

Consolidated Financial Results [Japanese GAAP]

for the First Quarter of the Fiscal Year Ending March 31, 2022 (April 1, 2021 — June 30, 2021)



August 6, 2021

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 10, 2021
 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, 2022 (April 1, 2021 — June 30, 2021)

(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, 2021	97,767	25.2	8,730	126.7	11,611	123.2	5,346	148.6
Three months ended June 30, 2020	78,088	(25.2)	3,851	(53.0)	5,202	(45.2)	2,150	(48.3)

(Note) Comprehensive income:

Three months ended June 30, 2021: 15,260 million yen — %
 Three months ended June 30, 2020: (5,152) million yen — %

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2021	20.80	19.35
Three months ended June 30, 2020	8.37	7.76

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	615,244	346,439	48.0
As of March 31, 2021	606,580	338,859	47.3

(Reference) Shareholders' equity: As of June 30, 2021: 295,353 million yen
 As of March 31, 2021: 286,799 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, 2021	—	15.00	—	15.00	30.00
Fiscal Year ending March 31, 2022	—				
Fiscal Year ending March 31, 2022 (Forecast)		15.00	—	15.00	30.00

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

3. Consolidated financial forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 — March 31, 2022)

(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	400,000	9.7	38,000	21.7	44,000	22.6	26,000	29.8	101.17

(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 June 30, 2021:	272,623,270 shares
As of March 31, 2021:	272,623,270 shares
2. Number of shares of treasury stock at period-end:	
As of June 30, 2021:	15,624,301 shares
As of March 31, 2021:	15,603,530 shares
3. Average number of shares during the period:	
Three months ended June 30, 2021:	257,009,285 shares
Three months ended June 30, 2020:	257,055,939 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, the world economy continued to observe signs of recovery amid severe economic conditions due to the impact of the COVID-19 pandemic. Under these circumstances, the economy recovered slowly in China. While the United States, Europe, and emerging countries in Asia and Africa continued to face severe economic conditions, signs of recovery were observed or the economy bottomed out in most of those countries. In Japan, while the economy saw signs of recovery in capital expenditure and production, it remained in severe condition mainly in personal consumption due to restrictions on economic activities as a result of the spread of COVID-19.

The Group's net sales for the period under review were 97,767 million yen (up 25.2% year on year). Due to a significant increase in net sales, operating income was 8,730 million yen (up 126.7% year on year), ordinary income was 11,611 million yen (up 123.2% year on year), and net income attributable to owners of the parent was 5,346 million yen (up 148.6% year on year).

Segment overviews are as follows.

<Japan>

In the automotive coatings sector, sales in the new car area and paints for automotive components grew, reflecting a year on year increase in car production. Sales in the industrial coatings sector recorded a year on year increase due to robust sales in paints for industrial machinery and others. Sales in the decorative coatings sector decreased year on year due to a decline in demand for DIY paints. The marine sector saw a year on year increase in sales, reflecting robust sales in paints for ship repair works. In the automotive coatings (for refinishing) and the protective coatings sectors, sales increased year on year due to a recovery of the domestic market.

As a result of those factors, net sales and ordinary income in the segment were 34,370 million yen (up 10.3% year on year) and 4,073 million yen (up 60.1% year on year), respectively.

<India>

The automotive coatings and decorative coatings sectors faced the impact of the stagnant economy amid the second wave of the spread of COVID-19. However, compared with the previous year, in which the economy was under the serious impact of lockdowns to prevent the spread of COVID-19 imposed at the beginning of the year, sales in the period under review increased significantly, and sales of these sectors also increased remarkably on a year on year basis.

As a result, net sales and ordinary income in the segment were 21,137 million yen (up 130.8% year on year) and 2,232 million yen (up 275.0% year on year), respectively.

<Europe>

In Turkey, sales in the automotive coatings sector fell year on year due to a decrease in car production, whereas sales in the industrial coatings sector recorded a year on year increase on the back of robust demand. Also in other European countries, mainly the industrial coatings and the decorative coatings sectors saw a year on year increase in sales due to strong demand, resulting in year on year growth in net sales in Europe as a whole. Profits increased significantly due partly to growth in equity in earnings of affiliates in addition to the increase in sales.

As a result of those factors, net sales and ordinary income in the segment were 18,076 million yen (up 12.4% year on year) and 1,560 million yen (up 197.4% year on year), respectively.

<Asia>

In China, sales in the automotive coatings sector increased year on year, reflecting a recovery of car production. Sales in the industrial coatings sector increased year on year on the back of robust sales in paints for industrial machinery. As a result of those factors, sales in China as a whole recorded a year on year increase. In Indonesia, sales fell year on year due to a decrease in car production compared with the previous year. In Thailand and Malaysia, sales recorded a year-on-year increase on the back of a recovery of car production.

As a result of those factors, net sales and ordinary income in the segment were 14,998 million yen (up 16.8% year on year) and 2,705 million yen (up 120.8% year on year), respectively.

<Africa>

While South Africa and neighboring countries continued to face a sluggish economy due to the spread of COVID-19, the decorative coatings sector succeeded in absorbing demand, which led to growth of sales in the South African region. In the East African region, sales grew in the decorative coatings sector by absorbing strong demand, resulting in year on year sales growth in Africa as a whole. Furthermore, profitability improved due to our efforts to liquidate unprofitable businesses and reduce fixed costs since the previous fiscal year.

