

Consolidated Financial Results [Japanese GAAP] for the First Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 — June 30, 2019)



August 8, 2019

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 Stock listing: Tokyo Stock Exchange
 Code number: 4613
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 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, 2020 (April 1, 2019 — June 30, 2019)

(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, 2019	104,419	(2.1)	8,195	6.6	9,502	1.9	4,156	1.2
Three months ended June 30, 2018	106,638	19.3	7,686	(12.4)	9,328	(14.4)	4,107	(30.2)

(Note) Comprehensive income:

Three months ended June 30, 2019: 4,429 million yen — %
 Three months ended June 30, 2018: (3,247) million yen — %

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2019	16.16	14.14
Three months ended June 30, 2018	15.97	13.73

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2019	557,266	319,415	48.4
As of March 31, 2019	584,135	320,661	46.2

(Reference) Shareholders' equity: As of June 30, 2019: 269,857 million yen
 As of March 31, 2019: 270,016 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, 2019	—	16.00	—	14.00	30.00
Fiscal Year ending March 31, 2020	—				
Fiscal Year ending March 31, 2020 (Forecast)		15.00	—	15.00	30.00

(Notes)

*1 Revisions to the latest dividend forecast announced : No

*2 Detail of 2nd quarter dividend of Fiscal Year ended March 31, 2019: Ordinary 14.00 yen, Commemorative 2.00 yen

3. Consolidated financial forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 — March 31, 2020)

(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
First Half of the Fiscal Year	215,000	(0.2)	17,500	7.5	19,700	2.7	10,500	(9.7)	40.83
Full Year	440,000	2.9	36,500	13.0	41,500	19.1	22,500	29.3	87.50

(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, 2019:	272,623,270 shares
As of March 31, 2019:	272,623,270 shares
2. Number of shares of treasury stock at period-end:	
As of June 30, 2019:	15,483,269 shares
As of March 31, 2019:	15,480,336 shares
3. Average number of shares during the period:	
Three months ended June 30, 2019:	257,141,454 shares
Three months ended June 30, 2018:	257,252,050 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 quarter under review, the global economy continued to face heightened geopolitical risks and uncertainties concerning political, policy, and trade developments in different countries. Under such circumstances, while Europe and China faced weaker economies, the global economy as a whole continued to enjoy moderate recovery with robust personal consumption and capital expenditure in the United States together with ongoing recoveries in emerging countries in Asia. The Japanese economy, which had been weak in export and production, continued to experience mild recovery supported by improvements in capital expenditures and employment and income environments.

The Group's net sales for the quarter under review were 104,419 million yen (down 2.1% year on year), in contrast to operating income which recorded 8,195 million yen (up 6.6% year on year) reflecting a decline in raw material prices and a decrease in selling, general and administrative expenses. Ordinary income ended at 9,502 million yen (up 1.9% year on year) due to a decrease in equity in earnings of affiliates in Europe. Net income attributable to owners of the parent ended at 4,156 million yen (up 1.2% year on year) due to the gains on the sale of investment securities in the last year.

Segment overviews are as follows.

<Japan>

In the new car area of the automotive coatings sector, sales slightly fell year on year due to a decrease in exports despite increased car production year on year and growth of sales in the domestic market. Sales in the industrial coatings sector increased year on year as sales of paints for automotive components and beverage cans showed robust growth. Sales in the decorative coatings and protective coatings sectors increased year on year reflecting a robust growth of the market. Sales in the marine sector declined year on year due to sluggish business in shipbuilding area. In the automotive coatings sector (for refinishing), sales decreased year on year in a weak market despite our intensive efforts to expand sales of high-value-added products.

As a result, while sales of the segment remained almost unchanged year on year, net sales were 38,302 million yen (down 0.0% year on year) in contrast to ordinary income reaching 4,807 million yen (up 4.1% year on year), as we focused on the reduction of total costs.

<India >

In the automotive coatings sector, sales fell year on year as car production continued to decrease. Sales in the decorative coatings sector rose from a year earlier on the back of our sales promotion driven by continued demand growth. Profits also grew owing to stable raw material prices. However, the translated result in Japanese yen was negatively affected by currency conversion.

