

Consolidated Financial Results [Japanese GAAP]
for the Second Quarter of the Fiscal Year Ending March 31, 2017
(April 1, 2016 — September 30, 2016)

November 11, 2016

Company name: Kansai Paint Co., Ltd.
 Stock listing: Tokyo Stock Exchange
 Code number: 4613
 URL: <http://www.kansai.co.jp/>
 Representative: Hiroshi Ishino, President
 Contact: Shinji Asatsuma, Director, Managing Executive Officer, General Manager, Administration Div.
 Telephone: +81-6-6203-5531
 Date of filing of quarterly report to Ministry of Finance: November 11, 2016
 Scheduled payment date for dividend: December 2, 2016
 Supplemental information: Yes
 Financial results briefing: Yes

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the Second Quarter of the Fiscal Year Ending March 31, 2017 (April 1, 2016 — September 30, 2016)

(1) Consolidated operating results

(The percentages represent the rates of increase (decrease) compared to the corresponding prior period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2016	162,268	(5.0)	17,848	6.6	18,849	(4.3)	11,440	10.3
Six months ended September 30, 2015	170,841	3.5	16,737	20.1	19,689	17.4	10,367	18.5

(Note) Comprehensive income:

Six months ended September 30, 2016: (4,304) million yen — %
 Six months ended September 30, 2015: 1,941 million yen (84.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2016	43.80	38.36
Six months ended September 30, 2015	38.92	—

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	497,188	262,956	45.8
As of March 31, 2016	430,198	293,903	59.3

(Reference) Shareholders' equity:

As of September 30, 2016: 227,908 million yen
 As of March 31, 2016: 255,238 million yen

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 31, 2016	—	9.50	—	9.50	19.00
Fiscal Year ending March 31, 2017	—	11.00			
Fiscal Year ending March 31, 2017 (Forecast)			—	11.00	22.00

(Note) Revisions to the latest dividend forecast announced : No

3. Consolidated financial forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 — March 31, 2017)

(The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	340,000	3.6	36,500	5.0	42,000	5.8	25,000	(11.8)	95.71

(Note) Revisions to the latest consolidated financial forecast announced: No

***Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in scope of consolidation):			None
(2) Application of accounting treatment specific to preparation of quarterly consolidated financial statements:			Yes
(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement			
1. Changes in accounting policies in accordance with revision of accounting standards:			Yes
2. Changes in accounting policies other than 1. above:			None
3. Changes in accounting estimates:			None
4. Retrospective restatement:			None
(4) Number of shares of common stock issued			
1. Number of shares of common stock issued at period-end (including treasury stock):			
As of September 30, 2016:	272,623,270	shares	
As of March 31, 2016:	272,623,270	shares	
2. Number of shares of treasury stock at period-end:			
As of September 30, 2016:	15,283,477	shares	
As of March 31, 2016:	6,268,153	shares	
3. Average number of shares during the period:			
Six months ended September 30, 2016:	261,203,833	shares	
Six months ended September 30, 2015:	266,365,172	shares	

***Status of the implementation of audit procedures**

This financial results report is not subject to quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure of this report, the quarterly review procedures for the financial statements have been completed.

***Explanation for appropriate use of forecasts and other notes**

The forward-looking statements such as operational forecasts contained in this document are based on information currently available to the Company and certain assumptions which are regarded as legitimate. However, it does not mean that we guarantee its achievement. Actual results may differ from such forward-looking statements for a variety of reasons.

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	72,309	138,077
Trade notes and accounts receivable	91,544	90,330
Securities	8,536	13,871
Finished goods	25,768	24,415
Work-in-process	3,728	4,089
Raw materials and supplies	13,677	13,726
Other	10,890	11,383
Allowance for doubtful receivables	(1,221)	(1,653)
Total current assets	225,232	294,240
Non-current assets		
Total property, plant and equipment	90,024	85,047
Intangible assets		
Goodwill	7,657	11,491
Other	11,797	11,380
Total intangible assets	19,454	22,871
Investments and other assets		
Investment securities	69,358	69,791
Other	28,250	27,273
Allowance for doubtful receivables	(2,120)	(2,035)
Total investments and other assets	95,487	95,028
Total non-current assets	204,966	202,947
Total assets	430,198	497,188

