

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



November 9, 2020

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
 Contact: TAKAHARA Shigeki, Managing Executive Officer, Head of Corporate Planning & Finance Division
 Telephone: +81-6-6203-5531
 Scheduled date of the filing of Securities Report: November 10, 2020
 Scheduled date of dividend payment: December 2, 2020
 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, 2021 (April 1, 2020 — September 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	%
Six months ended September 30, 2020	162,494	(22.1)	9,233	(47.1)	9,948	(47.1)	4,281	(56.3)
Six months ended September 30, 2019	208,568	(3.2)	17,443	7.2	18,790	(2.0)	9,801	(15.7)

(Note) Comprehensive income:

Six months ended September 30, 2020: (714) million yen — %
 Six months ended September 30, 2019: 6,967 million yen — %

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2020	16.66	15.46
Six months ended September 30, 2019	38.12	34.34

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	562,045	312,607	46.9
As of March 31, 2020	544,123	320,697	49.4

(Reference) Shareholders' equity: As of September 30, 2020: 263,874 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	—	15.00	—	—	—
Fiscal Year ending March 31, 2021 (Forecast)	—	—	—	15.00	30.00

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

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: 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: 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 September 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 September 30, 2020: 15,578,657 shares

As of March 31, 2020: 15,567,211 shares

3. Average number of shares during the period:

Six months ended September 30, 2020: 257,054,181 shares

Six months ended September 30, 2019: 257,125,434 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, 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 such circumstances, the Chinese economy recovered quickly from the spread of the COVID-19, showing signs of recovery. The United States, Europe, other Asian emerging countries and Africa continued to face severe economic conditions due to stagnant economic activities from April to June. The Japanese economy saw signs of recovery in personal consumption and production, it remained in a difficult condition due to voluntary restraint of economic activities and the deterioration of overseas economies caused by the spread of COVID-19.

The Group's net sales for the first six-month period under review were 162,494 million yen (down 22.1% year on year). Due to a significant decrease in net sales, operating income was 9,233 million yen (down 47.1% year on year), Ordinary income ended at 9,948 million yen (down 47.1% year on year), and Net income attributable to owners of parent ended at 4,281 million yen (down 56.3% year on year)

Segment overviews are as follows.

<Japan>

In the new car area of the automotive coatings sector, sales decreased year on year, although signs of recovery in automobile production were observed. Sales in the industrial coatings sector decreased 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 DIY paints. Sales in the marine sector posted a year on year decrease due to the impact of postponement of ship repair works. 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 67,080 million yen (down 14.9% year on year) and 5,404 million yen (down 43.7% 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 from April to June. In the decorative coatings sector, sales have been recovering mainly in suburban Market. However, 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 29,072 million yen (down 35.5% year on year) and 3,904 million yen (down 38.3% year on year).

<Europe>

In the industrial coatings and automotive coatings sectors recorded a year on year decrease in sales due to the impact of lockdowns associated with the spread of COVID-19. Although increased sales year on year in the decorative coatings sector supported by robust demand, Sales in Europe as a whole decreased year on year. Under these circumstances, profits increased, reflecting stable raw material prices, cost reduction efforts and various support by governments.

As a result of those factors, net sales of the segment were 30,826 million yen (down 11.5 % year on year) while ordinary income including the amortization of goodwill ended at 1,678 million yen (up 8.4 % year on year).

<Asia>

In China, sales in the automotive coatings sector decreased year on year although signs of recovery in automobile production were observed since April. In the industrial coatings sector, sales of paints for construction machinery recorded a year on year decrease due to weaker demand from major customers. As a result, net sales decreased year on year in China as a whole. In Indonesia, Thailand and Malaysia, automobile production decreased year on year due to the spread of COVID-19, resulting in a year on year decrease in net sales.

As a result of those factors, net sales of the segment were 21,884 million yen (down 26.0% year on year). Ordinary income ended at 813 million yen (down 66.4% year on year)

<Africa>

Amid the sluggish economy in South Africa and neighboring countries, net sales significantly decreased year on year additionally due to an economic stagnation caused by the implementation of lockdowns associated with the spread of COVID-19. Despite the decline in raw material prices and our efforts to reduce costs, profits were negatively affected due to the significant decrease in net sales.

