

Consolidated Financial Results for the Six Months Ended September 30, 2011 [JGAAP]



November 8, 2011

Company Name: DAINICHISEIKA COLOR & CHEMICALS MFG. CO., LTD.
 Stock Code: 4116
 (URL: <http://www.daicolor.co.jp/>)
 Stock Exchange Listing: Tokyo
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 Scheduled date to submit the Quarterly Securities Report: November 14, 2011
 Scheduled date to commence dividend payments: December 5, 2011
 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 Six Months Ended September 30, 2011 (From April 1, 2011 to September 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	%
Six months ended September 30, 2011	78,686	(1.4)	4,635	(8.0)	4,457	(5.6)	2,364	(25.8)
Six months ended September 30, 2010	79,813	18.2	5,039	109.5	4,721	85.3	3,187	62.6

(Note) Comprehensive income: Six months ended September 30, 2011: ¥2,649 million (42.8%)
 Six months ended September 30, 2010: ¥1,855 million (- %)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six months ended September 30, 2011	25.47	-
Six months ended September 30, 2010	34.33	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Six months ended September 30, 2011	149,469	49,245	32.2
Year ended March 31, 2011	147,740	47,088	31.2

(Reference) Equity: Six months ended September 30, 2011: ¥48,167 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	-	6.00	-	-	-
Year ending March 31, 2012 (Forecast)	-	-	-	6.00	12.00

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

(Note) In commemoration of the 80th anniversary of the Company in October 2011, a commemorative dividend will be paid as below.

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 (planned)

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
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 six months ended September 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):	Six months ended September 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:	Six months ended September 30, 2011	206,869 shares	Year ended March 31, 2011	205,743 shares
3) Average number of shares during the period (cumulative):	Six months ended September 30, 2011	92,859,066 shares	Six months ended September 30, 2010	92,865,508 shares

* Presentation regarding the implementation status of the quarterly review:

These consolidated financial results for the six months ended September 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 six months ended September 30, 2011, the Japanese economy rapidly deteriorated facing the aftermath of the Great East Japan Earthquake. However, amid swift progress being made to rebuild supply chains, there were some signs of gradual recovery driven partially by demand for post-disaster reconstruction. Looking overseas, the Asian economy, particularly within China and India, performed steadily, supported primarily by robust domestic demands. In the U.S., economic recovery has slowed down, affected by worsening unemployment rates and a weakening housing market, while in Europe, the concern that the effects of the sovereign debt crisis would drag down economic growth has become obvious.

In such an economic environment, net sales for the six months ended September 30, 2011 decreased to ¥78,686 million, down by 1.4% compared with the same period of the previous fiscal year, as, in large part, the yen's appreciation posted the loss generated from translating the net sales of the overseas subsidiaries into yen. In terms of profit, operating income decreased to ¥4,635 million, down by 8.0% compared with the same period of the previous fiscal year, and ordinary income decreased to ¥4,457 million, down by 5.6% compared with the same period of the previous fiscal year. These decreases were due to the decrease in net sales. Net income decreased to ¥2,364 million, down by 25.8% compared with the same period of the previous fiscal year, chiefly because the Company posted a loss on valuation of investment securities amid worsening performance in the stock market.

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 overall sales of general-use pigments, mainly for the printing ink industry, remained sluggish, suffering from the effects of the Great East Japan Earthquake and other negative factors, sales of information-recording materials for IT-related industries performed steadily, backed by firm demand in both the domestic and overseas markets.

As a result, net sales in the segment stood at ¥13,083 million, up by 5.0% compared with the same period of the previous fiscal year, while operating income was ¥2,147 million, up by 8.5% 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 colorants for synthetic resins intended for the automobile and OA equipment industries remained sluggish, as these industries were compelled to scale down their production in the face of disruption to the supply chain following the Great East Japan Earthquake. On the other hand, sales of colorants for synthetic resins for lifestyle-related industries were relatively strong, mainly because of a certain demand for post-disaster reconstruction, while sales of various coating materials, mainly for the building materials industry, remained strong.