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Trade notes and accounts payable	53,667	48,560
Electronically recorded obligations - operating	1,342	1,386
Short-term borrowings	3,907	5,999
Current portion of bonds payable	15,000	15,000
Income and enterprise taxes payable	3,631	3,630
Provision for bonuses	4,407	4,553
Other	20,054	19,208
Total current liabilities	102,010	98,339
Non-current liabilities		
Convertible bonds with stock acquisition rights	-	101,912
Net defined benefit liability	8,503	8,574
Other	25,781	25,405
Total non-current liabilities	34,284	135,892
Total liabilities	136,294	234,231
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	18,896	16,193
Retained earnings	200,096	208,997
Treasury stock, at cost	(5,077)	(25,082)
Total shareholders' equity	239,574	225,767
Accumulated other comprehensive income		
Net unrealized holding gains on securities	25,424	25,946
Foreign currency translation adjustments	(10,545)	(24,461)
Remeasurements of defined benefit plans	785	655
Total accumulated other comprehensive income	15,664	2,140
Non-controlling interests	38,665	35,048
Total net assets	293,903	262,956
Total liabilities and net assets	430,198	497,188

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	170,841	162,268
Cost of sales	115,807	107,528
Gross profit	55,034	54,739
Selling, general and administrative expenses	38,296	36,891
Operating income	16,737	17,848
Non-operating income		
Interest income	178	379
Dividend income	918	779
Equity in earnings of unconsolidated subsidiaries and affiliates	2,470	2,214
Miscellaneous income	522	479
Total non-operating income	4,090	3,852
Non-operating expenses		
Interest expense	246	446
Interest on bonds	42	42
Loss on disposal of inventories	118	84
Foreign currency exchange loss	380	1,791
Miscellaneous expenses	351	487
Total non-operating expenses	1,138	2,851
Ordinary income	19,689	18,849
Extraordinary income		
Gain on sale or disposal of property, plant and equipment	17	3
Gain on sale of investment securities	1	619
Total extraordinary income	18	623
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	513	69
Write-down of securities and investment securities	159	10
Total extraordinary losses	672	80
Income before income taxes and non-controlling interests	19,034	19,392
Total income taxes	6,393	5,911
Net income	12,641	13,481
Net income attributable to non-controlling interests	2,274	2,041
Net income attributable to owners of the parent	10,367	11,440

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net income	12,641	13,481
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(5,465)	549
Foreign currency translation adjustments	(4,478)	(15,182)
Remeasurements of defined benefit plans	14	(129)
Shares in other comprehensive income of equity method affiliates	(771)	(3,023)
Total other comprehensive income	(10,700)	(17,786)
Comprehensive income	1,941	(4,304)
Comprehensive income attributable to:		
Owners of the parent	971	(2,083)
Non-controlling interests	969	(2,221)

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Income before income taxes and non-controlling interests	19,034	19,392
Depreciation and amortization	5,228	4,775
Amortization of goodwill	830	626
Increase in allowance for doubtful receivables	5	509
Decrease in net defined benefit liability	(289)	(450)
Interest and dividend income	(1,097)	(1,158)
Interest expense	288	488
Equity in earnings of unconsolidated subsidiaries and affiliates	(2,470)	(2,214)
Write-down of investment securities	159	10
Loss on sale or disposal of property, plant and equipment, net	495	65
Increase in trade notes and accounts receivable	(2,752)	(2,578)
Increase in inventories	(278)	(1,918)
Decrease in trade notes and accounts payable	(868)	(2,336)
Other, net	1,423	(100)
Subtotal	19,710	15,112
Interest and dividends received	2,141	2,468
Interest paid	(284)	(468)
Income taxes paid	(5,993)	(6,835)
Net cash provided by operating activities	15,574	10,276
Cash flows from investing activities		
Payments into time deposits	(5,939)	(53,233)
Proceeds from withdrawal of time deposits	7,703	11,233
Net increase in securities	-	(6,115)
Purchase of property, plant and equipment	(5,936)	(5,338)
Proceeds from sale of property, plant and equipment	82	179
Purchase of intangible assets	(1,513)	(1,562)
Purchase of investment securities	(63,446)	(157)
Proceeds from sale of investment securities	60,704	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(6,388)
Payments for investments in capital	(799)	-
Payments of loans receivable	(188)	(1,346)
Collection of loans receivable	94	369
Other, net	210	(281)
Net cash used in investing activities	(9,028)	(62,641)
Cash flows from financing activities		
Net increase in short-term borrowings	951	2,519
Proceeds from long-term debt	145	2,137
Repayments of long-term debt	(18)	(767)
Proceeds from issuance of convertible bonds with stock acquisition rights	-	102,100
Purchase of treasury stock	(38)	(20,004)
Cash dividends paid	(2,004)	(2,538)
Cash dividends paid to non-controlling interests	(1,017)	(1,476)
Proceeds from share issuance to non-controlling shareholders	38	80
Purchase of investments in subsidiaries without change in scope of consolidation	-	(3,182)
Other, net	0	0
Net cash provided by (used in) financing activities	(1,943)	78,867
Effect of exchange rate changes on cash and cash equivalents	(294)	(2,736)
Increase in cash and cash equivalents	4,307	23,766
Cash and cash equivalents at beginning of period	60,914	60,861
Cash and cash equivalents at end of period	65,222	84,627