

Consolidated Financial Results [Japanese GAAP]

for the First Quarter of the Fiscal Year Ending March 31, 2025 (April 1, 2024 - June 30, 2024)



August 8, 2024

Company name: Kansai Paint Co., Ltd.
 Stock listing: Tokyo Stock Exchange
 Code number: 4613
 URL: <https://www.kansai.co.jp/>
 Representative: MORI Kunishi, Representative Director of the Board, President
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 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, 2025 (April 1, 2024 - June 30, 2024)

(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, 2024	145,397	6.6	15,114	24.9	19,924	17.4	11,873	(68.4)
Three months ended June 30, 2023	136,436	13.3	12,105	42.6	16,965	28.6	37,609	483.1

(Note) Comprehensive income:

Three months ended June 30, 2024: 28,167 million yen 8.6%
 Three months ended June 30, 2023: 25,947 million yen 52.9%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2024	57.45	48.82
Three months ended June 30, 2023	164.67	—

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	782,689	388,177	39.9
As of March 31, 2024	689,703	380,248	44.9

(Reference) Shareholders' equity:

As of June 30, 2024: 312,331 million yen
 As of March 31, 2024: 309,956 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, 2024	—	18.00	—	22.00	40.00
Fiscal Year ending March 31, 2025	—				
Fiscal Year ending March 31, 2025 (Forecast)		22.00	—	22.00	44.00

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

3. Consolidated financial forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(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	610,000	8.5	56,000	8.5	60,000	4.0	40,000	(40.4)	196.60

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

***Notes**

(1) Significant changes in the scope of consolidation during the period	Yes
Added: 12 companies (Weilburger Coatings GmbH, Weilburger Asia Ltd. and 10 others)	
(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, 2024:	210,421,470 shares
As of March 31, 2024:	210,421,470 shares
2. Number of shares of treasury stock at period-end:	
As of June 30, 2024:	8,390,511 shares
As of March 31, 2024:	1,769,631 shares
3. Average number of shares during the period:	
Three months ended June 30, 2024:	206,684,150 shares
Three months ended June 30, 2023:	228,390,999 shares

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

Review procedures on the quarterly consolidated financial statement contained in this report by certified public accountants or an audit firm: No

***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

In the fiscal year under review, the global economy remained uncertain due to continued monetary tightening mainly in Europe and the United States, resulting significant exchange rate fluctuations, and heightened geopolitical risks. Under these circumstances, in China, despite signs of an economic recovery, there are concerns about a downturn in the economy due to the stagnant real estate market. In Europe, despite moderate easing of inflationary pressure, the economy remained stagnant due to a slowdown in demand caused by monetary tightening and other factors. In other regions, the economy showed signs of recovery or picking up. The Japanese economy is recovering moderately, but the economic outlook remained in need of close attention due to the rise in long-term interest rates, problems in Ukraine and the Middle East, and exchange rate fluctuations.

The Group's net sales in the first quarter of the current fiscal year were 145,397 million yen (up 6.6% year on year). Operating income was 15,114 million yen (up 24.9% year on year) as a result of efforts to improve profits, such as cost reductions, despite an increase in fixed costs. Ordinary income was 19,924 million yen (up 17.4% year on year) mainly due to an improvement in equity in earnings of affiliates. Profit attributable to owners of parent decreased to 11,873 million yen (down 68.4% year on year) due to one-time extraordinary gains recorded in the previous year.

In addition, in May 2024, Kansai Helios Coatings GmbH, our consolidated subsidiary, acquired shares in Weilburger Group companies responsible for the industrial paint manufacturing and sales business and made it a subsidiary.

Segment overviews are as follows.

<Japan>

In the automotive coatings sector, despite efforts to improve selling prices, sales fell below the previous year due in part to the impact of the suspension of production and shipments by some automakers, which caused the number of automobiles produced to fall below the previous year's level. In the industrial coatings, decorative coatings, automotive coatings (for refinishing) and protective coatings sector, sales were unable to expand due to sluggish market conditions and other factors. As a result, total sales were on a par with the previous year. In the marine sector, net sales increased year on year due to favorable market conditions for ocean-going vessels. Profit increased from the previous year due to a decline in certain raw material prices and the contribution of increased vessel sales.

As a result of those factors, the segment's net sales and segment income were 41,296 million yen (up 6.3% year on year) and 5,975 million yen (up 54.4% year on year), respectively.