As a result of those factors, net sales and ordinary income in the segment were 7,686 million yen (up 3.6% year on year) and 262 million yen, respectively.

<Others>

In North America, sales recorded year on year growth due to our efforts to expand sales of paints for automotive components.

As a result, net sales and ordinary income in the segment were 1,497 million yen (up 3.9% year on year) and 777 million yen (up 116.0% year on year), respectively.

Please note that paints for automotive components categorized in the industrial coatings sector up to the previous fiscal year have been included in the automotive coatings sector from the current fiscal year.

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	114,292	107,540
Trade notes and accounts receivable	105,129	107,157
Securities	10,154	5,816
Finished goods	35,782	37,828
Work-in-process	5,538	6,171
Raw materials and supplies	24,346	28,928
Other	8,498	12,521
Allowance for doubtful receivables	(3,269)	(3,761)
Total current assets	300,471	302,202
Non-current assets		
Total property, plant and equipment	127,220	129,641
Intangible assets		
Goodwill	29,882	29,968
Other	21,452	21,644
Total intangible assets	51,335	51,612
Investments and other assets		
Investment securities	86,942	90,542
Other	45,213	45,702
Allowance for doubtful receivables	(4,602)	(4,457)
Total investments and other assets	127,552	131,787
Total non-current assets	306,108	313,041
Total assets	606,580	615,244

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Trade notes and accounts payable	63,808	64,394
Short-term borrowings	6,013	7,869
Current portion of long-term debt	46,643	43,029
Current portion of convertible bonds with stock acquisition rights	-	60,048
Income and enterprise taxes payable	7,471	4,659
Provision for bonuses	4,749	2,859
Other	27,670	33,868
Total current liabilities	156,357	216,728
Non-current liabilities		
Convertible bonds with stock acquisition rights	60,060	-
Long-term debt	7,751	6,674
Net defined benefit liability	8,598	8,738
Other	34,952	36,663
Total non-current liabilities	111,363	52,075
Total liabilities	267,720	268,804
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	21,081	21,081
Retained earnings	260,799	262,146
Treasury stock, at cost	(25,844)	(25,902)
Total shareholders' equity	281,695	282,984
Accumulated other comprehensive income		
Net unrealized holding gains on securities	33,400	36,546
Deferred losses on derivatives under hedge accounting	(1,003)	(558)
Foreign currency translation adjustments	(31,130)	(27,384)
Remeasurements of defined benefit plans	3,838	3,765
Total accumulated other comprehensive income	5,104	12,368
Non-controlling interests	52,059	51,086
Total net assets	338,859	346,439
Total liabilities and net assets	606,580	615,244

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	78,088	97,767
Cost of sales	52,736	66,102
Gross profit	25,351	31,665
Selling, general and administrative expenses	21,499	22,934
Operating income	3,851	8,730
Non-operating income		
Interest income	141	116
Dividend income	833	777
Equity in earnings of unconsolidated subsidiaries and affiliates	776	1,760
Foreign currency exchange gain	-	142
Miscellaneous income	386	740
Total non-operating income	2,138	3,537
Non-operating expenses		
Interest expense	394	363
Loss on disposal of inventories	61	134
Foreign currency exchange loss	170	-
Miscellaneous expenses	161	157
Total non-operating expenses	788	655
Ordinary income	5,202	11,611
Extraordinary income		
Gain on sale of property, plant and equipment	9	30
Gain on sale of investment securities	5	365
Gain on liquidation of subsidiaries	-	13
Insurance claim income	-	298
Total extraordinary income	15	708
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	6	34
Early extra retirement payments	-	17
Total extraordinary losses	6	52
Income before income taxes and non-controlling interests	5,211	12,267
Total income taxes	2,287	5,128
Net income	2,924	7,139
Net income attributable to non-controlling interests	774	1,793
Net income attributable to owners of the parent	2,150	5,346

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net income	2,924	7,139
Other comprehensive income		
Net unrealized holding gains on securities	2,787	2,385
Deferred gains (losses) on derivatives under hedge accounting	(1,998)	385
Foreign currency translation adjustments	(8,306)	3,364
Remeasurements of defined benefit plans	109	(73)
Shares in other comprehensive income of equity method affiliates	(669)	2,057
Total other comprehensive income	(8,077)	8,120
Comprehensive income	(5,152)	15,260
Comprehensive income attributable to:		
Owners of the parent	(3,295)	12,610
Non-controlling interests	(1,857)	2,649

Segment information

(1) 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.

(2) Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)

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	34,370	21,137	18,076	14,998	7,686	96,269	1,497	97,767	-	97,767
(2) Intersegment sales and transfers	2,710	22	55	719	84	3,592	-	3,592	(3,592)	-
Total sales	37,080	21,160	18,131	15,717	7,770	99,861	1,497	101,359	(3,592)	97,767
Segment income	4,073	2,232	1,560	2,705	262	10,834	777	11,611	-	11,611

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, segment assets and other items represent the elimination of intersegment transactions.
- *3 Segment income 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.