

Consolidated Financial Results [Japanese GAAP]
for the Second Quarter of the Fiscal Year Ending March 31, 2020
(April 1, 2019 — September 30, 2019)



November 8, 2019

Company name: Kansai Paint Co., Ltd.
 Stock listing: Tokyo Stock Exchange
 Code number: 4613
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 Scheduled date of the filing of Securities Report: November 11, 2019
 Scheduled date of dividend payment: December 2, 2019
 Supplemental information: Yes
 Financial results briefing: Yes

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the Second Quarter Fiscal Year Ending March 31, 2020 (April 1, 2019 — September 30, 2019)

(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, 2019	208,568	(3.2)	17,443	7.2	18,790	(2.0)	9,801	(15.7)
Six months ended September 30, 2018	215,516	12.3	16,276	(18.5)	19,174	(15.2)	11,631	(8.4)

(Note) Comprehensive income:

Six months ended September 30, 2019: 6,967 million yen — %
 Six months ended September 30, 2018: (2,712) million yen — %

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2019	38.12	34.34
Six months ended September 30, 2018	45.22	39.20

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	554,061	321,530	49.1
As of March 31, 2019	584,135	320,661	46.2

(Reference) Shareholders' equity: As of September 30, 2019: 271,928 million yen
 As of March 31, 2019: 270,016 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, 2019	—	16.00	—	14.00	30.00
Fiscal Year ending March 31, 2020	—	15.00	—	—	—
Fiscal Year ending March 31, 2020 (Forecast)	—	—	—	15.00	30.00

(Notes)

*1 Revisions to the latest dividend forecast announced : No

*2 Detail of 2nd quarter dividend of Fiscal Year ended March 31, 2019: Ordinary 14.00 yen, Commemorative 2.00 yen

3. Consolidated financial forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 — March 31, 2020)

(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	440,000	2.9	36,500	13.0	41,500	19.1	22,500	29.3	87.51

(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, 2019:	272,623,270 shares
As of March 31, 2019:	272,623,270 shares
2. Number of shares of treasury stock at period-end:	
As of September 30, 2019:	15,537,090 shares
As of March 31, 2019:	15,480,336 shares
3. Average number of shares during the period:	
Six months ended September 30, 2019:	257,125,434 shares
Six months ended September 30, 2018:	257,220,673 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 first six-month period under review, the global economy continued to face heightened geopolitical risks and uncertainties concerning political, policy, and trade developments in different countries. Under such circumstances, while Europe, China and emerging countries in Asia faced weaker economies, the global economy as a whole continued to enjoy moderate recovery with robust personal consumption and capital expenditure in the United States. The Japanese economy, which had been weak mainly in exports, continued to experience a moderate recovery supported by improvements in employment and income environments.

The Group's net sales for the first six-month period under review were 208,568 million yen (down 3.2% year on year), in contrast to operating income which recorded 17,443 million yen (up 7.2% year on year) reflecting a decline in raw material prices and a decrease in selling, general and administrative expenses. Ordinary income ended at 18,790 million yen (down 2.0% year on year) due to a decrease in equity in earnings of affiliates in China and Europe. Net income attributable to owners of the parent ended at 9,801 million yen (down 15.7% year on year) due to a decrease in gains on the sale of investment securities and gains on the sale of shares of affiliates compared with the last year.

Segment overviews are as follows.

<Japan>

In the new car area of the automotive coatings sector, a year on year increase in car production was observed and sales slightly increased year on year reflecting the growth of sales in the domestic market despite decreased exports. Sales in the industrial coatings sector increased year on year as sales of paints for automotive components and paints for industrial machinery showed robust growth. Sales in the decorative coatings and protective coatings sectors increased year on year reflecting a robust growth of the market. Sales in the marine sector decreased year on year despite a recovery mainly in sales of paints for ship repair. In the automotive coatings sector (for refinishing), sales decreased year on year in a weak market despite our intensive efforts to expand sales of high-value-added products.

As a result of those factors, net sales and ordinary income in the segment were 78,854 million yen (up 1.2% year on year) and 9,595 million yen (up 10.3% year on year).

<India>

In the automotive coatings sector, sales fell year on year as car production continued to decrease. Net sales of the segment remained at almost the same level as the last year on the back of our sales promotion driven by continued demand growth in the decorative coatings sector. Profits also grew owing to stable raw material prices. However, the translated result in Japanese yen was negatively affected by currency conversion.

As a result of those factors, net sales and ordinary income in the segment were 45,049 million yen (up 0.0% year on year) and 6,323 million yen (down 1.4% year on year).

<Asia>

In China, sales in the automotive coatings sector decreased year on year reflecting negative effects from currency conversion despite an expanded demand from major customers while a decrease in car production year on year. In the industrial coatings sector, sales decreased year on year in paints for construction machinery due to weaker demand from major customers. As a result, net sales decreased year on year in China as a whole. In Indonesia, amid the strong sense of decelerated economy, sales in the automotive coatings sector decreased year on year, reflecting a decline in car production compared with the last

year. In Thailand, sales grew year on year following a recovery in car production.