<India>

In the decorative coatings sector, although we are promoting sales promotion activities, intensified market competition and the shift to low-priced products also progressed, and sales on a local currency basis fell below the previous year. On the other hand, sales in the automotive coatings sector were significantly higher than the previous year due to a recovery in the number of automobiles manufactured, and overall sales in India were higher than the previous year due in part to the impact of foreign currency translation caused by the depreciation of the yen. Profit increased from the previous year due to the Company's continued efforts to improve selling prices, in addition to controlling certain raw material prices.

As a result of those factors, the segment's net sales and segment income were 40,277 million yen (up 10.1% year on year) and 5,418 million yen (up 11.1% year on year), respectively.

<Europe>

In Turkey, the number of automobiles sold is stable, and efforts to improve selling prices resulted in a year-on-year increase in

sales. In other European countries, sales increased from the previous year, supported by firm demand, mainly in the industrial coatings sector. As a result, overall sales in Europe also increased from the previous year. Profit increased from the previous year due to stable raw material prices and an improvement in equity in earnings of affiliates, despite an increase in personnel and other costs caused by inflation.

As a result of those factors, the segment's net sales and segment income were 33,601 million yen (up 8.8% year on year) and 898 million yen (up 62.5% year on year), respectively.

<Asia>

In China, automobile production volume increased from the previous year, but demand from major customers was sluggish, resulting in a year-on-year decline in net sales. In Thailand and Indonesia, net sales decreased from the previous year due to a decrease in the number of automobiles manufactured. In Malaysia, sales increased from the previous year due to an increase in sales volume resulting from a recovery in automobile production. Profit declined from the previous year due to the impact of lower sales in the automotive coatings sector.

As a result of those factors, the segment's net sales and segment income were 17,292 million yen (down 4.5% year on year) and 2,920 million yen (down 10.1% year on year), respectively.

<Africa>

In South Africa and neighboring countries, sales were on a par with the previous year, due in part to the impact of continued chronic power shortages and sluggish consumption caused by inflationary pressures. On the other hand, in the East Africa, sales in the mainstay decorative coatings sector were firm, despite the impact of unseasonable weather. Profit rose year on year due to cost reduction initiatives and other cost-cutting initiatives.

As a result of those factors, the segment's net sales and segment income were 10,226 million yen (up 3.0% year on year) and 796 million yen (up 14.9% year on year), respectively.

<Others>

In North America, the number of automobiles manufactured increased from the previous year, and net sales significantly increased from the previous year. Profit significantly exceeded the previous year's level, mainly due to an increase in sales and an increase in equity in earnings of affiliates.

As a result of those factors, the segment's net sales and segment income were 2,704 million yen (up 29.4% year on year) and 1,118 million yen (up 202.9% year on year), respectively.

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	76,587	90,595
Trade notes and accounts receivable, and contract assets	113,202	136,094
Securities	24,209	29,594
Finished goods	56,765	59,204
Work-in-process	8,917	9,669
Raw materials and supplies	38,641	43,130
Other	15,234	21,709
Allowance for doubtful receivables	(4,838)	(5,833)
Total current assets	328,720	384,166
Non-current assets		
Property, plant and equipment	158,961	178,123
Intangible assets		
Goodwill	34,051	38,442
Other	32,109	43,832
Total intangible assets	66,160	82,274
Investments and other assets		
Investment securities	70,937	70,949
Other	70,502	72,889
Allowance for doubtful receivables	(5,579)	(5,714)
Total investments and other assets	135,860	138,124
Total non-current assets	360,982	398,522
Total assets	689,703	782,689

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Trade notes and accounts payable	86,707	92,050
Short-term borrowings	9,653	11,957
Short-term bonds payable	—	49,995
Income and enterprise taxes payable	17,571	6,615
Provision for bonuses	5,854	3,713
Other	33,062	58,472
Total current liabilities	152,849	222,805
Non-current liabilities		
Convertible bonds with stock acquisition rights	100,592	100,562
Long-term debt	6,108	14,430
Net defined benefit liability	7,759	8,440
Other	42,145	48,272
Total non-current liabilities	156,605	171,706
Total liabilities	309,455	394,512
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	19,953	19,953
Retained earnings	234,131	242,309
Treasury stock, at cost	(2,128)	(19,648)
Total shareholders' equity	277,614	268,273
Accumulated other comprehensive income		
Net unrealized holding gains on securities	22,141	20,466
Deferred gains on derivatives under hedge accounting	3	4
Foreign currency translation adjustments	1,537	15,162
Remeasurements of defined benefit plans	8,659	8,424
Total accumulated other comprehensive income	32,341	44,057
Non-controlling interests	70,291	75,845
Total net assets	380,248	388,177
Total liabilities and net assets	689,703	782,689

