

Consolidated Financial Results [Japanese GAAP]
for the First Quarter of the Fiscal Year Ending March 31, 2021
(April 1, 2020 — June 30, 2020)



August 7, 2020

Company name: Kansai Paint Co., Ltd.
 Stock listing: Tokyo Stock Exchange
 Code number: 4613
 URL: <https://www.kansai.co.jp/>
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 Scheduled date of the filing of Securities Report: August 11, 2020
 Scheduled date of dividend payment: -
 Supplemental information: No
 Financial results briefing: No

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the First Quarter Fiscal Year Ending March 31, 2021 (April 1, 2020 — June 30, 2020)

(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	%
Three months ended June 30, 2020	78,088	(25.2)	3,851	(53.0)	5,202	(45.2)	2,150	(48.3)
Three months ended June 30, 2019	104,419	(2.1)	8,195	6.6	9,502	1.9	4,156	1.2

(Note) Comprehensive income:

Three months ended June 30, 2020: (5,152) million yen — %
 Three months ended June 30, 2019: 4,429 million yen — %

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2020	8.37	7.76
Three months ended June 30, 2019	16.16	14.14

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	553,485	308,457	47.0
As of March 31, 2020	544,123	320,697	49.4

(Reference) Shareholders' equity: As of June 30, 2020: 260,358 million yen
 As of March 31, 2020: 268,877 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, 2020	—	15.00	—	15.00	30.00
Fiscal Year ending March 31, 2021	—				
Fiscal Year ending March 31, 2021 (Forecast)		15.00	—	15.00	30.00

(Note) Revisions to the latest dividend forecast announced : Yes

3. Consolidated financial forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 — March 31, 2021)

(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	330,000	(18.9)	18,000	(42.9)	21,000	(39.8)	10,000	(45.9)	38.90

(Note) Revisions to the latest consolidated financial forecast announced: Yes

***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:	None
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 June 30, 2020:	272,623,270 shares
As of March 31, 2020:	272,623,270 shares
2. Number of shares of treasury stock at period-end:	
As of June 30, 2020:	15,567,446 shares
As of March 31, 2020:	15,567,211 shares
3. Average number of shares during the period:	
Three months ended June 30, 2020:	257,055,939 shares
Three months ended June 30, 2019:	257,141,454 shares

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

These financial statements are not subject to quarterly review procedure of certified public accountant or audit firm.

***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.

Overview of financial results

During the period under review, uncertainties over the future deepened in the global economy due to the impact of the pandemic of the COVID-19 in addition to concerns over geopolitical risks. Under these circumstances, signs of recovery were observed in the United States, Europe and China amid severe economic conditions. In other emerging countries in Asia and Africa, the economy remained severely hit and is currently deteriorating sharply due to restrained economic activities. The Japanese economy faced a significant downturn in terms of both domestic and overseas demand due to voluntary restraint of economic activities and the deteriorated overseas economy caused by the spread of COVID-19, and its outlook remains uncertain.

The Group's net sales for the period under review were 78,088 million yen (down 25.2% year on year). Due to a significant decrease in net sales, operating income was 3,851 million yen (down 53.0% year on year), Ordinary income ended at 5,202 million yen (down 45.2% year on year), and Net income attributable to owners of parent ended at 2,150 million yen (down 48.3% year on year)

Segment overviews are as follows.

<Japan>

In the new car area of the automotive coatings sector, sales decreased due to a significant year on year decrease in car production. Sales in the industrial coatings sector fell year on year as paints for automotive components and construction machinery were negatively affected by production adjustments. The decorative coatings sector saw a year on year increase in sales reflecting growth in demand for house paints. Sales in the marine sector posted year on year growth, reflecting robust performance in the ship repairing area. In the automotive coatings (for refinishing) and the protective coating sectors, sales decreased year on year due to sluggish market conditions.

As a result of those factors, net sales and ordinary income in the segment were 31,154 million yen (down 18.7% year on year) and 2,544 million yen (down 47.1% year on year).

<India>

While the lockdown measures implemented in late March due to the spread of COVID-19 have been lifted step by step since June, sales in the automotive coatings sector decreased year on year due to a significant decrease in car production. In the decorative coatings sector, sales have been recovering gradually since May, but sales of the entire segment resulted in a year on year decrease.

