

Consolidated Financial Results [Japanese GAAP]
for the Second Quarter of the Fiscal Year Ending March 31, 2022
(April 1, 2021 — September 30, 2021)



November 9, 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: November 10, 2021
 Scheduled date of dividend payment: December 2, 2021
 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, 2022 (April 1, 2021 — September 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	%
Six months ended September 30, 2021	203,301	25.1	16,833	82.3	20,781	108.9	11,487	168.3
Six months ended September 30, 2020	162,494	(22.1)	9,233	(47.1)	9,948	(47.1)	4,281	(56.3)

(Note) Comprehensive income:

Six months ended September 30, 2021: 26,665 million yen — %
 Six months ended September 30, 2020: (714) million yen — %

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2021	44.70	41.58
Six months ended September 30, 2020	16.66	15.46

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	589,433	357,589	51.8
As of March 31, 2021	606,580	338,859	47.3

(Reference) Shareholders' equity: As of September 30, 2021: 305,138 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	—	15.00	—	—	—
Fiscal Year ending March 31, 2022 (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, 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	410,000	12.4	34,000	8.9	40,000	11.5	24,000	19.8	93.39

(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:	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, 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 September 30, 2021:	15,643,170 shares
As of March 31, 2021:	15,603,530 shares
3. Average number of shares during the period:	
Six months ended September 30, 2021:	256,998,458 shares
Six months ended September 30, 2020:	257,054,181 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

The world economy in the financial period under review continued to pick up in general, although it varied depending on the country and region. Under such circumstances, the economy in China maintained its momentum of recovery. The US and European economies are picking up against the backdrop of resumption of economic activity as vaccination for COVID-19 progresses. In other emerging Asian economies and Africa, the economy showed a recovery trend, except in some areas where infectious diseases have begun to spread again. The Japanese economy has been recovering as a basic trend as exports and production continued to increase despite a difficult situation caused by the effects of infectious diseases in Japan and abroad.

The Group's net sales for the period under review were 203,301 million yen (up 25.1% year on year). Operating income was 16,833 million yen (up 82.3% year on year) due to a significant increase in sales. Due to an increase in equity in earnings of affiliates, ordinary income was 20,781 million yen (up 108.9% year on year), and net income attributable to owners of the parent was 11,487 million yen (up 168.3% 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 of paints for industrial machinery and other products. Sales in the decorative coatings sector decreased, albeit slightly, on a year on year basis due to a decline in demand for DIY paints. The marine sector saw a year on year increase in sales, reflecting robust sales of 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 68,641 million yen (up 2.3% year on year) and 6,631 million yen (up 22.7% 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. On the other hand, profits increased only slightly due to the impact of high prices of raw materials.

As a result of those factors, net sales and ordinary income in the segment were 45,488 million yen (up 56.5% year on year) and 3,948 million yen (up 1.1% year on year), respectively.

<Europe>

In Turkey, sales increased year on year due to an increase in car production and robust demand in the industrial coatings sector. 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.

As a result of those factors, net sales and ordinary income in the segment were 41,396 million yen (up 34.3% year on year) and 3,964 million yen (up 136.2% 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 of paints for industrial machinery. As a result of those factors, sales in China as a whole recorded a year on year increase. In Indonesia, Thailand and Malaysia, sales recorded a year on year increase on the back of a recovery of car production. Profits increased significantly due partly to growth in equity in earnings of affiliates in China in addition to the increase in sales.

As a result of those factors, net sales and ordinary income in the segment were 28,902 million yen (up 32.1% year on year) and 4,711 million yen (up 479.0% 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. Also 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 16,064 million yen (up 39.1% year on year) and 514 million yen, respectively.

<Others>

In North America, sales of paints for automotive components grew year on year, reflecting the recovery in automobile production, and equity in earnings of affiliates also soared significantly.

As a result of those factors, net sales and ordinary income in the segment were 2,807 million yen (up 34.7% year on year) and 1,010 million yen (up 618.0% 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 September 30, 2021
Assets		
Current assets		
Cash and deposits	114,292	68,696
Trade notes and accounts receivable	105,129	109,790
Securities	10,154	6,721
Finished goods	35,782	41,150
Work-in-process	5,538	6,759
Raw materials and supplies	24,346	32,858
Other	8,498	11,428
Allowance for doubtful receivables	(3,269)	(3,759)
Total current assets	300,471	273,645
Non-current assets		
Total property, plant and equipment	127,220	129,854
Intangible assets		
Goodwill	29,882	29,310
Other	21,452	21,501
Total intangible assets	51,335	50,812
Investments and other assets		
Investment securities	86,942	92,297
Other	45,213	47,396
Allowance for doubtful receivables	(4,602)	(4,572)
Total investments and other assets	127,552	135,121
Total non-current assets	306,108	315,788
Total assets	606,580	589,433

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Trade notes and accounts payable	63,808	70,372
Short-term borrowings	6,013	9,192
Current portion of convertible bonds with stock acquisition rights	-	60,035
Income and enterprise taxes payable	7,471	4,130
Provision for bonuses	4,749	4,866
Other	74,314	33,997
Total current liabilities	156,357	182,593
Non-current liabilities		
Convertible bonds with stock acquisition rights	60,060	-
Net defined benefit liability	8,598	8,660
Other	42,703	40,590
Total non-current liabilities	111,363	49,250
Total liabilities	267,720	231,844
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	21,081	21,081
Retained earnings	260,799	268,421
Treasury stock, at cost	(25,844)	(25,964)
Total shareholders' equity	281,695	289,197
Accumulated other comprehensive income		
Net unrealized holding gains on securities	33,400	37,967
Deferred gains (losses) on derivatives under hedge accounting	(1,003)	645
Foreign currency translation adjustments	(31,130)	(26,364)
Remeasurements of defined benefit plans	3,838	3,691
Total accumulated other comprehensive income	5,104	15,940
Non-controlling interests	52,059	52,451
Total net assets	338,859	357,589
Total liabilities and net assets	606,580	589,433

