

Consolidated Financial Results [Japanese GAAP]

for the Third Quarter of the Fiscal Year Ending March 31, 2022

(April 1, 2021 — December 31, 2021)



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, 2022
 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, 2022 (April 1, 2021 — December 31, 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	%
Nine months ended December 31, 2021	311,563	17.6	24,075	7.9	30,243	21.5	17,675	41.0
Nine months ended December 31, 2020	264,922	(14.9)	22,308	(15.6)	24,891	(15.5)	12,534	(22.8)

(Note) Comprehensive income:

Nine months ended December 31, 2021: 34,464 million yen 261.8%
 Nine months ended December 31, 2020: 9,525 million yen (30.3)%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2021	68.78	63.98
Nine months ended December 31, 2020	48.76	45.34

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	586,372	360,868	52.5
As of March 31, 2021	606,580	338,859	47.3

(Reference) Shareholders' equity: As of December 31, 2021: 307,611 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	93.40

(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 December 31, 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 December 31, 2021:	15,699,079 shares
As of March 31, 2021:	15,603,530 shares
3. Average number of shares during the period:	
Nine months ended December 31, 2021:	256,979,808 shares
Nine months ended December 31, 2020:	257,054,177 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 fiscal period under review showed a recovery trend in general, although it varied depending on the country and region. Under such circumstances, Europe continues to recover with the resumption of economic activity. In the United States and China, the upward economic trend has entered a lull under the pressures arising from the re-expansion of infection and limited supplies. In other emerging Asian countries 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 clearly amid a gradually moderating effect of infectious disease in Japan and abroad, reflecting overall improvement of corporate earnings and business sentiment, although the impact of limited supplies remains.

The Group's net sales for the period under review were 311,563 million yen (up 17.6% year on year). Operating income was 24,075 million yen (up 7.9% year on year) due to significant increases in prices of raw materials and selling, general and administrative expenses. Ordinary income was 30,243 million yen (up 21.5% year on year) due to an increase in equity in earnings of affiliates and foreign currency exchange gain, and net income attributable to owners of the parent was 17,675 million yen (up 41.0% 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 slightly year on year due to an increase in exports, although domestic sales decreased, reflecting a decrease in car production from the previous year. 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 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 recovery of the domestic market. Profits decreased year on year due to the impact of higher prices of raw materials.

As a result of those factors, net sales and ordinary income in the segment were 103,624 million yen (down 2.6% year on year) and 10,265 million yen (down 10.3% 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, sales in the period under review increased in contrast to the previous year, in which the economy had been under the serious impact of lockdowns to prevent the spread of COVID-19 imposed at the beginning of the year. Profits decreased year on year due to the impact of higher prices of raw materials.

As a result of those factors, net sales and ordinary income in the segment were 73,132 million yen (up 41.1% year on year) and 6,548 million yen (down 15.2% year on year), respectively.

<Europe>

In Turkey, sales increased year on year due to robust demand in the industrial coatings sector despite a year-on-year decrease in car production. 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 63,447 million yen (up 29.5% year on year) and 5,212 million yen (up 44.6% 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 and Thailand, sales recorded a year on year increase on the back of a recovery of car production. Profits increased 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 41,431 million yen (up 19.7% year on year) and 5,962 million yen (up 115.0% year on year), respectively.

<Africa>

While South Africa and neighboring countries continued to face a sluggish economy due to the rebound 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 25,866 million yen (up 32.9% year on year) and 1,067 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 increased.

As a result of those factors, net sales and ordinary income in the segment were 4,061 million yen (up 11.8% year on year) and 1,187 million yen (up 83.5% 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 December 31, 2021
Assets		
Current assets		
Cash and deposits	114,292	57,513
Trade notes and accounts receivable	105,129	115,340
Securities	10,154	4,409
Finished goods	35,782	43,439
Work-in-process	5,538	7,040
Raw materials and supplies	24,346	34,282
Other	8,498	12,744
Allowance for doubtful receivables	(3,269)	(4,014)
Total current assets	300,471	270,756
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,119	59,268
Other, net	69,101	70,689
Total property, plant and equipment	127,220	129,957
Intangible assets		
Goodwill	29,882	28,200
Other	21,452	21,092
Total intangible assets	51,335	49,293
Investments and other assets		
Investment securities	86,942	92,698
Other	45,213	48,317
Allowance for doubtful receivables	(4,602)	(4,650)
Total investments and other assets	127,552	136,365
Total non-current assets	306,108	315,616
Total assets	606,580	586,372