As a result of those factors, net sales of the segment were 11,546 million yen (down 32.6% year on year) while ordinary loss including the amortization of goodwill ended at 1,992 million yen.

<Others>

In North America, sales in the industrial coatings sector fell year on year due to stagnant economic activity affected by the spread of COVID-19.

As a result of those factors, net sales of the segment were 2,084 million yen (down 33.6% year on year) while ordinary income ended at 140 million yen (down 76.5% year on year).

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	58,618	99,143
Trade notes and accounts receivables	101,512	96,302
Securities	4,705	3,954
Finished goods	35,095	32,617
Work-in-process	5,696	5,332
Raw materials and supplies	23,530	23,722
Other	14,932	8,361
Allowance for doubtful receivables	(3,152)	(3,590)
Total current assets	240,938	265,843
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,222	56,057
Other, net	71,197	68,606
Total property, plant and equipment	129,419	124,664
Intangible assets		
Goodwill	33,551	30,969
Other	24,855	22,694
Total intangible assets	58,406	53,664
Investments and other assets		
Investment securities	76,183	81,128
Other	43,816	41,342
Allowance for doubtful receivables	(4,641)	(4,597)
Total investments and other assets	115,358	117,873
Total non-current assets	303,185	296,201
Total assets	544,123	562,045

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Trade notes and accounts payables	58,694	51,045
Short-term borrowings	18,467	9,600
Current portion of long-term debt	2,070	47,670
Income and enterprise taxes payable	2,242	3,761
Provision for bonuses	5,431	5,323
Other	25,207	27,698
Total current liabilities	112,113	145,100
Non-current liabilities		
Convertible bonds with stock acquisition rights	60,110	60,085
Long-term debt	12,354	6,306
Net defined benefit liability	9,497	9,587
Other	29,350	28,356
Total non-current liabilities	111,313	104,336
Total liabilities	223,426	249,437
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	22,438	21,107
Retained earnings	248,511	248,780
Treasury stock, at cost	(25,711)	(25,747)
Total shareholders' equity	270,897	269,799
Accumulated other comprehensive income		
Net unrealized holding gains on securities	23,322	27,917
Deferred gains (losses) on derivatives under hedge accounting	1,224	(952)
Foreign currency translation adjustments	(25,936)	(32,448)
Remeasurements of defined benefit plans	(631)	(441)
Total accumulated other comprehensive income	(2,020)	(5,925)
Non-controlling interests	51,819	48,732
Total net assets	320,697	312,607
Total liabilities and net assets	544,123	562,045

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	208,568	162,494
Cost of sales	142,127	110,002
Gross profit	66,441	52,491
Selling, general and administrative expenses	48,997	43,258
Operating income	17,443	9,233
Non-operating income		
Interest income	396	306
Dividend income	911	872
Equity in earnings of unconsolidated subsidiaries and affiliates	1,546	1,790
Miscellaneous income	620	714
Total non-operating income	3,475	3,684
Non-operating expenses		
Interest expense	916	780
Loss on disposal of inventories	102	137
Provision of allowance for doubtful receivables	-	692
Foreign currency exchange loss	543	678
Miscellaneous expenses	566	679
Total non-operating expenses	2,128	2,968
Ordinary income	18,790	9,948
Extraordinary income		
Gain on sale of property, plant and equipment	27	19
Gain on sale of investment securities	79	12
Gain on sale of shares of subsidiaries and affiliates	-	374
Gain on sales of investments in capital of subsidiaries and affiliates	-	1,634
Total extraordinary income	107	2,041
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	606	44
Loss on disaster	12	1,355
Total extraordinary losses	619	1,400
Income before income taxes and non-controlling interests	18,278	10,589
Total income taxes	5,891	5,634
Net income	12,387	4,955
Net income attributable to non-controlling interests	2,585	674
Net income attributable to owners of the parent	9,801	4,281