As a result of those factors, net sales of the segment were 29,587 million yen (down 6.3% year on year). Ordinary income ended at 2,420 million yen (down 28.6% year on year) reflecting a decrease in equity in earnings of affiliates in China and other factors despite a fall in the raw material prices and decreases in selling, general and administrative expenses.

<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 17,127 million yen (down 12.6% year on year) while ordinary loss including the amortization of goodwill ended at 1,696 million yen.

<Europe>

In Turkey, while sales in the local currency increased, profitability was negatively affected by the rise of raw material prices due to the weaker local currency. Equity in earnings of affiliates decreased due to sluggish demand in the decorative coatings sector on the back of weaker domestic economy. In other European countries, sales in local currencies increased mainly in the industrial coatings sector which enjoyed strong growth. However, the translated result in Japanese yen was negatively affected by currency conversion.

As a result of those factors, net sales of the segment were 34,812 million yen (down 9.5% year on year) while ordinary income including the amortization of goodwill ended at 1,548 million yen (down 37.3% year on year).

<Others>

Sales grew in North America, owing to efforts to expand sales of paints for automotive components in the industrial coatings sector. Equity in earnings of affiliates also increased.

As a result of those factors, net sales of the segment were 3,137 million yen (up 5.7% year on year) while ordinary income ended at 599 million yen (up 50.5% year on year).

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	74,614	52,733
Trade notes and accounts receivables	112,486	109,171
Securities	3,148	2,360
Finished goods	37,549	35,667
Work-in-process	5,569	6,212
Raw materials and supplies	26,121	25,528
Other	9,758	14,501
Allowance for doubtful receivables	(3,076)	(3,104)
Total current assets	266,172	243,071
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	55,100	58,172
Other, net	72,344	70,893
Total property, plant and equipment	127,444	129,066
Intangible assets		
Goodwill	39,782	36,288
Other	27,544	25,649
Total intangible assets	67,327	61,938
Investments and other assets		
Investment securities	84,032	84,205
Other	46,763	43,571
Allowance for doubtful receivables	(7,604)	(7,791)
Total investments and other assets	123,190	119,985
Total non-current assets	317,963	310,989
Total assets	584,135	554,061

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Trade notes and accounts payables	71,140	61,729
Short-term borrowings	12,135	22,916
Current portion of convertible bonds with stock acquisition rights	40,126	-
Income and enterprise taxes payable	4,219	3,965
Provision for bonuses	4,864	5,048
Provision for loss on guarantees	2,219	2,158
Other	23,103	27,298
Total current liabilities	157,810	123,116
Non-current liabilities		
Convertible bonds with stock acquisition rights	60,160	60,135
Long-term debt	8,434	10,889
Net defined benefit liability	8,607	8,839
Other	28,461	29,549
Total non-current liabilities	105,664	109,414
Total liabilities	263,474	232,531
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	22,342	22,342
Retained earnings	237,721	243,907
Treasury stock, at cost	(25,537)	(25,645)
Total shareholders' equity	260,185	266,263
Accumulated other comprehensive income		
Net unrealized holding gains on securities	29,876	30,377
Deferred gains on derivatives under hedge accounting	622	1,617
Foreign currency translation adjustments	(21,439)	(27,186)
Remeasurements of defined benefit plans	770	855
Total accumulated other comprehensive income	9,831	5,664
Non-controlling interests	50,644	49,601
Total net assets	320,661	321,530
Total liabilities and net assets	584,135	554,061

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	215,516	208,568
Cost of sales	148,132	142,127
Gross profit	67,384	66,441
Selling, general and administrative expenses	51,107	48,997
Operating income	16,276	17,443
Non-operating income		
Interest income	686	396
Dividend income	907	911
Equity in earnings of unconsolidated subsidiaries and affiliates	3,047	1,546
Foreign currency exchange gain	68	-
Miscellaneous income	531	620
Total non-operating income	5,241	3,475
Non-operating expenses		
Interest expense	931	916
Loss on disposal of inventories	166	102
Provision of allowance for doubtful receivables	846	-
Foreign currency exchange loss	-	543
Miscellaneous expenses	399	566
Total non-operating expenses	2,343	2,128
Ordinary income	19,174	18,790
Extraordinary income		
Gain on sale of property, plant and equipment	13	27
Gain on sale of investment securities	705	79
Gain on sale of shares of subsidiaries and affiliates	855	-
Gain on liquidation of subsidiaries	31	-
Total extraordinary income	1,606	107
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	146	606
Write-down of securities and investment securities	4	-
Loss on disaster	129	12
Total extraordinary losses	280	619
Income before income taxes and non-controlling interests	20,500	18,278
Total income taxes	6,880	5,891
Net income	13,619	12,387
Net income attributable to non-controlling interests	1,987	2,585
Net income attributable to owners of the parent	11,631	9,801

