

Consolidated Financial Results for the Nine Months Ended December 31, 2011 [JGAAP]



February 7, 2012

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: February 13, 2012
 Scheduled date to commence dividend payments: -
 Availability of supplementary briefing material on quarterly results: None
 Scheduled date of Quarterly Results Briefing Session: Not scheduled

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2011 (From April 1, 2011 to December 31, 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	%
Nine months ended December 31, 2011	118,373	(1.5)	6,949	(10.6)	6,835	(5.5)	3,677	(21.9)
Nine months ended December 31, 2010	120,160	14.6	7,773	64.2	7,234	53.4	4,704	49.5

(Note) Comprehensive income: Nine months ended December 31, 2011: ¥3,084 million [(14.8%)]
 Nine months ended December 31, 2010: ¥3,618 million (- %)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended December 31, 2011	39.60	-
Nine months ended December 31, 2010	50.66	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Nine months ended December 31, 2011	155,316	49,123	30.9
Year ended March 31, 2011	147,740	47,088	31.2

(Reference) Equity: Nine months ended December 31, 2011: ¥48,061 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 nine months ended December 31, 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):	Nine months ended December 31, 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:	Nine months ended December 31, 2011	208,384 shares	Year ended March 31, 2011	205,743 shares
3) Average number of shares during the period (cumulative):	Nine months ended December 31, 2011	92,858,579 shares	Nine months ended December 31, 2010	92,864,829 shares

* Presentation regarding the implementation status of the quarterly review:

These consolidated financial results for the nine months ended December 31, 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 4 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 nine months ended December 31, 2011, the Japanese economy showed some signs of gradual recovery from the aftermath of the Great East Japan Earthquake. However, a sense of uncertainty prevailed in the second half of the period under review, due to the impacts from further yen appreciation and a loss incurred by the floods in Thailand. Looking overseas, the Asian economy, particularly within China, performed steadily, supported primarily by robust domestic demands. The U.S. economy showed moderate recovery due primarily to an increase in personal consumption, while in Europe, concerns for further stagnation grew increasingly apparent as some EU member states were affected by their sovereign debts.

In such an economic environment, net sales for the nine months ended December 31, 2011 decreased to ¥118,373 million, down by 1.5% compared with the same period of the previous fiscal year, as, in large part, the yen's appreciation posted a loss generated from translating net sales of overseas subsidiaries into yen. In terms of profit, operating income decreased to ¥6,949 million, down by 10.6% compared with the same period of the previous fiscal year, and ordinary income decreased to ¥6,835 million, down by 5.5% compared with the same period of the previous fiscal year. These decreases were due to the decrease in net sales. Net income decreased to ¥3,677 million, down by 21.9% 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 of 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 weak, suffering from the decline in advertising demand after the earthquake due to voluntary restraint nationwide, 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 ¥18,914 million, up by 1.9% compared with the same period of the previous fiscal year, while operating income was ¥3,039 million, up by 7.8% 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 strong, partly 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 ¥63,169 million, down by 3.3% compared with the same period of the previous fiscal year, while operating income was ¥4,516 million, down by 5.3% 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 domestic sales of urethane resins intended for the automobile industry slumped in the first half of the current period due to the impact of the Great East Japan Earthquake, they showed a moderate recovery following progress in restoration of the supply chain. Meanwhile, sales of urethane resins to the textile industries remained on a relatively steady track.

As a result, net sales in the segment stood at ¥11,905 million, down by 1.3% compared with the same period of the previous fiscal year, while operating income was ¥1,737 million, down by 7.9% 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 due to the special procurement in the wake of the earthquake. 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 partly due to the effects of rising raw material costs.

As a result, net sales in the segment stood at ¥23,066 million, up by 1.5% compared with the same period of the previous fiscal year, while operating income was ¥1,410 million, down by 19.6% 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 ¥1,317 million, down by 13.3% compared with the same period of the previous fiscal year, while operating loss was ¥191 million due to the posting of real estate lease-related income as non-operating income, not as net sales.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Total assets as at the end of the third quarter ended December 31, 2011 increased by ¥7,576 million compared with the end of the previous fiscal year to ¥155,316 million. This is largely because of a ¥8,011 million increase in current assets due primarily to an increase in cash and deposits as well as notes and accounts receivable-trade by the effect of a bank holiday on the last day of the third quarter, and a ¥435 million decrease in noncurrent assets due primarily to a decline in latent assets in securities.

(Liabilities)

Total liabilities as at the end of the third quarter ended December 31, 2011 increased by ¥5,541 million compared with the end of the previous fiscal year to ¥106,193 million. This is largely because of a ¥6,397 million increase in notes and accounts payable-trade by the effect of a bank holiday on the last day of the third quarter as above, along with decreases in loans and provision for retirement benefits.

(Net assets)

Net assets as at the end of the third quarter ended December 31, 2011 increased by ¥2,034 million compared with the end of the previous fiscal year to ¥49,123 million. This is largely because of a ¥2,655 million increase in retained earnings as a result of posting net income, and a ¥645 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.

(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. suffered from damage to its property and buildings by the massive floods which occurred in Thailand in October 2011.

