

Consolidated Financial Results [Japanese GAAP]
for the First Quarter of the Fiscal Year Ending March 31, 2019
(April 1, 2018 – June 30, 2018)



August 9, 2018

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 Stock listing: Tokyo Stock Exchange
 Code number: 4613
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 Scheduled date of the filing of Securities Report: August 10, 2018
 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 Ended March 31, 2019 (April 1, 2018 – June 30, 2018)

(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, 2018	106,638	19.3	7,686	(12.4)	9,328	(14.4)	4,107	(30.2)
Three months ended June 30, 2017	89,416	11.1	8,772	3.2	10,893	15.6	5,888	16.2

(Note) Comprehensive income:

Three months ended June 30, 2018: (3,247) million yen —%
 Three months ended June 30, 2017: 2,004 million yen —%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2018	15.97	13.73
Three months ended June 30, 2017	22.88	19.85

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	579,523	314,247	46.6
As of March 31, 2018	601,330	322,425	46.0

(Reference) Shareholders' equity: As of June 30, 2018: 270,109 million yen
 As of March 31, 2018: 276,329 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, 2018	—	13.50	—	13.50	27.00
Fiscal Year ending March 31, 2019	—				
Fiscal Year ending March 31, 2019 (Forecast)		16.00	—	14.00	30.00

(Notes)

- *1 Revisions to the latest dividend forecast announced : No
- *2 Detail of 2nd quarter dividend : Ordinary 14.00 yen, Commemorative 2.00 yen

3. Consolidated financial forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	12.1	18,700	(5.9)	22,000	(2.3)	13,500	7.1	52.48
Full Year	435,000	8.2	40,000	11.7	46,500	39.9	27,500	55.4	106.91

(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:	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 June 30, 2018:	272,623,270 shares
As of March 31, 2018:	272,623,270 shares
2. Number of shares of treasury stock at period-end:	
As of June 30, 2018:	15,410,477 shares
As of March 31, 2018:	15,354,390 shares
3. Average number of shares during the period:	
Three months ended June 30, 2018:	257,252,050 shares
Three months ended June 30, 2017:	257,334,970 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

(1) Overview of financial results under review

During the quarter under review, the global economy continued to face heightened geopolitical risks and uncertainties in political, policy and trade developments in different countries; however, the United States, which is experiencing a continued recovery, saw positive corporate sentiment and improvement in employment, Europe enjoyed robust consumer spending, and China and emerging countries in Asia continued to enjoy economic recovery owing to the effects of various measures. The Japanese economy continued to see a mild recovery owing to improvements in the global economy as well as in the employment and income environments.

The Group's net sales for the quarter under review were 106,638 million yen (up 19.3% year on year), and operating income was 7,686 million yen (down 12.4% year on year) due to a drop in profits in the Japan segment due to a rise in raw material prices and an increase in selling and general administrative expenses.

Ordinary income ended at 9,328 million yen (down 14.4% year on year) due to an increase in foreign exchange losses, despite an increase in equity in earnings of affiliates. Net income attributable to owners of the parent ended at 4,107 million yen (down 30.2% year on year) despite recording a gain on sale of investment securities that was less than the gain on change of employees' retirement plan in the previous year.

Segment overviews are as follows.

<Japan>

In the new car area of the automotive coatings sector, car production was higher than the previous year, resulting in an increase in sales. Sales of the industrial coatings sector increased year on year due to robust sales of paints for construction machinery. Sales of the marine sector significantly decreased year on year due to sluggish sales of the shipbuilding area. Sales of the decorative coatings and protective coatings sectors decreased year on year since the markets failed to stage a full-scale recovery. In the automotive coatings sector (for refinishing), sales increased year on year due to efforts to continue to expand sales of high-value-added products in a weak market.

As a result, sales of the segment as a whole were slightly higher than the previous year; however, profits declined due to the rise in raw material prices and the increase in selling and general administrative expenses. As a result of these factors, net sales of the segment ended at 38,315 million yen (up 1.1% year on year) and ordinary income ended at 4,618 million yen (down 24.8% year on year).

<India>

Amid continued economic growth mainly in domestic demand, car production continued to increase in the automotive coatings sector, resulting in an increase in sales. Sales of the decorative coatings sector also rose owing to efforts in promoting sales activities amid continued demand growth. Profits increased due to cost reductions, despite a negative effect from the rise in raw material prices. 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 23,091 million yen (down 0.7% year on year), while ordinary income ended at 3,466 million yen (down 4.6% year on year).

<Asia>

In China, sales of the industrial coatings sector saw growth in paints for construction machinery despite a year-on-year decrease in car production which resulted in a drop in sales of the automotive coatings sector, leading to a year-on-year increase in sales in China as a whole. In Indonesia, sales in the automotive and decorative coatings sectors were higher than the previous year owing to a robust economy. In Thailand, operating results exceeded the previous year's level, following a recovery in car production.

As a result of those factors, net sales of the segment were 15,732 million yen (up 2.3% year on year), while ordinary income ended at 1,393 million yen (down 11.0% year on year) due to the impact of the rise in raw material prices and an increase in selling and general administrative expenses.

<Africa>

Amid the sluggish economy in South Africa and neighboring countries, we continued to make efforts in promoting sales activities. Also due to the contribution of results of companies in East Africa, which became consolidated subsidiaries in August 2017, sales were higher than the previous year. However, profitability faced significant pressure from the rise in raw material prices due to currency depreciation and intensified price competition, which led to almost the same level of loss year-on-year.

