

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



February 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 Third Quarter Fiscal Year Ending March 31, 2019 (April 1, 2018 – December 31, 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	%
Nine months ended December 31, 2018	325,631	9.2	24,815	(14.2)	27,956	(13.3)	16,766	(7.3)
Nine months ended December 31, 2017	298,064	21.8	28,917	10.4	32,230	8.8	18,082	(2.7)

(Note) Comprehensive income:

Nine months ended December 31, 2018: (3,810) million yen —%
 Nine months ended December 31, 2017: 35,614 million yen 119.0%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2018	65.19	56.47
Nine months ended December 31, 2017	70.28	60.99

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	585,924	322,780	46.6
As of March 31, 2018	601,330	322,425	46.0

(Reference) Shareholders' equity: As of December 31, 2018: 272,960 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	80.49

(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 December 31, 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 December 31, 2018:	15,478,839 shares
As of March 31, 2018:	15,354,390 shares
3. Average number of shares during the period:	
Nine months ended December 31, 2018:	257,198,880 shares
Nine months ended December 31, 2017:	257,303,147 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 nine-month period 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, in spite of signs of a slowdown in economic growth in China, other emerging countries in Asia generally continued to enjoy the economic recovery. The United States saw positive corporate revenue and improvement in employment and Europe enjoyed robust consumer spending. The global economy continued to enjoy the recovery. The Japanese economy, which was temporarily weak due to the impacts of disasters such as heavy rains, continued to experience a mild recovery supported by a gradual pickup in the global economy as well as improvements in capital expenditures and employment and income environments.

The Group's net sales for the nine-month period under review were 325,631 million yen (up 9.2% year on year) while operating income declined to 24,815 million yen (down 14.2% 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 27,956 million yen (down 13.3% year on year). Net income attributable to owners of the parent was 16,766 million yen (down 7.3% 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 protective coatings sector slightly decreased year on year since the markets failed to stage a full-scale recovery. Sales in the decorative coatings and the automotive coatings (for refinishing) sectors remained at almost the same level as the last year.

As a result, sales of the segment as a whole were slightly higher than the last year; however, profits were 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 119,527 million yen (up 1.9% year on year) while ordinary income declined to 14,341 million yen (down 20.7% year on year).

< India >

Amid long-run economic growth centering on domestic demands, car production increased 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 of 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 67,584 million yen (up 5.1% year on year) and 9,007 million yen (down 15.1% year on year), respectively.

< Asia >

In China, sales in the automotive coatings sector increased year on year 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 coatings, the industrial coatings, and the decorative coatings sectors were higher than the

last year reflecting a robust economy. In Thailand, operating results exceeded the last year's level, following a recovery in car production.

As a result of those factors, net sales of the segment were 48,080 million yen (up 2.6% year on year). Despite negative impact from the rise of raw material prices, ordinary income rose to 4,885 million yen (up 57.6% 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 of raw material prices due to currency depreciation and the intensified price competition.

As a result of those factors, net sales of the segment were 29,733 million yen (up 23.7% year on year) while ordinary loss including the amortization of goodwill ended at 2,900 million yen.

< Europe >

In Turkey, despite a decrease in car production, sales in the local currency expanded significantly due to efforts for sales promotions. However, profits decreased due to an increase in foreign exchange loss caused by the depreciation of the local currency and a decrease in equity in earnings of affiliates. Together with a positive contribution from Kansai Helios Group, which became a consolidated subsidiary in March 2017, sales of the segment as a whole exceeded those in the last year. However, profits decreased year on year due to the negative impact from the rise of raw material prices.

As a result of those factors, net sales of the segment were 56,237 million yen (up 35.6% year on year) while ordinary income including the amortization of goodwill ended at 2,055 million yen (down 44.8% 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 4,468 million yen (up 11.3 % year on year) while ordinary income ended at 566 million yen (down 23.1% year on year).