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	136,436	145,397
Cost of sales	96,005	98,557
Gross profit	40,430	46,839
Selling, general and administrative expenses	28,325	31,725
Operating income	12,105	15,114
Non-operating income		
Interest income	136	339
Dividend income	923	351
Equity in earnings of unconsolidated subsidiaries and affiliates	1,507	2,011
Foreign currency exchange gain	3,002	2,832
Miscellaneous income	511	1,047
Total non-operating income	6,081	6,582
Non-operating expenses		
Interest expense	362	566
Loss on disposal of inventories	58	46
Loss on net monetary position	401	817
Miscellaneous expenses	398	343
Total non-operating expenses	1,221	1,773
Ordinary income	16,965	19,924
Extraordinary income		
Gain on sale of property, plant and equipment	11,300	75
Gain on sale of investment securities	31,007	123
Gain on sale of shares of subsidiaries and affiliates	41	—
Total extraordinary income	42,349	198
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	12	10
Write-down of securities and investment securities	7	0
Loss on liquidation of subsidiaries	22	—
Early extra retirement payments	8	4
Total extraordinary losses	50	15
Income before income taxes and non-controlling interests	59,264	20,107
Total income taxes	17,832	6,576
Net income	41,431	13,531
Net income attributable to non-controlling interests	3,822	1,657
Net income attributable to owners of the parent	37,609	11,873

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net income	41,431	13,531
Other comprehensive income		
Net unrealized holding losses on securities	(19,787)	(210)
Deferred gains (losses) on derivatives under hedge accounting	(4,326)	1
Foreign currency translation adjustments	5,718	13,120
Remeasurements of defined benefit plans	(147)	(235)
Shares in other comprehensive income of equity method affiliates	3,059	1,960
Total other comprehensive income	(15,483)	14,636
Comprehensive income	25,947	28,167
Comprehensive income attributable to:		
Owners of the parent	19,541	23,589
Non-controlling interests	6,405	4,578

Segment information

(1) Three months ended June 30, 2023 (April 1, 2023 - June 30, 2023)

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	38,841	36,569	30,891	18,115	9,928	134,347	2,089	136,436	—	136,436
(2) Intersegment sales and transfers	3,616	15	7	938	39	4,617	—	4,617	(4,617)	—
Total sales	42,458	36,585	30,899	19,053	9,967	138,964	2,089	141,053	(4,617)	136,436
Operating income	3,390	4,882	878	2,219	697	12,068	37	12,105	0	12,105
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	479	(3)	(325)	1,029	(4)	1,175	332	1,507	—	1,507
Segment income	3,869	4,879	552	3,248	693	13,244	369	13,613	0	13,613

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 represent the elimination of intersegment transactions.
- *3 Segment income is adjusted to reflect operating income recorded in the Consolidated Statements of Income which is adjusted by equity in earnings (losses) of unconsolidated subsidiaries and affiliates.
- *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.

(2) Three months ended June 30, 2024 (April 1, 2024 - June 30, 2024)

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	41,296	40,277	33,601	17,292	10,226	142,693	2,704	145,397	—	145,397
(2) Intersegment sales and transfers	3,224	37	9	717	42	4,032	—	4,032	(4,032)	—
Total sales	44,521	40,315	33,610	18,010	10,268	146,726	2,704	149,430	(4,032)	145,397
Operating income	5,537	5,457	904	1,904	758	14,563	553	15,116	(1)	15,114
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	437	(38)	(6)	1,016	37	1,445	565	2,011	—	2,011
Segment income	5,975	5,418	898	2,920	796	16,009	1,118	17,127	(1)	17,125

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 represent the elimination of intersegment transactions.
- *3 Segment income is adjusted to reflect operating income recorded in the Consolidated Statements of Income which is adjusted by equity in earnings (losses) of unconsolidated subsidiaries and affiliates.
- *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.