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 December 31, 2011
Assets		
Current assets		
Cash and deposits	21,512	22,417
Notes and accounts receivable-trade	44,128	48,231
Short-term investment securities	118	107
Inventories	21,405	24,502
Other	2,253	2,190
Allowance for doubtful accounts	(119)	(138)
Total current assets	89,300	97,311
Noncurrent assets		
Property, plant and equipment		
Land	20,312	20,149
Other, net	20,142	20,737
Total property, plant and equipment	40,455	40,886
Intangible assets		
Other	918	917
Total intangible assets	918	917
Investments and other assets		
Investment securities	10,474	9,585
Other	7,064	7,277
Allowance for doubtful accounts	(472)	(660)
Total investments and other assets	17,066	16,201
Total noncurrent assets	58,440	58,005
Total assets	147,740	155,316
Liabilities		
Current liabilities		
Notes and accounts payable-trade	28,359	34,756
Short-term loans payable	26,982	26,380
Current portion of long-term loans payable	7,293	8,162
Income taxes payable	1,171	866
Provision for bonuses	2,040	1,068
Provision for loss on plant closing	3	—
Provision for environmental measures	351	260
Other	3,868	5,733
Total current liabilities	70,071	77,229
Noncurrent liabilities		
Long-term loans payable	18,876	18,234
Provision for retirement benefits	8,602	7,875
Provision for directors' retirement benefits	466	413
Provision for environmental measures	886	819
Negative goodwill	94	27
Other	1,653	1,593
Total noncurrent liabilities	30,580	28,964
Total liabilities	100,652	106,193

(Millions of yen)

	As of March 31, 2011	As of December 31, 2011
Net assets		
Shareholders' equity		
Capital stock	10,039	10,039
Capital surplus	9,193	9,193
Retained earnings	31,349	34,004
Treasury stock	(87)	(88)
Total shareholders' equity	50,495	53,149
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	258	117
Deferred gains or losses on hedges	(27)	(19)
Foreign currency translation adjustment	(4,674)	(5,186)
Total accumulated other comprehensive income	(4,442)	(5,088)
Minority interests	1,036	1,062
Total net assets	47,088	49,123
Total liabilities and net assets	147,740	155,316

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

(Millions of yen)

	Nine months ended December 31, 2010 (From April 1, 2010 to December 31, 2010)	Nine months ended December 31, 2011 (From April 1, 2011 to December 31, 2011)
Net sales	120,160	118,373
Cost of sales	100,518	99,333
Gross profit	19,641	19,040
Selling, general and administrative expenses	11,868	12,090
Operating income	7,773	6,949
Non-operating income		
Interest income	16	22
Dividends income	185	193
Amortization of negative goodwill	60	67
Equity in earnings of affiliates	109	38
Dividends income of insurance	191	172
Other	378	352
Total non-operating income	942	847
Non-operating expenses		
Interest expenses	672	601
Foreign exchange losses	658	247
Other	151	111
Total non-operating expenses	1,481	960
Ordinary income	7,234	6,835
Extraordinary income		
Gain on sales of noncurrent assets	197	50
Gain on negative goodwill	343	—
Reversal of allowance for doubtful accounts	135	—
Other	0	0
Total extraordinary income	676	50
Extraordinary loss		
Environmental expenses	—	175
Loss on valuation of investment securities	56	561
Loss on adjustment for changes of accounting standard for asset retirement obligations	279	—
Other	96	95
Total extraordinary losses	432	832
Income before income taxes and minority interests	7,478	6,053
Income taxes-current	877	1,265
Income taxes-deferred	1,794	995
Total income taxes	2,671	2,261
Income before minority interests	4,806	3,792
Minority interests in income	101	115
Net income	4,704	3,677

(Consolidated Quarterly Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2010 (From April 1, 2010 to December 31, 2010)	Nine months ended December 31, 2011 (From April 1, 2011 to December 31, 2011)
Income before minority interests	4,806	3,792
Other comprehensive income		
Valuation difference on available-for-sale securities	(488)	(149)
Deferred gains or losses on hedges	15	7
Foreign currency translation adjustment	(596)	(465)
Share of other comprehensive income of associates accounted for using equity method	(118)	(100)
Total other comprehensive income	(1,187)	(707)
Comprehensive income	3,618	3,084
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,545	3,031
Comprehensive income attributable to minority interests	72	52

(3) Notes to Going Concern Assumption

Not applicable.

(4) Segment Information

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

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

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

2. The adjusted amount of segment income includes corporate expenses of ¥3,150 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)

There are no significant changes in this item.

(Significant changes in the amount of goodwill)

There are no significant changes in this item.

(Significant gain on negative goodwill)

In the “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 nine months ended December 31, 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 nine months ended December 31, 2011 (From April 1, 2011 to December 31, 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	18,914	63,169	11,905	23,066	1,317	118,373	–	118,373
Intersegment net sales and transfer	233	29	52	0	12,051	12,367	(12,367)	–
Total	19,148	63,199	11,958	23,066	13,368	130,740	(12,367)	118,373
Segment income [Operating income] (loss)	3,039	4,516	1,737	1,410	(191)	10,513	(3,563)	6,949

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 ¥3,563 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. suffered from damage to its property and buildings by the massive floods which occurred in Thailand in October 2011.

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.