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	65,088	55,198
Trade notes and accounts receivables	114,556	119,571
Securities	8,579	3,052
Finished goods	35,914	37,456
Work-in-process	5,027	6,201
Raw materials and supplies	25,658	27,643
Other	11,371	23,050
Allowance for doubtful receivables	(3,038)	(3,281)
Total current assets	263,158	268,893
Non-current assets		
Total property, plant and equipment	123,913	123,760
Intangible assets		
Goodwill	47,203	42,688
Other	30,542	28,091
Total intangible assets	77,745	70,779
Investments and other assets		
Investment securities	99,812	83,127
Other	42,245	46,599
Allowance for doubtful receivables	(5,544)	(7,236)
Total investments and other assets	136,512	122,490
Total non-current assets	338,172	317,030
Total assets	601,330	585,924

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Trade notes and accounts payables	73,592	73,183
Short-term borrowings	27,414	14,456
Current portion of convertible bonds with stock acquisition rights	-	40,276
Income and enterprise taxes payable	4,211	2,661
Provision for bonuses	5,330	3,858
Other	25,730	28,002
Total current liabilities	136,279	162,439
Non-current liabilities		
Convertible bonds with stock acquisition rights	100,937	60,173
Net defined benefit liability	8,237	8,478
Other	33,450	32,052
Total non-current liabilities	142,625	100,704
Total liabilities	278,904	263,143
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	13,232	22,342
Retained earnings	230,255	238,575
Treasury stock, at cost	(25,264)	(25,534)
Total shareholders' equity	243,882	261,042
Accumulated other comprehensive income		
Net unrealized holding gains on securities	36,363	29,201
Deferred gains on derivatives under hedge accounting	1,423	1,970
Foreign currency translation adjustments	(6,732)	(20,514)
Remeasurements of defined benefit plans	1,393	1,260
Total accumulated other comprehensive income	32,447	11,918
Non-controlling interests	46,096	49,819
Total net assets	322,425	322,780
Total liabilities and net assets	601,330	585,924

(2) Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	298,064	325,631
Cost of sales	199,096	224,684
Gross profit	98,968	100,946
Selling, general and administrative expenses	70,050	76,131
Operating income	28,917	24,815
Non-operating income		
Interest income	1,023	1,021
Dividend income	1,494	1,624
Equity in earnings of unconsolidated subsidiaries and affiliates	1,440	2,923
Foreign currency exchange gain	171	-
Miscellaneous income	1,039	798
Total non-operating income	5,169	6,367
Non-operating expenses		
Interest expense	988	1,401
Loss on disposal of inventories	145	240
Provision of allowance for doubtful receivables	-	797
Foreign currency exchange loss	-	302
Miscellaneous expenses	722	485
Total non-operating expenses	1,856	3,226
Ordinary income	32,230	27,956
Extraordinary income		
Gain on sale of property, plant and equipment	37	39
Gain on sale of investment securities	506	1,174
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	1,304	2,100
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	226	356
Write-down of securities and investment securities	-	16
Impairment loss	301	-
Loss on disaster	-	140
Early extra retirement payments	468	410
Total extraordinary losses	996	923
Income before income taxes and non-controlling interests	32,537	29,133
Total income taxes	11,241	9,360
Net income	21,296	19,773
Net income attributable to non-controlling interests	3,213	3,006
Net income attributable to owners of the parent	18,082	16,766

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net income	21,296	19,773
Other comprehensive income		
Net unrealized holding gains (losses) on securities	9,387	(6,641)
Deferred gains (losses) on derivatives under hedge accounting	(612)	547
Foreign currency translation adjustments	4,847	(11,065)
Remeasurements of defined benefit plans	(137)	(132)
Shares in other comprehensive income of equity method affiliates	832	(6,291)
Total other comprehensive income	14,317	(23,583)
Comprehensive income	35,614	(3,810)
Comprehensive income attributable to:		
Owners of the parent	32,222	(3,761)
Non-controlling interests	3,391	(49)

Segment information

(1) Nine months ended December 31, 2017 (April 1, 2017 - December 31, 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	117,352	64,296	46,868	24,045	41,487	294,049	4,015	298,064	-	298,064
(2) Intersegment sales and transfers	12,721	44	2,759	212	43	15,781	-	15,781	(15,781)	-
Total sales	130,074	64,341	49,627	24,257	41,530	309,831	4,015	313,846	(15,781)	298,064
Segment income (loss)	18,095	10,607	3,100	(4,032)	3,723	31,492	737	32,230	-	32,230

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 nine month ended December 31, 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) Nine months ended December 31, 2018 (April 1, 2018 - December 31, 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	119,527	67,584	48,080	29,733	56,237	321,163	4,468	325,631	-	325,631
(2) Intersegment sales and transfers	11,527	44	2,590	240	80	14,483	0	14,483	(14,483)	-
Total sales	131,054	67,628	50,671	29,974	56,317	335,647	4,468	340,115	(14,483)	325,631
Segment income (loss)	14,341	9,007	4,885	(2,900)	2,055	27,389	566	27,956	-	27,956

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.