

Consolidated Financial Results [Japanese GAAP]
for the Second Quarter of the Fiscal Year Ending March 31, 2018
(April 1, 2017 — September 30, 2017)

November 10, 2017

Company name: Kansai Paint Co., Ltd.
 Stock listing: Tokyo Stock Exchange
 Code number: 4613
 URL: <http://www.kansai.co.jp/>
 Representative: Hiroshi Ishino, President
 Contact: Shinji Asatsuma, Director, Managing Executive Officer, General Manager, Administration Div.
 Telephone: +81-6-6203-5531
 Date of filing of quarterly report to Ministry of Finance: November 13, 2017
 Scheduled payment date for dividend: December 4, 2017
 Supplemental information: Yes
 Financial results briefing: Yes

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the Second Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 — September 30, 2017)

(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, 2017	191,856	18.2	19,871	11.3	22,525	19.5	12,602	10.2
Six months ended September 30, 2016	162,268	(5.0)	17,848	6.6	18,849	(4.3)	11,440	10.3

(Note) Comprehensive income:

Six months ended September 30, 2017: 19,768 million yen — %
 Six months ended September 30, 2016: (4,304) million yen — %

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2017	48.98	42.54
Six months ended September 30, 2016	43.80	38.36

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	583,934	310,286	45.7
As of March 31, 2017	540,458	296,165	46.9

(Reference) Shareholders' equity:

As of September 30, 2017: 267,132 million yen
 As of March 31, 2017: 253,348 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, 2017	—	11.00	—	11.00	22.00
Fiscal Year ending March 31, 2018	—	13.50			
Fiscal Year ending March 31, 2018 (Forecast)			—	13.50	27.00

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

3. Consolidated financial forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 — March 31, 2018)

(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	21.1	39,000	10.4	43,500	8.7	26,000	7.6	101.05

(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 September 30, 2017:	272,623,270	shares	
As of March 31, 2017:	272,623,270	shares	
2. Number of shares of treasury stock at period-end:			
As of September 30, 2017:	15,351,087	shares	
As of March 31, 2017:	15,286,492	shares	
3. Average number of shares during the period:			
Six months ended September 30, 2017:	257,316,868	shares	
Six months ended September 30, 2016:	261,203,833	shares	

***Status of the implementation of audit procedures**

This financial results report is not subject to quarterly review procedures.

***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.

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

As of March 31, 2017 As of September 30, 2017

Assets		
Current assets		
Cash and deposits	53,027	53,623
Trade notes and accounts receivable	103,199	119,998
Securities	9,181	7,975
Finished goods	33,610	33,796
Work-in-process	4,252	5,192
Raw materials and supplies	21,274	23,255
Other	12,644	12,593
Allowance for doubtful receivables	(3,237)	(3,492)
Total current assets	233,953	252,943
Non-current assets		
Total property, plant and equipment	110,564	115,826
Intangible assets		
Goodwill	44,215	55,597
Other	24,010	22,736
Total intangible assets	68,226	78,333
Investments and other assets		
Investment securities	95,830	102,298
Other	33,012	35,836
Allowance for doubtful receivables	(1,129)	(1,303)
Total investments and other assets	127,713	136,831
Total non-current assets	306,505	330,991
Total assets	540,458	583,934

(Millions of yen)

As of March 31, 2017

As of September 30, 2017

Liabilities		
Current liabilities		
Trade notes and accounts payable	59,382	68,590
Short-term borrowings	8,520	27,044
Income and enterprise taxes payable	4,374	5,176
Provision for bonuses	4,770	5,177
Other	22,426	21,134
Total current liabilities	99,472	127,123
Non-current liabilities		
Convertible bonds with stock acquisition rights	101,587	101,262
Net defined benefit liability	9,632	8,331
Other	33,600	36,930
Total non-current liabilities	144,820	146,524
Total liabilities	244,293	273,648
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	14,421	13,257
Retained earnings	218,880	228,643
Treasury stock, at cost	(25,088)	(25,254)
Total shareholders' equity	233,872	242,305
Accumulated other comprehensive income		
Net unrealized holding gains on securities	31,229	36,136
Deferred loss on derivatives under hedge accounting	-	(6)
Foreign currency translation adjustments	(12,548)	(11,969)
Remeasurements of defined benefit plans	794	667
Total accumulated other comprehensive income	19,475	24,827
Non-controlling interests	42,817	43,154
Total net assets	296,165	310,286
Total liabilities and net assets	540,458	583,934