As a result of those factors, net sales and ordinary income in the segment were 9,157 million yen (down 62.7% year on year) and 595 million yen (down 82.9% year on year).

<Europe>

Mainly in the industrial coatings and automotive coatings (for refinishing) sectors, robust sales were recorded and sales grew year on year on a local currency basis. However, the translated result in Japanese yen was negatively affected by currency conversion and slightly fell short of the previous year. Profits increased due to a decline in raw material prices.

As a result of those factors, net sales of the segment were 16,075 million yen (down 0.4 % year on year) while ordinary income including the amortization of goodwill ended at 524 million yen (up 251.0 % year on year).

<Asia>

In China, reflecting a year on year decrease in car production, sales in the automotive coatings sector decreased year on year. In the industrial coatings sector, sales of paints for construction machinery decreased year on year due to weaker demand from major customers. As a result, net sales decreased year on year in China as a whole. In Indonesia, sales in the automotive coatings sector decreased year on year, due to the intensified price competition amid a recovery in car production. Also, in Thailand, sales decreased year on year due to a decline in car production.

As a result of those factors, net sales of the segment were 12,842 million yen (down 16.0% year on year). Ordinary income ended at 1,225 million yen (down 26.4% year on year)

<Africa>

Amid the sluggish economy in South Africa and neighboring countries, we continued to endeavor to promote sales. Despite a decline in raw material prices, we continued to face significant pressure from currency depreciation and the intensified price competition.

As a result of those factors, net sales of the segment were 7,416 million yen (down 13.0% year on year) while ordinary loss including the amortization of goodwill ended at 47 million yen.

<Others>

In North America, sales decreased year on year despite efforts to expand sales of paints for automotive components in the industrial coatings sector.

As a result of those factors, net sales of the segment were 1,441 million yen (down 11.2% year on year) while ordinary income ended at 359 million yen (up 21.8% year on year).

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	58,618	87,165
Trade notes and accounts receivables	101,512	92,491
Securities	4,705	3,797
Finished goods	35,095	32,548
Work-in-process	5,696	5,634
Raw materials and supplies	23,530	24,391
Other	14,932	15,003
Allowance for doubtful receivables	(3,152)	(3,361)
Total current assets	240,938	257,670
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,222	55,986
Other, net	71,197	68,145
Total property, plant and equipment	129,419	124,131
Intangible assets		
Goodwill	33,551	31,888
Other	24,855	23,184
Total intangible assets	58,406	55,073
Investments and other assets		
Investment securities	76,183	80,345
Other	43,816	40,857
Allowance for doubtful receivables	(4,641)	(4,593)
Total investments and other assets	115,358	116,609
Total non-current assets	303,185	295,814
Total assets	544,123	553,485

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Trade notes and accounts payables	58,694	49,375
Short-term borrowings	18,467	10,495
Income and enterprise taxes payable	2,242	1,902
Provision for bonuses	5,431	3,204
Other	27,277	34,873
Total current liabilities	112,113	99,850
Non-current liabilities		
Convertible bonds with stock acquisition rights	60,110	60,098
Long-term debt	12,354	46,631
Net defined benefit liability	9,497	9,320
Other	29,350	29,126
Total non-current liabilities	111,313	145,176
Total liabilities	223,426	245,027
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	22,438	21,107
Retained earnings	248,511	246,769
Treasury stock, at cost	(25,711)	(25,711)
Total shareholders' equity	270,897	267,824
Accumulated other comprehensive income		
Net unrealized holding gains on securities	23,322	26,887
Deferred gains (losses) on derivatives under hedge accounting	1,224	(772)
Foreign currency translation adjustments	(25,936)	(33,058)
Remeasurements of defined benefit plans	(631)	(521)
Total accumulated other comprehensive income	(2,020)	(7,466)
Non-controlling interests	51,819	48,099
Total net assets	320,697	308,457
Total liabilities and net assets	544,123	553,485