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Trade notes and accounts payable	63,808	72,341
Short-term borrowings	6,013	6,835
Current portion of convertible bonds with stock acquisition rights	-	60,023
Income and enterprise taxes payable	7,471	2,916
Provision for bonuses	4,749	3,548
Other	74,314	29,751
Total current liabilities	156,357	175,415
Non-current liabilities		
Convertible bonds with stock acquisition rights	60,060	-
Net defined benefit liability	8,598	8,792
Other	42,703	41,296
Total non-current liabilities	111,363	50,088
Total liabilities	267,720	225,504
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	21,081	21,277
Retained earnings	260,799	270,742
Treasury stock, at cost	(25,844)	(26,110)
Total shareholders' equity	281,695	291,568
Accumulated other comprehensive income		
Net unrealized holding gains on securities	33,400	38,578
Deferred losses on derivatives under hedge accounting	(1,003)	(117)
Foreign currency translation adjustments	(31,130)	(26,035)
Remeasurements of defined benefit plans	3,838	3,618
Total accumulated other comprehensive income	5,104	16,043
Non-controlling interests	52,059	53,256
Total net assets	338,859	360,868
Total liabilities and net assets	606,580	586,372

(2) Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	264,922	311,563
Cost of sales	177,679	217,146
Gross profit	87,243	94,416
Selling, general and administrative expenses	64,934	70,341
Operating income	22,308	24,075
Non-operating income		
Interest income	469	335
Dividend income	1,518	1,540
Equity in earnings of unconsolidated subsidiaries and affiliates	3,199	4,358
Foreign currency exchange gain	-	694
Miscellaneous income	1,134	1,101
Total non-operating income	6,321	8,030
Non-operating expenses		
Interest expense	1,184	1,078
Loss on disposal of inventories	208	318
Foreign currency exchange loss	1,048	-
Miscellaneous expenses	1,297	466
Total non-operating expenses	3,738	1,863
Ordinary income	24,891	30,243
Extraordinary income		
Gain on sale of property, plant and equipment	70	181
Gain on sale of investment securities	2,189	833
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	-	953
Total extraordinary income	4,269	2,007
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	189	112
Loss on sale of investment securities	-	4
Loss on sale of shares of subsidiaries and affiliates	80	-
Loss on disaster	1,455	-
Early extra retirement payments	-	17
Total extraordinary losses	1,725	134
Income before income taxes and non-controlling interests	27,435	32,115
Total income taxes	12,853	9,783
Net income	14,582	22,332
Net income attributable to non-controlling interests	2,047	4,657
Net income attributable to owners of the parent	12,534	17,675

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net income	14,582	22,332
Other comprehensive income		
Net unrealized holding gains on securities	6,785	3,896
Deferred gains (losses) on derivatives under hedge accounting	(2,288)	873
Foreign currency translation adjustments	(9,823)	4,928
Remeasurements of defined benefit plans	269	(220)
Shares in other comprehensive income of equity method affiliates	0	2,652
Total other comprehensive income	(5,056)	12,131
Comprehensive income	9,525	34,464
Comprehensive income attributable to:		
Owners of the parent	10,243	28,614
Non-controlling interests	(717)	5,849

Segment information

(1) 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.

(2) Nine months ended December 31, 2021 (April 1, 2021 - December 31, 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	103,624	73,132	63,447	41,431	25,866	307,502	4,061	311,563	-	311,563
(2) Intersegment sales and transfers	9,243	37	120	1,987	162	11,552	-	11,552	(11,552)	-
Total sales	112,868	73,169	63,568	43,419	26,029	319,054	4,061	323,115	(11,552)	311,563
Segment income	10,265	6,548	5,212	5,962	1,067	29,056	1,187	30,243	-	30,243

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.