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net income	13,619	12,387
Other comprehensive income		
Net unrealized holding gains on securities	2,030	315
Deferred gains (losses) on derivatives under hedge accounting	(2,669)	994
Foreign currency translation adjustments	(12,086)	(5,573)
Remeasurements of defined benefit plans	(88)	85
Shares in other comprehensive income of equity method affiliates	(3,518)	(1,242)
Total other comprehensive income	(16,331)	(5,419)
Comprehensive income	(2,712)	6,967
Comprehensive income attributable to:		
Owners of the parent	(2,008)	5,634
Non-controlling interests	(703)	1,332

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Income before income taxes and non-controlling interests	20,500	18,278
Depreciation and amortization	6,917	7,205
Amortization of goodwill	2,453	2,289
Increase in allowance for doubtful receivables	1,283	308
Increase (decrease) in net defined benefit liability	(166)	82
Interest and dividend income	(1,594)	(1,308)
Interest expense	931	916
Equity in earnings of unconsolidated subsidiaries and affiliates	(3,047)	(1,546)
Gain on sale of investment securities	(705)	(79)
Write-down of investment securities	4	-
Gain on sale of shares of subsidiaries and affiliates	(855)	-
Loss on sale or disposal of property, plant and equipment, net	132	578
Decrease (increase) in trade notes and accounts receivables	(7,927)	1,568
Decrease (increase) in inventories	(7,886)	179
Increase (decrease) in trade notes and accounts payables	2,357	(8,557)
Other, net	5,221	71
Subtotal	17,620	19,988
Interest and dividends received	4,025	2,444
Interest paid	(886)	(863)
Income taxes paid	(7,456)	(7,046)
Net cash provided by operating activities	13,302	14,522
Cash flows from investing activities		
Payments into time deposits	(128)	(911)
Proceeds from withdrawal of time deposits	167	894
Net decrease in securities	4,596	835
Purchase of property, plant and equipment	(8,747)	(5,818)
Proceeds from sale of property, plant and equipment	987	221
Purchase of intangible assets	(437)	(200)
Purchase of investment securities	(197)	(13)
Proceeds from sale of investment securities	756	22
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,122)	(1,247)
Payments for investments in capital	(0)	-
Payments of loans receivable	(622)	(158)
Collection of loans receivable	51	160
Payments for derivative settlement, net	(333)	(31)
Other, net	(94)	246
Net cash used in investing activities	(5,124)	(6,001)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(13,461)	11,339
Proceeds from long-term debt	1,560	5,134
Repayments of long-term debt	(202)	(440)
Redemption of convertible bonds with stock acquisition rights	-	(40,000)
Purchase of treasury stock	(4)	(150)
Cash dividends paid	(3,485)	(3,614)
Cash dividends paid to non-controlling interests	(1,356)	(1,712)
Other, net	(35)	(190)
Net cash used in financing activities	(16,986)	(29,635)
Effect of exchange rate changes on cash and cash equivalents	(1,523)	(858)
Decrease in cash and cash equivalents	(10,331)	(21,971)
Cash and cash equivalents at beginning of period	61,171	70,207
Cash and cash equivalents at end of period	50,840	48,235

Segment information

(1) Six months ended September 30, 2018 (April 1, 2018 - September 30, 2018)

Information about sales, profit and loss by reportable segment

(Millions of yen)

	Reportable segments						Other *1	Total	Adjustment *2	Consolidated *3
	Japan	India	Asia	Africa	Europe	Total				
Net sales										
(1) Sales to customers	77,885	45,044	31,560	19,597	38,459	212,547	2,969	215,516	-	215,516
(2) Intersegment sales and transfers	7,655	27	1,780	176	32	9,672	0	9,672	(9,672)	-
Total sales	85,540	45,072	33,341	19,773	38,491	222,219	2,969	225,189	(9,672)	215,516
Segment income (loss)	8,699	6,412	3,388	(2,192)	2,469	18,776	398	19,174	-	19,174

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 and other locations.
 Asia: Thailand, China, Indonesia and other locations.
 Africa: South Africa, Zimbabwe, Uganda and other locations.
 Europe: Slovenia, Turkey, Austria, Luxembourg and other locations.

(2) Six months ended September 30, 2019 (April 1, 2019 - September 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	Asia	Africa	Europe	Total				
Net sales										
(1) Sales to customers	78,854	45,049	29,587	17,127	34,812	205,430	3,137	208,568	-	208,568
(2) Intersegment sales and transfers	6,585	31	1,412	129	32	8,191	-	8,191	(8,191)	-
Total sales	85,439	45,080	30,999	17,257	34,845	213,622	3,137	216,759	(8,191)	208,568
Segment income (loss)	9,595	6,323	2,420	(1,696)	1,548	18,191	599	18,790	-	18,790

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.
 Asia: Thailand, China, Indonesia and other locations.
 Africa: South Africa, Zimbabwe, Uganda and other locations.
 Europe: Slovenia, Turkey, Austria, Luxembourg and other locations.