As a result, net sales in the segment stood at ¥41,073 million, down by 4.4% compared with the same period of the previous fiscal year, while operating income was ¥3,004 million, down by 0.1% 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. Exports of urethane resins intended for the automobile industry to Europe and Asia improved. Although domestic sales slumped in the first half of the current period due to the impact of the Great East Japan Earthquake, subsequently they remained at a weak level but showed a moderate recovery along with progress in the restoration of the supply chain. Meanwhile, sales to other industries remained on a relatively steady

track.

As a result, net sales in the segment stood at ¥8,148 million, down by 2.9% compared with the same period of the previous fiscal year, while operating income was ¥1,195 million, down by 12.7% 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. Sales of gravure printing ink for foods and everyday items-related packaging industry remained solid. Sales of offset printing ink, particularly for commercial printed matters, stagnated, reflecting a weak level of advertising activity in consequence of the Great East Japan Earthquake. 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 ¥15,497 million, up by 3.4% compared with the same period of the previous fiscal year, while operating income was ¥826 million, down by 30.1% 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 ¥882 million, down by 12.5% compared with the same period of the previous fiscal year, while operating loss was ¥144 million due to the posting of real estate lease-related income as non-operating income, not as net sales.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as at the end of the second quarter ended September 30, 2011 increased by ¥1,728 million compared with the end of the previous fiscal year to ¥149,469 million. This is largely because of a ¥2,074 million increase in current assets due to the increases in notes and accounts receivable-trade and inventories and a ¥684 million increase in property, plant and equipment due to capital investments.

(Liabilities)

Total liabilities as at the end of the second quarter ended September 30, 2011 decreased by ¥429 million compared with the end of the previous fiscal year to ¥100,223 million. This is largely because of reductions in loans and provision for retirement benefits.

(Net assets)

Net assets as at the end of the second quarter ended September 30, 2011 increased by ¥2,157 million compared with the end of the previous fiscal year to ¥49,245 million. This is largely because of a ¥1,900 million increase in retained earnings resulting from the posting of net 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
Full year	158,000	8,700	8,600	5,100

The Company's consolidated subsidiary, DAINICHI COLOR (THAILAND) LTD. shut down its factory operations after the massive floods which occurred in Thailand in October 2011, and caused damage to its property and buildings.

The amount of damage and its impact on the Company's earnings are under investigation and therefore, the full-year forecast of consolidated financial results does not take account of the damage caused by the floods. We will immediately give notice of the investigation results if we judge that the damage has a material impact on the Company's earnings.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
Assets		
Current assets		
Cash and deposits	21,512	20,649
Notes and accounts receivable-trade	44,128	45,432
Short-term investment securities	118	109
Inventories	21,405	22,618
Other	2,253	2,697
Allowance for doubtful accounts	(119)	(133)
Total current assets	89,300	91,374
Noncurrent assets		
Property, plant and equipment		
Land	20,312	20,426
Other, net	20,142	20,713
Total property, plant and equipment	40,455	41,139
Intangible assets		
Other	918	914
Total intangible assets	918	914
Investments and other assets		
Investment securities	10,474	10,141
Other	7,064	6,574
Allowance for doubtful accounts	(472)	(675)
Total investments and other assets	17,066	16,040
Total noncurrent assets	58,440	58,094
Total assets	147,740	149,469
Liabilities		
Current liabilities		
Notes and accounts payable-trade	28,359	28,202
Short-term loans payable	26,982	26,044
Current portion of long-term loans payable	7,293	8,728
Income taxes payable	1,171	1,084
Provision for bonuses	2,040	2,158
Reserve for loss on closing of plants	3	—
Provision for environmental measures	351	351
Other	3,868	4,679
Total current liabilities	70,071	71,248
Noncurrent liabilities		
Long-term loans payable	18,876	17,938
Provision for retirement benefits	8,602	8,060
Provision for directors' retirement benefits	466	408
Provision for environmental measures	886	850
Negative goodwill	94	49
Other	1,653	1,666
Total noncurrent liabilities	30,580	28,974
Total liabilities	100,652	100,223

