Adjusted amount (Note 2)	Posted amount to the consolidated quarterly statements of income (Note 3)
	Pigments business	Prepared colors and Chemicals business	Polymers business	Printing Inks business	Other business (Note 1)	Total		
Net sales								
Net sales to external customers	6,536	20,756	4,153	7,715	498	39,661	–	39,661
Intersegment net sales and transfer	101	6	17	–	4,350	4,476	(4,476)	–
Total	6,638	20,762	4,170	7,715	4,849	44,137	(4,476)	39,661
Segment income [Operating income] (loss)	1,101	1,662	619	416	(48)	3,749	(1,166)	2,583

Notes: 1. Operating loss is reported in “Other business,” as it includes the loss from the company which provides services such as property management and financial businesses for the Group in the other business. The revenue associated with Other business 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 expenses of ¥1,166 million not allocated to each reportable segment. Corporate expenses 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. Segment income is consistent with operating income as reported in the consolidated quarterly statements of income.

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

(Significant impairment loss concerning property, plant and equipment)

Not applicable.

(Significant changes in the amount of goodwill)

There are no significant changes in this item.

(Significant gain on negative goodwill)

Not applicable.

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

(5) Notes to Significant Changes in the Amount of Shareholders' Equity

Not applicable.