As a result of those factors, net sales and ordinary income in the segment were 24,531 million yen (up 6.2% year on year) and 3,489 million yen (up 0.6 % year on year).

<Asia>

In China, sales in the automotive coatings sector remained at almost the same level as the last year reflecting expanded demand from major customers while car production decreased year on year. Sales in the industrial coatings sector saw robust growth in paints for construction machinery, leading to a year on year slight increase in China as a whole. In Indonesia, amid the strong sense of decelerated economy, sales in the automotive coatings sector decreased year on year, reflecting a decline in car production compared with the last year. In Thailand, sales grew year on year following a recovery in car production.

As a result of those factors, net sales of the segment remained at 15,287 million yen (down 2.8% year on year) while ordinary income rose to 1,664 million yen (up 19.4 % year on year) due to decreases in raw material prices and selling, general and administrative expenses.

<Africa>

Amid the sluggish economy in South Africa and neighboring countries, we continued to endeavor to promote sales. Despite a decline in raw material prices, we continued to face significant pressure from currency depreciation and the intensified price competition.

As a result of those factors, net sales of the segment were 8,529 million yen (down 14.1 % year on year) while ordinary loss including the amortization of goodwill ended at 903 million yen.

<Europe>

In Turkey, while sales in the local currency increased, profitability was negatively affected by the rise of raw material prices due to the weaker local currency. Equity in earnings of affiliates decreased due to sluggish demand in the decorative coatings sector on the back of weaker domestic economy. In other European countries, sales in local currencies increased mainly in the industrial coatings and decorative coatings sectors which enjoyed strong growth. However, the translated result in Japanese yen was negatively affected by currency conversion.

As a result of those factors, net sales of the segment were 16,145 million yen (down 10.5 % year on year) while ordinary income including the amortization of goodwill ended at 149 million yen (down 80.6 % year on year).

<Others>

Sales grew in North America, owing to efforts to expand sales of paints for automotive components in the industrial coatings sector. Equity in earnings of affiliates also increased.

As a result of those factors, net sales of the segment were 1,623 million yen (up 5.3 % year on year) while ordinary income ended at 295 million yen (up 16.8 % year on year).

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	74,614	45,796
Trade notes and accounts receivables	112,486	113,769
Securities	3,148	1,259
Finished goods	37,549	36,401
Work-in-process	5,569	6,196
Raw materials and supplies	26,121	25,308
Other	9,758	10,517
Allowance for doubtful receivables	(3,076)	(3,080)
Total current assets	266,172	236,169
Non-current assets		
Total property, plant and equipment	127,444	130,854
Intangible assets		
Goodwill	39,782	38,396
Other	27,544	26,653
Total intangible assets	67,327	65,050
Investments and other assets		
Investment securities	84,032	84,213
Other	46,763	48,575
Allowance for doubtful receivables	(7,604)	(7,597)
Total investments and other assets	123,190	125,191
Total non-current assets	317,963	321,096
Total assets	584,135	557,266

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Trade notes and accounts payables	71,140	68,486
Short-term borrowings	12,135	22,103
Current portion of convertible bonds with stock acquisition rights	40,126	-
Income and enterprise taxes payable	4,219	3,016
Provision for bonuses	4,864	3,045
Provision for loss on guarantees	2,219	2,155
Other	23,103	26,766
Total current liabilities	157,810	125,574
Non-current liabilities		
Convertible bonds with stock acquisition rights	60,160	60,148
Long-term debt	8,434	12,378
Net defined benefit liability	8,607	8,735
Other	28,461	31,015
Total non-current liabilities	105,664	112,276
Total liabilities	263,474	237,850
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	22,342	22,342
Retained earnings	237,721	238,262
Treasury stock, at cost	(25,537)	(25,543)
Total shareholders' equity	260,185	260,720
Accumulated other comprehensive income		
Net unrealized holding gains on securities	29,876	30,064
Deferred gains on derivatives under hedge accounting	622	645
Foreign currency translation adjustments	(21,439)	(22,386)
Remeasurements of defined benefit plans	770	813
Total accumulated other comprehensive income	9,831	9,137
Non-controlling interests	50,644	49,557
Total net assets	320,661	319,415
Total liabilities and net assets	584,135	557,266

