

**Consolidated Financial Results [Japanese GAAP]
for the Second Quarter of the Fiscal Year Ending March 31, 2019
(April 1, 2018 — September 30, 2018)**



November 9, 2018

Company name: Kansai Paint Co., Ltd.
 Stock listing: Tokyo Stock Exchange
 Code number: 4613
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 Scheduled date of the filing of Securities Report: November 12, 2018
 Scheduled date of dividend payment: December 3, 2018
 Supplemental information: Yes
 Financial results briefing: Yes

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the Second Quarter Fiscal Year Ending March 31, 2019 (April 1, 2018 — September 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	%
Six months ended September 30, 2018	215,516	12.3	16,276	(18.5)	19,174	(15.2)	11,631	(8.4)
Six months ended September 30, 2017	191,856	18.2	19,969	11.9	22,623	20.0	12,705	11.1

(Note) Comprehensive income:

Six months ended September 30, 2018: (2,712) million yen —%
 Six months ended September 30, 2017: 19,874 million yen —%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2018	45.22	39.20
Six months ended September 30, 2017	49.38	42.89

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	583,354	314,309	46.4
As of March 31, 2018	601,330	322,425	46.0

(Reference) Shareholders' equity: As of September 30, 2018: 270,611 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	—	16.00	—	—	—
Fiscal Year ending March 31, 2019 (Forecast)	—	—	—	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
Full Year	426,000	6.0	32,400	(9.5)	35,700	7.4	20,700	16.9	80.48

(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, 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 September 30, 2018:	15,452,860 shares
As of March 31, 2018:	15,354,390 shares
3. Average number of shares during the period:	
Six months ended September 30, 2018:	257,220,673 shares
Six months ended September 30, 2017:	257,316,868 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 six-month period under review, the global economy continued to face heightened geopolitical risks and uncertainties concerning political, policy and trade developments in different countries; however, the United States saw positive corporate revenue and improvement in employment, Europe enjoyed robust consumer spending, and China and emerging countries in Asia continued to enjoy economic recovery on the back of the effects of various measures. The Japanese economy, which was temporarily weak due to the impacts of disasters such as heavy rains, continued to experience a mild recovery reflecting improvements in the global economy as well as in the employment and income environments.

The Group's net sales for the six-month period under review were 215,516 million yen (up 12.3% year on year) while operating income declined to 16,276 million yen (down 18.5% year on year) due to a decrease of the profit in the Japan segment caused by a rise of raw material prices and an increase in selling, general and administrative expenses.

Despite an increase in equity in earnings of affiliates in Asia, gains on the sale of shares of affiliates and gains on the sale of investment securities, due to a decrease in operating income, ordinary income was 19,174 million yen (down 15.2% year on year). Net income attributable to owners of the parent was 11,631 million yen (down 8.4% year on year).

Segment overviews are as follows.

< Japan >

In the new car area of the automotive coatings sector, sales grew as we focused on expanding our market share despite car production remaining at the same level compared with the same period last year. Sales in the industrial coatings sector increased year on year due to robust sales of paints for construction machinery. Sales in the marine sector decreased significantly year on year due to sluggish business in the shipbuilding area. Sales in the decorative coatings, automotive coatings (for refinishing) and protective coatings sector decreased year on year since the markets failed to stage a full-scale recovery.

As a result, sales of the segment as a whole were slightly higher than the previous year; however, profit was decreased due to the rise of raw material prices and the increase in selling, general and administrative expenses. As a result of those factors, net sales in the segment were 77,885 million yen (up 0.7% year on year) while ordinary income declined to 8,699 million yen (down 27.5% year on year).

< India >

Amid long-run economic growth centering on domestic demand, car production continued to increase in the automotive coatings sector, leading to sales growth. Sales in the decorative coatings sector also rose on the back of our sales promotion driven by continued demand growth. Business performance, however, was negatively affected by the rise in raw material prices and the translation from weaker local currency into Japanese yen.

As a result of those factors, net sales and ordinary income in the segment were 45,044 million yen (up 2.7% year on year) and 6,412 million yen (down 11.7% year on year), respectively.

< Asia >

In China, sales in the automotive coatings sector remained at almost the same level as a year earlier due to robust car production. Sales in the industrial coatings sector saw growth in paints for construction machinery, leading to a year-on-year increase in sales in China as a whole. In Indonesia, sales in the automotive and decorative coatings sector were slightly higher than the previous year reflecting 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 31,560 million yen (up 2.8% year on year). Despite negative impacts from the rise of raw material prices, ordinary income rose to 3,388 million yen (up 27.3% year on year) reflecting an increase in equity in earnings of affiliates as the amortization of goodwill in the Middle East was cleared off.