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	162,494	203,301
Cost of sales	110,002	140,005
Gross profit	52,491	63,296
Selling, general and administrative expenses	43,258	46,462
Operating income	9,233	16,833
Non-operating income		
Interest income	306	220
Dividend income	872	809
Equity in earnings of unconsolidated subsidiaries and affiliates	1,790	3,107
Foreign currency exchange gain	-	332
Miscellaneous income	714	807
Total non-operating income	3,684	5,278
Non-operating expenses		
Interest expense	780	717
Loss on disposal of inventories	137	250
Foreign currency exchange loss	678	-
Miscellaneous expenses	1,371	361
Total non-operating expenses	2,968	1,330
Ordinary income	9,948	20,781
Extraordinary income		
Gain on sale of property, plant and equipment	19	41
Gain on sale of investment securities	12	668
Gain on sale of shares of subsidiaries and affiliates	374	24
Gain on sale of investments in capital of subsidiaries and affiliates	1,634	-
Gain on liquidation of subsidiaries	-	13
Insurance claim income	-	809
Total extraordinary income	2,041	1,558
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	44	61
Loss on disaster	1,355	-
Early extra retirement payments	-	17
Total extraordinary losses	1,400	79
Income before income taxes and non-controlling interests	10,589	22,260
Total income taxes	5,634	7,319
Net income	4,955	14,941
Net income attributable to non-controlling interests	674	3,453
Net income attributable to owners of the parent	4,281	11,487

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net income	4,955	14,941
Other comprehensive income		
Net unrealized holding gains on securities	3,390	3,542
Deferred gains (losses) on derivatives under hedge accounting	(2,178)	1,578
Foreign currency translation adjustments	(6,535)	4,319
Remeasurements of defined benefit plans	189	(146)
Shares in other comprehensive income of equity method affiliates	(536)	2,429
Total other comprehensive income	(5,670)	11,723
Comprehensive income	(714)	26,665
Comprehensive income attributable to:		
Owners of the parent	376	22,323
Non-controlling interests	(1,091)	4,341

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Income before income taxes and non-controlling interests	10,589	22,260
Depreciation and amortization	7,006	7,021
Amortization of goodwill	1,705	1,862
Increase in allowance for doubtful receivables	289	320
Increase (decrease) in net defined benefit liability	172	(639)
Interest and dividend income	(1,179)	(1,030)
Interest expense	780	717
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,790)	(3,107)
Gain on sale of investment securities	(12)	(668)
Gain on sale of shares of subsidiaries and affiliates	(374)	(24)
Gain on sale of investments in capital of subsidiaries and affiliates	(1,634)	-
Loss on sale or disposal of property, plant and equipment, net	25	19
Decrease (increase) in trade notes and accounts receivable	2,988	(3,489)
Decrease (increase) in inventories	134	(11,755)
Increase (decrease) in trade notes and accounts payable	(6,165)	5,823
Other, net	2,838	(4,981)
Subtotal	15,373	12,330
Interest and dividends received	3,056	3,948
Interest paid	(780)	(736)
Income taxes paid	(3,710)	(10,792)
Net cash provided by operating activities	13,938	4,750
Cash flows from investing activities		
Payments into time deposits	(1,614)	(1,759)
Proceeds from withdrawal of time deposits	1,795	1,872
Net decrease in securities	790	3,510
Purchase of property, plant and equipment	(4,393)	(5,304)
Proceeds from sale of property, plant and equipment	62	63
Purchase of intangible assets	(356)	(646)
Purchase of investment securities	(14)	(23)
Proceeds from sale of investment securities	0	1,153
Payments of loans receivable	(36)	(24)
Collection of loans receivable	1,025	143
Proceeds from settlement of derivative, net	3,034	-
Other, net	963	154
Net cash provided by (used in) investing activities	1,256	(860)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(8,057)	2,577
Proceeds from long-term debt	43,103	5
Repayments of long-term debt	(1,906)	(46,640)
Purchase of treasury stock	(6)	(5)
Cash dividends paid	(3,873)	(3,873)
Cash dividends paid to non-controlling interests	(1,760)	(3,288)
Other, net	(504)	(374)
Net cash provided by (used in) financing activities	26,993	(51,600)
Effect of exchange rate changes on cash and cash equivalents	(1,169)	2,156
Increase (decrease) in cash and cash equivalents	41,019	(45,553)
Cash and cash equivalents at beginning of period	50,594	108,377
Cash and cash equivalents at end of period	91,613	62,823

Segment information

(1) 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.

(2) Six months ended September 30, 2021 (April 1, 2021 - September 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	68,641	45,488	41,396	28,902	16,064	200,494	2,807	203,301	-	203,301
(2) Intersegment sales and transfers	5,928	32	99	1,268	125	7,454	-	7,454	(7,454)	-
Total sales	74,570	45,521	41,496	30,170	16,189	207,948	2,807	210,755	(7,454)	203,301
Segment income	6,631	3,948	3,964	4,711	514	19,770	1,010	20,781	-	20,781

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.