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	162,268	191,856
Cost of sales	107,528	127,646
Gross profit	54,739	64,209
Selling, general and administrative expenses	36,891	44,338
Operating income	17,848	19,871
Non-operating income		
Interest income	379	713
Dividend income	779	804
Equity in earnings of unconsolidated subsidiaries and affiliates	2,214	1,717
Miscellaneous income	479	652
Total non-operating income	3,852	3,887
Non-operating expenses		
Interest expense	446	628
Interest on bonds	42	-
Loss on disposal of inventories	84	88
Foreign currency exchange loss	1,791	63
Miscellaneous expenses	487	453
Total non-operating expenses	2,851	1,233
Ordinary income	18,849	22,525
Extraordinary income		
Gain on sale of property, plant and equipment	3	22
Gain on sale of investment securities	619	247
Gain on revision of retirement benefit plan	-	760
Total extraordinary income	623	1,029
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	69	97
Write-down of securities and investment securities	10	-
Impairment loss	-	301
Early extra retirement payments	-	317
Total extraordinary losses	80	717
Income before income taxes and non-controlling interests	19,392	22,838
Total income taxes	5,911	8,058
Net income	13,481	14,779
Net income attributable to non-controlling interests	2,041	2,176
Net income attributable to owners of the parent	11,440	12,602

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net income	13,481	14,779
Other comprehensive income		
Net unrealized holding gains on securities	549	4,349
Deferred loss on derivatives under hedge accounting	-	(6)
Foreign currency translation adjustments	(15,182)	976
Remeasurements of defined benefit plans	(129)	(127)
Shares in other comprehensive income of equity method affiliates	(3,023)	(201)
Total other comprehensive income	(17,786)	4,989
Comprehensive income	(4,304)	19,768
Comprehensive income attributable to:		
Owners of the parent	(2,083)	17,954
Non-controlling interests	(2,221)	1,814

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Income before income taxes and non-controlling interests	19,392	22,838
Depreciation and amortization	4,775	5,895
Impairment loss	-	301
Amortization of goodwill	626	1,511
Increase in allowance for doubtful receivables	509	342
Decrease in net defined benefit liability	(450)	(2,731)
Interest and dividend income	(1,158)	(1,517)
Interest expense	488	628
Equity in earnings of unconsolidated subsidiaries and affiliates	(2,214)	(1,717)
Gain on sale of investment securities	-	(247)
Write-down of investment securities	10	-
Loss on sale or disposal of property, plant and equipment, net	65	75
Increase in trade notes and accounts receivable	(2,578)	(13,917)
Increase in inventories	(1,918)	(468)
Increase (decrease) in trade notes and accounts payable	(2,336)	7,636
Other, net	(100)	284
Subtotal	15,112	18,915
Interest and dividends received	2,468	3,293
Interest paid	(468)	(631)
Income taxes paid	(6,835)	(7,924)
Net cash provided by operating activities	10,276	13,652
Cash flows from investing activities		
Payments into time deposits	(53,233)	(651)
Proceeds from withdrawal of time deposits	11,233	218
Net decrease (increase) in securities	(6,115)	1,523
Purchase of property, plant and equipment	(5,338)	(7,681)
Proceeds from sale of property, plant and equipment	179	97
Purchase of intangible assets	(1,562)	(324)
Purchase of investment securities	(157)	(93)
Proceeds from sale of investment securities	-	20
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(6,388)	(13,563)
Payments for investments in capital	-	(436)
Payments of loans receivable	(1,346)	(147)
Collection of loans receivable	369	163
Payments for settlement of forward exchange contracts, net	-	(3,206)
Other, net	(281)	(885)
Net cash used in investing activities	(62,641)	(24,966)
Cash flows from financing activities		
Net increase in short-term borrowings	2,519	16,740
Proceeds from long-term debt	2,137	4
Repayments of long-term debt	(767)	(552)
Proceeds from issuance of convertible bonds with stock acquisition rights	102,100	-
Purchase of treasury stock	(20,004)	(165)
Cash dividends paid	(2,538)	(2,840)
Cash dividends paid to non-controlling interests	(1,476)	(1,933)
Proceeds from share issuance to non-controlling shareholders	80	-
Purchase of investments in subsidiaries without change in scope of consolidation	(3,182)	-
Other, net	0	(23)
Net cash provided by financing activities	78,867	11,229
Effect of exchange rate changes on cash and cash equivalents	(2,736)	234
Increase in cash and cash equivalents	23,766	150
Cash and cash equivalents at beginning of period	60,861	52,314
Cash and cash equivalents at end of period	84,627	52,464