< Africa >

Amid the sluggish economy in South Africa and neighboring countries, we continued to endeavor to promote sales. Also due to the contribution of the business performance of companies in East Africa, which became our consolidated subsidiaries in August 2017, higher sales were recorded on the year-on-year basis. Despite a rise in sales compared with the same period last year, profitability faced significant pressure from the rise in raw material prices due to currency depreciation and intensified price competition.

As a result of those factors, net sales of the segment were 19,597 million yen (up 35.8% year on year), while ordinary loss including the amortization of goodwill ended at 2,192 million yen.

< Europe >

In Turkey, despite a decrease in car production, sales in the local currency expanded significantly due to efforts for sales promotions, 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 38,459 million yen (up 68.9% year on year), while ordinary income including the amortization of goodwill ended at 2,469 million yen (up 4.4% year on year).

< Others >

Sales grew in North America, due to efforts to expand sales of paints 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 2,969 million yen (up 7.6% year on year), while ordinary income ended at 398 million yen (down 34.3% year on year).

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	65,088	54,591
Trade notes and accounts receivables	114,556	118,734
Securities	8,579	3,957
Finished goods	35,914	37,518
Work-in-process	5,027	5,869
Raw materials and supplies	25,658	27,459
Other	11,371	10,433
Allowance for doubtful receivables	(3,038)	(2,832)
Total current assets	263,158	255,732
Non-current assets		
Total property, plant and equipment	123,913	121,793
Intangible assets		
Goodwill	47,203	42,833
Other	30,542	27,795
Total intangible assets	77,745	70,629
Investments and other assets		
Investment securities	99,812	99,044
Other	42,245	43,069
Allowance for doubtful receivables	(5,544)	(6,913)
Total investments and other assets	136,512	135,199
Total non-current assets	338,172	327,622
Total assets	601,330	583,354

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Trade notes and accounts payables	73,592	73,890
Short-term borrowings	27,414	13,980
Current portion of convertible bonds with stock acquisition rights	-	40,426
Income and enterprise taxes payable	4,211	3,848
Provision for bonuses	5,330	5,433
Other	25,730	27,670
Total current liabilities	136,279	165,250
Non-current liabilities		
Convertible bonds with stock acquisition rights	100,937	60,185
Net defined benefit liability	8,237	8,309
Other	33,450	35,300
Total non-current liabilities	142,625	103,794
Total liabilities	278,904	269,045
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	13,232	13,232
Retained earnings	230,255	238,401
Treasury stock, at cost	(25,264)	(25,488)
Total shareholders' equity	243,882	251,804
Accumulated other comprehensive income		
Net unrealized holding gains on securities	36,363	38,603
Deferred gains (losses) on derivatives under hedge accounting	1,423	(1,246)
Foreign currency translation adjustments	(6,732)	(19,855)
Remeasurements of defined benefit plans	1,393	1,304
Total accumulated other comprehensive income	32,447	18,806
Non-controlling interests	46,096	43,698
Total net assets	322,425	314,309
Total liabilities and net assets	601,330	583,354

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	191,856	215,516
Cost of sales	127,657	148,132
Gross profit	64,198	67,384
Selling, general and administrative expenses	44,228	51,107
Operating income	19,969	16,276
Non-operating income		
Interest income	713	686
Dividend income	804	907
Equity in earnings of unconsolidated subsidiaries and affiliates	1,717	3,047
Foreign currency exchange gain	-	68
Miscellaneous income	652	531
Total non-operating income	3,887	5,241
Non-operating expenses		
Interest expense	628	931
Loss on disposal of inventories	88	166
Provision of allowance for doubtful receivables	-	846
Foreign currency exchange loss	63	-
Miscellaneous expenses	453	399
Total non-operating expenses	1,233	2,343
Ordinary income	22,623	19,174
Extraordinary income		
Gain on sale of property, plant and equipment	22	13
Gain on sale of investment securities	247	705
Gain on sale of shares of subsidiaries and affiliates	-	855
Gain on liquidation of subsidiaries	-	31
Gain on revision of retirement benefit plan	760	-
Total extraordinary income	1,029	1,606
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	97	146
Write-down of securities and investment securities	-	4
Impairment loss	301	-
Loss on disaster	-	129
Early extra retirement payments	317	-
Total extraordinary losses	717	280
Income before income taxes and non-controlling interests	22,936	20,500
Total income taxes	8,054	6,880
Net income	14,882	13,619
Net income attributable to non-controlling interests	2,176	1,987
Net income attributable to owners of the parent	12,705	11,631