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	104,419	78,088
Cost of sales	71,632	52,736
Gross profit	32,786	25,351
Selling, general and administrative expenses	24,591	21,499
Operating income	8,195	3,851
Non-operating income		
Interest income	252	141
Dividend income	853	833
Equity in earnings of unconsolidated subsidiaries and affiliates	707	776
Miscellaneous income	387	386
Total non-operating income	2,200	2,138
Non-operating expenses		
Interest expense	460	394
Loss on disposal of inventories	48	61
Foreign currency exchange loss	203	170
Miscellaneous expenses	179	161
Total non-operating expenses	893	788
Ordinary income	9,502	5,202
Extraordinary income		
Gain on sale of property, plant and equipment	11	9
Gain on sale of investment securities	53	5
Total extraordinary income	65	15
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	147	6
Total extraordinary losses	147	6
Income before income taxes and non-controlling interests	9,420	5,211
Total income taxes	4,122	2,287
Net income	5,297	2,924
Net income attributable to non-controlling interests	1,141	774
Net income attributable to owners of the parent	4,156	2,150

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net income	5,297	2,924
Other comprehensive income		
Net unrealized holding gains on securities	22	2,787
Deferred gains (losses) on derivatives under hedge accounting	22	(1,998)
Foreign currency translation adjustments	(1,115)	(8,306)
Remeasurements of defined benefit plans	42	109
Shares in other comprehensive income of equity method affiliates	158	(669)
Total other comprehensive income	(868)	(8,077)
Comprehensive income	4,429	(5,152)
Comprehensive income attributable to:		
Owners of the parent	3,462	(3,295)
Non-controlling interests	966	(1,857)

Segment information

(1) Three months ended June 30, 2019 (April 1, 2019 - June 30, 2019)

Information about sales, profit and loss by reportable segment

(Millions of yen)

	Reportable segments						Other *1	Total	Adjustment *2	Consolidated *3
	Japan	India	Europe	Asia	Africa	Total				
Net sales										
(1) Sales to customers	38,302	24,531	16,145	15,287	8,529	102,795	1,623	104,419	-	104,419
(2) Intersegment sales and transfers	3,016	18	19	773	76	3,903	-	3,903	(3,903)	-
Total sales	41,319	24,549	16,164	16,060	8,605	106,699	1,623	108,323	(3,903)	104,419
Segment income (loss)	4,807	3,489	149	1,664	(903)	9,206	295	9,502	-	9,502

Notes:

- *1 The "Other" category includes business activities of subsidiaries and affiliates in the U.S., Mexico and other locations.
- *2 Adjustments for segment income (loss), segment assets and other items represent the elimination of intersegment transactions.
- *3 Segment income (loss) is reconciled with the ordinary income in the Consolidated Statements of Income.
- *4 Reportable segments other than Japan include the following countries:
 India: India, Nepal, Bangladesh and other locations.
 Europe: Slovenia, Turkey, Austria, Luxembourg and other locations.
 Asia: Thailand, China, Indonesia and other locations.
 Africa: South Africa, Zimbabwe, Uganda and other locations.

(2) Three months ended June 30, 2020 (April 1, 2020 - June 30, 2020)

Information about sales, profit and loss by reportable segment

(Millions of yen)

	Reportable segments						Other *1	Total	Adjustment *2	Consolidated *3
	Japan	India	Europe	Asia	Africa	Total				
Net sales										
(1) Sales to customers	31,154	9,157	16,075	12,842	7,416	76,646	1,441	78,088	-	78,088
(2) Intersegment sales and transfers	1,901	6	38	719	32	2,698	-	2,698	(2,698)	-
Total sales	33,056	9,163	16,113	13,562	7,449	79,345	1,441	80,786	(2,698)	78,088
Segment income (loss)	2,544	595	524	1,225	(47)	4,842	359	5,202	-	5,202

Notes:

- *1 The "Other" category includes business activities of subsidiaries and affiliates in the U.S., Mexico and other locations.
- *2 Adjustments for segment income (loss), segment assets and other items represent the elimination of intersegment transactions.
- *3 Segment income (loss) is reconciled with the ordinary income in the Consolidated Statements of Income.
- *4 Reportable segments other than Japan include the following countries:
 India: India, Bangladesh, Nepal and other locations.
 Europe: Slovenia, Turkey, Austria and other locations.
 Asia: Indonesia, Thailand, China and other locations.
 Africa: South Africa, Uganda, Zimbabwe and other locations.