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income	12,387	4,955
Other comprehensive income		
Net unrealized holding gains on securities	315	3,390
Deferred gains (losses) on derivatives under hedge accounting	994	(2,178)
Foreign currency translation adjustments	(5,573)	(6,535)
Remeasurements of defined benefit plans	85	189
Shares in other comprehensive income of equity method affiliates	(1,242)	(536)
Total other comprehensive income	(5,419)	(5,670)
Comprehensive income	6,967	(714)
Comprehensive income attributable to:		
Owners of the parent	5,634	376
Non-controlling interests	1,332	(1,091)

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Income before income taxes and non-controlling interests	18,278	10,589
Depreciation and amortization	7,205	7,006
Amortization of goodwill	2,289	1,705
Increase in allowance for doubtful receivables	308	289
Increase in net defined benefit liability	82	172
Interest and dividend income	(1,308)	(1,179)
Interest expense	916	780
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,546)	(1,790)
Gain on sale of investment securities	(79)	(12)
Gain on sale of shares of subsidiaries and affiliates	-	(374)
Gain on sales of investments in capital of subsidiaries and affiliates	-	(1,634)
Loss on sale or disposal of property, plant and equipment, net	578	25
Decrease in trade notes and accounts receivables	1,568	2,988
Decrease in inventories	179	134
Decrease in trade notes and accounts payables	(8,557)	(6,165)
Other, net	71	2,838
Subtotal	19,988	15,373
Interest and dividends received	2,444	3,056
Interest paid	(863)	(780)
Income taxes paid	(7,046)	(3,710)
Net cash provided by operating activities	14,522	13,938
Cash flows from investing activities		
Payments into time deposits	(911)	(1,614)
Proceeds from withdrawal of time deposits	894	1,795
Net decrease in securities	835	790
Purchase of property, plant and equipment	(5,818)	(4,393)
Proceeds from sale of property, plant and equipment	221	62
Purchase of intangible assets	(200)	(356)
Purchase of investment securities	(13)	(14)
Proceeds from sale of investment securities	22	0
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,247)	-
Payments of loans receivable	(158)	(36)
Collection of loans receivable	160	1,025
Payments for derivative settlement, net	(31)	3,034
Other, net	246	963
Net cash provided by (used in) investing activities	(6,001)	1,256
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	11,339	(8,057)
Proceeds from long-term debt	5,134	43,103
Repayments of long-term debt	(440)	(1,906)
Redemption of convertible bonds with stock acquisition rights	(40,000)	-
Purchase of treasury stock	(150)	(6)
Cash dividends paid	(3,614)	(3,873)
Cash dividends paid to non-controlling interests	(1,712)	(1,760)
Other, net	(190)	(504)
Net cash provided by (used in) financing activities	(29,635)	26,993
Effect of exchange rate changes on cash and cash equivalents	(858)	(1,169)
Increase (decrease) in cash and cash equivalents	(21,971)	41,019
Cash and cash equivalents at beginning of period	70,207	50,594
Cash and cash equivalents at end of period	48,235	91,613

Segment information

(1) 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	Europe	Asia	Africa	Total				
Net sales										
(1) Sales to customers	78,854	45,049	34,812	29,587	17,127	205,430	3,137	208,568	-	208,568
(2) Intersegment sales and transfers	6,585	31	32	1,412	129	8,191	-	8,191	(8,191)	-
Total sales	85,439	45,080	34,845	30,999	17,257	213,622	3,137	216,759	(8,191)	208,568
Segment income (loss)	9,595	6,323	1,548	2,420	(1,696)	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.
 Europe: Slovenia, Turkey, Austria, Luxembourg and other locations.
 Asia: Thailand, China, Indonesia and other locations.
 Africa: South Africa, Zimbabwe, Uganda and other locations.

(2) Six months ended September 30, 2020 (April 1, 2020 - September 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	67,080	29,072	30,826	21,884	11,546	160,410	2,084	162,494	-	162,494
(2) Intersegment sales and transfers	4,473	16	49	1,074	60	5,675	-	5,675	(5,675)	-
Total sales	71,554	29,089	30,876	22,958	11,607	166,085	2,084	168,169	(5,675)	162,494
Segment income (loss)	5,404	3,904	1,678	813	(1,992)	9,807	140	9,948	-	9,948

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.