

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



February 8, 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: February 9, 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 Third Quarter Fiscal Year Ending March 31, 2021 (April 1, 2020 — December 31, 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	%
Nine months ended December 31, 2020	264,922	(14.9)	22,308	(15.6)	24,891	(15.5)	12,534	(22.8)
Nine months ended December 31, 2019	311,472	(4.3)	26,440	6.5	29,447	5.3	16,234	(3.2)

(Note) Comprehensive income:

Nine months ended December 31, 2020:	9,525 million yen	(30.3)%
Nine months ended December 31, 2019:	13,674 million yen	—%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2020	48.76	45.34
Nine months ended December 31, 2019	63.14	57.50

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2020	581,786	319,088	46.4
As of March 31, 2020	544,123	320,697	49.4

(Reference) Shareholders' equity: As of December 31, 2020: 270,018 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	355,000	(12.8)	30,000	(4.8)	33,000	(5.4)	17,000	(8.0)	66.13

(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:	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 December 31, 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 December 31, 2020:	15,569,512 shares
As of March 31, 2020:	15,567,211 shares
3. Average number of shares during the period:	
Nine months ended December 31, 2020:	257,054,177 shares
Nine months ended December 31, 2019:	257,113,368 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 nine-month period under review, uncertainties over the future continued 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 while signs of recovery were observed in most of those countries. 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 nine-month period under review were 264,922 million yen (down 14.9% year on year). Due to a decrease in net sales, operating income was 22,308 million yen (down 15.6% year on year), Ordinary income ended at 24,891 million yen (down 15.5% year on year), and Net income attributable to owners of parent ended at 12,534 million yen (down 22.8% 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 106,355 million yen (down 9.5% year on year) and 11,447 million yen (down 20.6% 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 51,837 million yen (down 20.9% year on year) and 7,722 million yen (down 13.0% 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 and the protective coating 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 49,011 million yen (down 6.5 % year on year) while ordinary income including the amortization of goodwill ended at 3,605 million yen (up 16.2 % 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 34,627 million yen (down 22.6% year on year). Ordinary income ended at 2,772 million yen (down 32.5% 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 19,458 million yen (down 27.1% year on year) while ordinary loss including the amortization of goodwill ended at 1,302 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 3,631 million yen (down 20.9% year on year) while ordinary income ended at 646 million yen (down 27.7% year on year).

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	58,618	100,659
Trade notes and accounts receivables	101,512	111,418
Securities	4,705	8,340
Finished goods	35,095	32,525
Work-in-process	5,696	5,378
Raw materials and supplies	23,530	22,388
Other	14,932	7,973
Allowance for doubtful receivables	(3,152)	(3,315)
Total current assets	240,938	285,369
Non-current assets		
Total property, plant and equipment	129,419	123,873
Intangible assets		
Goodwill	33,551	30,442
Other	24,855	22,105
Total intangible assets	58,406	52,548
Investments and other assets		
Investment securities	76,183	85,559
Other	43,816	39,024
Allowance for doubtful receivables	(4,641)	(4,588)
Total investments and other assets	115,358	119,996
Total non-current assets	303,185	296,417
Total assets	544,123	581,786

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Trade notes and accounts payables	58,694	62,493
Short-term borrowings	18,467	7,693
Current portion of long-term debt	2,070	47,611
Income and enterprise taxes payable	2,242	6,426
Provision for bonuses	5,431	3,342
Other	25,207	28,492
Total current liabilities	112,113	156,059
Non-current liabilities		
Convertible bonds with stock acquisition rights	60,110	60,073
Long-term debt	12,354	6,240
Net defined benefit liability	9,497	9,388
Other	29,350	30,936
Total non-current liabilities	111,313	106,638
Total liabilities	223,426	262,698
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	22,438	21,107
Retained earnings	248,511	253,312
Treasury stock, at cost	(25,711)	(25,750)
Total shareholders' equity	270,897	274,329
Accumulated other comprehensive income		
Net unrealized holding gains on securities	23,322	32,321
Deferred gains (losses) on derivatives under hedge accounting	1,224	(1,062)
Foreign currency translation adjustments	(25,936)	(35,208)
Remeasurements of defined benefit plans	(631)	(361)
Total accumulated other comprehensive income	(2,020)	(4,311)
Non-controlling interests	51,819	49,070
Total net assets	320,697	319,088
Total liabilities and net assets	544,123	581,786

(2) Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	311,472	264,922
Cost of sales	211,996	177,679
Gross profit	99,476	87,243
Selling, general and administrative expenses	73,035	64,934
Operating income	26,440	22,308
Non-operating income		
Interest income	523	469
Dividend income	1,630	1,518
Equity in earnings of unconsolidated subsidiaries and affiliates	3,175	3,199
Miscellaneous income	1,606	1,134
Total non-operating income	6,937	6,321
Non-operating expenses		
Interest expense	1,344	1,184
Loss on disposal of inventories	169	208
Foreign currency exchange loss	1,575	1,048
Miscellaneous expenses	841	1,297
Total non-operating expenses	3,930	3,738
Ordinary income	29,447	24,891
Extraordinary income		
Gain on sale of property, plant and equipment	47	70
Gain on sale of investment securities	105	2,189
Gain on sale of shares of subsidiaries and affiliates	-	374
Gain on sale of investments in capital of subsidiaries and affiliates	-	1,634
Gain on liquidation of subsidiaries	8	-
Total extraordinary income	160	4,269
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	718	189
Loss on sale of shares of subsidiaries and affiliates	-	80
Loss on sale of investments in capital of subsidiaries and affiliates	39	-
Write-down of securities and investment securities	0	-
Loss on disaster	31	1,455
Loss on withdrawal from business	28	-
Total extraordinary losses	817	1,725
Income before income taxes and non-controlling interests	28,790	27,435
Total income taxes	8,539	12,853
Net income	20,251	14,582
Net income attributable to non-controlling interests	4,016	2,047
Net income attributable to owners of the parent	16,234	12,534

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net income	20,251	14,582
Other comprehensive income		
Net unrealized holding gains on securities	3,378	6,785
Deferred losses on derivatives under hedge accounting	(2,173)	(2,288)
Foreign currency translation adjustments	(6,517)	(9,823)
Remeasurements of defined benefit plans	128	269
Shares in other comprehensive income of equity method affiliates	(1,392)	0
Total other comprehensive income	(6,576)	(5,056)
Comprehensive income	13,674	9,525
Comprehensive income attributable to:		
Owners of the parent	10,943	10,243
Non-controlling interests	2,730	(717)

Segment information

(1) Nine months ended December 31, 2019 (April 1, 2019 - December 31, 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	117,462	65,575	52,408	44,751	26,681	306,880	4,592	311,472	-	311,472
(2) Intersegment sales and transfers	9,929	49	84	2,192	233	12,488	-	12,488	(12,488)	-
Total sales	127,391	65,625	52,493	46,943	26,915	319,369	4,592	323,961	(12,488)	311,472
Segment income (loss)	14,420	8,877	3,102	4,105	(1,952)	28,553	894	29,447	-	29,447

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) Nine months ended December 31, 2020 (April 1, 2020 - December 31, 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	106,355	51,837	49,011	34,627	19,458	261,291	3,631	264,922	-	264,922
(2) Intersegment sales and transfers	8,064	25	68	1,573	156	9,888	-	9,888	(9,888)	-
Total sales	114,419	51,863	49,080	36,201	19,615	271,179	3,631	274,810	(9,888)	264,922
Segment income (loss)	11,447	7,722	3,605	2,772	(1,302)	24,244	646	24,891	-	24,891

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.