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	106,638	104,419
Cost of sales	73,072	71,632
Gross profit	33,566	32,786
Selling, general and administrative expenses	25,880	24,591
Operating income	7,686	8,195
Non-operating income		
Interest income	339	252
Dividend income	849	853
Equity in earnings of unconsolidated subsidiaries and affiliates	1,363	707
Miscellaneous income	343	387
Total non-operating income	2,895	2,200
Non-operating expenses		
Interest expense	477	460
Loss on disposal of inventories	63	48
Foreign currency exchange loss	283	203
Miscellaneous expenses	428	179
Total non-operating expenses	1,253	893
Ordinary income	9,328	9,502
Extraordinary income		
Gain on sale of property, plant and equipment	3	11
Gain on sale of investment securities	518	53
Gain on liquidation of subsidiaries	31	-
Total extraordinary income	553	65
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	64	147
Write-down of securities and investment securities	4	-
Total extraordinary losses	69	147
Income before income taxes and non-controlling interests	9,813	9,420
Total income taxes	4,739	4,122
Net income	5,073	5,297
Net income attributable to non-controlling interests	965	1,141
Net income attributable to owners of the parent	4,107	4,156

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net income	5,073	5,297
Other comprehensive income		
Net unrealized holding gains on securities	62	22
Deferred gains (losses) on derivatives under hedge accounting	(635)	22
Foreign currency translation adjustments	(5,880)	(1,115)
Remeasurements of defined benefit plans	(44)	42
Shares in other comprehensive income of equity method affiliates	(1,823)	158
Total other comprehensive income	(8,320)	(868)
Comprehensive income	(3,247)	4,429
Comprehensive income attributable to:		
Owners of the parent	(2,605)	3,462
Non-controlling interests	(641)	966

Segment information

(1) Three months ended June 30, 2018 (April 1, 2018 - June 30, 2018)

Information about sales, profit and loss by reportable segment

(Millions of yen)

	Reportable segments						Other *1	Total	Adjustment *2	Consolidated *3
	Japan	India	Asia	Africa	Europe	Total				
Net sales										
(1) Sales to customers	38,315	23,091	15,732	9,924	18,032	105,096	1,542	106,638	-	106,638
(2) Intersegment sales and transfers	3,444	10	1,013	65	23	4,557	-	4,557	(4,557)	-
Total sales	41,760	23,101	16,746	9,990	18,055	109,653	1,542	111,196	(4,557)	106,638
Segment income (loss)	4,618	3,466	1,393	(1,173)	770	9,075	252	9,328	-	9,328

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 and other locations.
 Asia: Thailand, China, Indonesia and other locations.
 Africa: South Africa, Zimbabwe, Uganda and other locations.
 Europe: Slovenia, Turkey, Austria, Luxembourg and other locations.

(2) Three months ended June 30, 2019 (April 1, 2019 - June 30, 2019)

Information about sales, profit and loss by reportable segment

(Millions of yen)

	Reportable segments						Other *1	Total	Adjustment *2	Consolidated *3
	Japan	India	Asia	Africa	Europe	Total				
Net sales										
(1) Sales to customers	38,302	24,531	15,287	8,529	16,145	102,795	1,623	104,419	-	104,419
(2) Intersegment sales and transfers	3,016	18	773	76	19	3,903	-	3,903	(3,903)	-
Total sales	41,319	24,549	16,060	8,605	16,164	106,699	1,623	108,323	(3,903)	104,419
Segment income (loss)	4,807	3,489	1,664	(903)	149	9,206	295	9,502	-	9,502

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.
 Asia: Thailand, China, Indonesia and other locations.
 Africa: South Africa, Zimbabwe, Uganda and other locations.
 Europe: Slovenia, Turkey, Austria, Luxembourg and other locations.