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
Net assets		
Shareholders' equity		
Capital stock	10,039	10,039
Capital surplus	9,193	9,193
Retained earnings	31,349	33,249
Treasury stock	(87)	(88)
Total shareholders' equity	50,495	52,395
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	258	353
Deferred gains or losses on hedges	(27)	(19)
Foreign currency translation adjustment	(4,674)	(4,561)
Total accumulated other comprehensive income	(4,442)	(4,227)
Minority interests	1,036	1,078
Total net assets	47,088	49,245
Total liabilities and net assets	147,740	149,469

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

(Millions of yen)

	Six months ended September 30, 2010 (From April 1, 2010 to September 30, 2010)	Six months ended September 30, 2011 (From April 1, 2011 to September 30, 2011)
Net sales	79,813	78,686
Cost of sales	66,805	65,816
Gross profit	13,008	12,869
Selling, general and administrative expenses	7,968	8,234
Operating income	5,039	4,635
Non-operating income		
Interest income	11	14
Dividends income	117	118
Amortization of negative goodwill	38	44
Equity in earnings of affiliates	73	41
Dividends income of insurance	191	157
Other	272	225
Total non-operating income	705	602
Non-operating expenses		
Interest expenses	462	411
Foreign exchange losses	431	247
Other	128	121
Total non-operating expenses	1,023	780
Ordinary income	4,721	4,457
Extraordinary income		
Gain on sales of noncurrent assets	195	4
Gain on negative goodwill	343	—
Other	123	0
Total extraordinary income	661	4
Extraordinary loss		
Loss on valuation of investment securities	49	541
Loss on adjustment for changes of accounting standard for asset retirement obligations	279	—
Environmental expenses	—	175
Other	79	42
Total extraordinary losses	408	759
Income before income taxes and minority interests	4,974	3,702
Income taxes-current	667	1,061
Income taxes-deferred	1,053	190
Total income taxes	1,721	1,251
Income before minority interests	3,253	2,450
Minority interests in income	65	85
Net income	3,187	2,364

(Consolidated Quarterly Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2010 (From April 1, 2010 to September 30, 2010)	Six months ended September 30, 2011 (From April 1, 2011 to September 30, 2011)
Income before minority interests	3,253	2,450
Other comprehensive income		
Valuation difference on available-for-sale securities	(749)	94
Deferred gains or losses on hedges	0	7
Foreign currency translation adjustment	(513)	42
Share of other comprehensive income of associates accounted for using equity method	(135)	53
Total other comprehensive income	(1,397)	198
Comprehensive income	1,855	2,649
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,816	2,579
Comprehensive income attributable to minority interests	38	69

(3) Notes to Going Concern Assumption

Not applicable.

(4) Segment Information

I. For the six months ended September 30, 2010 (From April 1, 2010 to September 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	12,455	42,971	8,391	14,986	1,008	79,813	–	79,813
Intersegment net sales and transfer	110	15	32	98	6,734	6,991	(6,991)	–
Total	12,565	42,986	8,424	15,084	7,743	86,804	(6,991)	79,813
Segment income [Operating income] (loss)	1,979	3,006	1,369	1,182	(260)	7,277	(2,237)	5,039

Notes: 1. “Other business” includes companies operating real estate management and financial businesses.

However, income deriving from those companies are not included in sales; instead, such income is posted as non-operating income.

2. The adjusted amount of segment income includes corporate expenses of ¥2,237 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 six months ended September 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 six months ended September 30, 2011 (From April 1, 2011 to September 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	13,083	41,073	8,148	15,497	882	78,686	–	78,686
Intersegment net sales and transfer	164	18	32	0	7,897	8,113	(8,113)	–
Total	13,247	41,091	8,181	15,498	8,780	86,800	(8,113)	78,686
Segment income [Operating income] (loss)	2,147	3,004	1,195	826	(144)	7,030	(2,395)	4,635

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 ¥2,395 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.

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

Not applicable.

(6) Significant Subsequent Events

(Damage caused by Thailand floods)

The Company's consolidated subsidiary, DAINICHI COLOR (THAILAND) LTD. shut down its factory operations after the massive floods that occurred in Thailand in October 2011 which caused damage to its property and buildings.

At present, the amount of damage from the floods and the damages covered by insurance are unconfirmed.

We will immediately give notice of our investigation results if we judge that the damage has a material impact on the Company's earnings.