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net income	14,882	13,619
Other comprehensive income		
Net unrealized holding gains on securities	4,349	2,030
Deferred losses on derivatives under hedge accounting	(6)	(2,669)
Foreign currency translation adjustments	979	(12,086)
Remeasurements of defined benefit plans	(127)	(88)
Shares in other comprehensive income of equity method affiliates	(201)	(3,518)
Total other comprehensive income	4,992	(16,331)
Comprehensive income	19,874	(2,712)
Comprehensive income attributable to:		
Owners of the parent	18,060	(2,008)
Non-controlling interests	1,813	(703)

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Income before income taxes and non-controlling interests	22,936	20,500
Depreciation and amortization	5,921	6,917
Impairment loss	301	-
Amortization of goodwill	1,386	2,453
Increase in allowance for doubtful receivables	342	1,283
Decrease in net defined benefit liability	(2,731)	(166)
Interest and dividend income	(1,517)	(1,594)
Interest expense	628	931
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,717)	(3,047)
Gain on sale of investment securities	(247)	(705)
Write-down of investment securities	-	4
Gain on sale of shares of subsidiaries and affiliates	-	(855)
Loss on sale or disposal of property, plant and equipment, net	75	132
Increase in trade notes and accounts receivables	(13,917)	(7,927)
Increase in inventories	(468)	(7,886)
Increase in trade notes and accounts payables	7,636	2,357
Other, net	284	5,221
Subtotal	18,915	17,620
Interest and dividends received	3,293	4,025
Interest paid	(631)	(886)
Income taxes paid	(7,924)	(7,456)
Net cash provided by operating activities	13,652	13,302
Cash flows from investing activities		
Payments into time deposits	(651)	(128)
Proceeds from withdrawal of time deposits	218	167
Net decrease in securities	1,523	4,596
Purchase of property, plant and equipment	(7,681)	(8,747)
Proceeds from sale of property, plant and equipment	97	987
Purchase of intangible assets	(324)	(437)
Purchase of investment securities	(93)	(197)
Proceeds from sale of investment securities	20	756
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(13,367)	(1,122)
Payments for investments in capital	(436)	(0)
Payments of loans receivable	(147)	(622)
Collection of loans receivable	163	51
Payments for derivative settlement, net	(3,206)	(333)
Other, net	(885)	(94)
Net cash used in investing activities	(24,769)	(5,124)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	16,740	(13,461)
Proceeds from long-term debt	4	1,560
Repayments of long-term debt	(552)	(202)
Purchase of treasury stock	(165)	(4)
Cash dividends paid	(2,840)	(3,485)
Cash dividends paid to non-controlling interests	(1,933)	(1,356)
Other, net	(23)	(35)
Net cash provided by (used in) financing activities	11,229	(16,986)
Effect of exchange rate changes on cash and cash equivalents	239	(1,523)
Increase (decrease) in cash and cash equivalents	352	(10,331)
Cash and cash equivalents at beginning of period	52,314	61,171
Cash and cash equivalents at end of period	52,666	50,840

Segment information

(1) Six months ended September 30, 2017 (April 1, 2017 - September 30, 2017)

1) 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	77,341	43,861	30,695	14,425	22,771	189,095	2,760	191,856	-	191,856
(2) Intersegment sales and transfers	8,387	13	1,735	134	15	10,287	-	10,287	(10,287)	-
Total sales	85,729	43,874	32,430	14,560	22,786	199,382	2,760	202,143	(10,287)	191,856
Segment income (loss)	11,997	7,262	2,662	(2,270)	2,365	22,017	606	22,623	-	22,623

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.

*5 Segment information reflects adjustments to the provisional amounts in the business combination resulting from the completion of the purchase price allocation.

2) Information about impairment loss on non-current assets and goodwill by reportable segment

(Significant impairment loss on non-current assets)

Impairment loss of 301 million yen was recognized in "Japan" segment for the six month ended September 30, 2017.

(Significant changes to the amount of goodwill)

In "Africa" segment, we acquired shares of companies in East Africa, and thereby allocated the goodwill for the six month ended September 30, 2017. Based on this, the increased amount of goodwill was 8,828 million yen.

(Significant gain on bargain purchase)

Not applicable

(2) Six months ended September 30, 2018 (April 1, 2018 - September 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	77,885	45,044	31,560	19,597	38,459	212,547	2,969	215,516	-	215,516
(2) Intersegment sales and transfers	7,655	27	1,780	176	32	9,672	0	9,672	(9,672)	-
Total sales	85,540	45,072	33,341	19,773	38,491	222,219	2,969	225,189	(9,672)	215,516
Segment income (loss)	8,699	6,412	3,388	(2,192)	2,469	18,776	398	19,174	-	19,174

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.