As a result of those factors, net sales of the segment were 9,924 million yen (up 39.9% year on year), while ordinary loss including the amortization of goodwill ended at 1,173 million yen.

<Europe>

In Turkey, sales in local currencies increased significantly, despite a decrease in car production, owing to efforts to promote sales activities, as did profits, due to various cost reduction measures. However, the translated result in Japanese yen was negatively affected by currency conversion.

The result of the segment as a whole improved year on year, with a positive contribution from the Kansai Helios Group, which became a consolidated subsidiary in March 2017.

As a result of those factors, net sales of the segment were 18,032 million yen (up 308.9% year on year), while ordinary income ended at 770 million yen (up 86.5% year on year).

<Others>

Sales grew in North America, owing to efforts to expand sales of products for automotive components in the industrial coatings sector. However, the region saw sluggish car production, which, together with the impact of intensified competition, led to a decrease in equity in earnings of affiliates.

As a result of those factors, net sales of the segment were 1,542 million yen (up 10.2% year on year), while ordinary income ended at 252 million yen (down 19.8% year on year).

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	65,088	47,924
Trade notes and accounts receivables	114,556	115,790
Securities	8,579	6,785
Finished goods	35,914	37,903
Work-in-process	5,027	6,008
Raw materials and supplies	25,658	26,192
Other	11,371	11,047
Allowance for doubtful receivables	(3,038)	(2,817)
Total current assets	263,158	248,835
Non-current assets		
Total property, plant and equipment	123,913	121,407
Intangible assets		
Goodwill	47,203	45,025
Other	30,542	28,678
Total intangible assets	77,745	73,703
Investments and other assets		
Investment securities	99,812	97,763
Other	42,245	43,800
Allowance for doubtful receivables	(5,544)	(5,988)
Total investments and other assets	136,512	135,576
Total non-current assets	338,172	330,687
Total assets	601,330	579,523

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Trade notes and accounts payables	73,592	73,958
Short-term borrowings	27,414	13,442
Current portion of convertible bonds with stock acquisition rights	-	40,576
Income and enterprise taxes payable	4,211	3,928
Provision for bonuses	5,330	3,205
Other	25,730	27,405
Total current liabilities	136,279	162,517
Non-current liabilities		
Convertible bonds with stock acquisition rights	100,937	60,198
Net defined benefit liability	8,237	8,237
Other	33,450	34,322
Total non-current liabilities	142,625	102,758
Total liabilities	278,904	265,275
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	13,232	13,232
Retained earnings	230,255	230,877
Treasury stock, at cost	(25,264)	(25,393)
Total shareholders' equity	243,882	244,375
Accumulated other comprehensive income		
Net unrealized holding gains on securities	36,363	36,666
Deferred gains on derivatives under hedge accounting	1,423	787
Foreign currency translation adjustments	(6,732)	(13,069)
Remeasurements of defined benefit plans	1,393	1,349
Total accumulated other comprehensive income	32,447	25,733
Non-controlling interests	46,096	44,138
Total net assets	322,425	314,247
Total liabilities and net assets	601,330	579,523

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	89,416	106,638
Cost of sales	60,185	73,072
Gross profit	29,231	33,566
Selling, general and administrative expenses	20,458	25,880
Operating income	8,772	7,686
Non-operating income		
Interest income	360	339
Dividend income	753	849
Equity in earnings of unconsolidated subsidiaries and affiliates	1,067	1,363
Miscellaneous income	458	343
Total non-operating income	2,640	2,895
Non-operating expenses		
Interest expense	285	477
Loss on disposal of inventories	29	63
Foreign currency exchange loss	75	283
Miscellaneous expenses	129	428
Total non-operating expenses	520	1,253
Ordinary income	10,893	9,328
Extraordinary income		
Gain on sale of property, plant and equipment	1	3
Gain on sale of investment securities	38	518
Gain on liquidation of subsidiaries	-	31
Gain on revision of retirement benefit plan	760	-
Total extraordinary income	800	553
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	40	64
Write-down of securities and investment securities	0	4
Total extraordinary losses	41	69
Income before income taxes and non-controlling interests	11,652	9,813
Total income taxes	4,654	4,739
Net income	6,997	5,073
Net income attributable to non-controlling interests	1,109	965
Net income attributable to owners of the parent	5,888	4,107

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net income	6,997	5,073
Other comprehensive income		
Net unrealized holding gains on securities	334	62
Deferred losses on derivatives under hedge accounting	-	(635)
Foreign currency translation adjustments	(3,679)	(5,880)
Remeasurements of defined benefit plans	(117)	(44)
Shares in other comprehensive income of equity method affiliates	(1,530)	(1,823)
Total other comprehensive income	(4,993)	(8,320)
Comprehensive income	2,004	(3,247)
Comprehensive income attributable to:		
Owners of the parent	1,450	(2,605)
Non-controlling interests	554	(641)

Segment information

(1) Three months ended June 30, 2017 (April 1, 2017 - June 30, 2017)

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	37,885	23,252	15,373	7,096	4,409	88,017	1,399	89,416	-	89,416
(2) Intersegment sales and transfers	4,075	6	900	45	7	5,035	-	5,035	(5,035)	-
Total sales	41,960	23,259	16,273	7,142	4,417	93,052	1,399	94,451	(5,035)	89,416
Segment income (loss)	6,138	3,633	1,566	(1,173)	413	10,578	315	10,893	-	10,893

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, Namibia and other locations.
 Europe: Slovenia, Turkey, Austria, Luxembourg and other locations.

(2) 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.