

Consolidated Financial Results [Japanese GAAP]
for the Second Quarter of the Fiscal Year Ending March 31, 2024
(April 1, 2023 — September 30, 2023)



November 9, 2023

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: November 10, 2023
Scheduled date of dividend payment: December 4, 2023
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, 2024 (April 1, 2023 — September 30, 2023)

(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, 2023	274,005	9.3	25,734	63.3	32,084	52.5	46,452	275.5
Six months ended September 30, 2022	250,700	23.3	15,762	(6.4)	21,041	1.3	12,371	7.7

(Note) Comprehensive income:

Six months ended September 30, 2023: 50,179 million yen 28.8%
Six months ended September 30, 2022: 38,971 million yen 46.2%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2023	204.25	—
Six months ended September 30, 2022	49.81	48.21

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	673,460	389,394	47.8
As of March 31, 2023	671,954	353,020	43.6

(Reference) Shareholders' equity: As of September 30, 2023: 321,745 million yen
As of March 31, 2023: 292,910 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, 2023	—	15.00	—	15.00	30.00
Fiscal Year ending March 31, 2024	—	18.00	—	—	—
Fiscal Year ending March 31, 2024 (Forecast)	—	—	—	18.00	36.00

(Note) Revisions to the latest dividend forecast announced : No

3. Consolidated financial forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 — March 31, 2024)

(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	555,000	9.0	45,000	40.3	49,000	21.8	57,000	126.2	251.27

(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, 2023:	238,623,270 shares
As of March 31, 2023:	272,623,270 shares
2. Number of shares of treasury stock at period-end:	
As of September 30, 2023:	12,454,427 shares
As of March 31, 2023:	42,115,208 shares
3. Average number of shares during the period:	
Six months ended September 30, 2023:	227,434,526 shares
Six months ended September 30, 2022:	248,362,592 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

In the fiscal year under review, the global economy showed signs of easing supply constraints and a slowdown in the inflation rate, but geopolitical risks remained high and underlying upward pressure on prices was persistent. Monetary tightening, particularly in the United States and Europe, has progressed, and the pace of recovery has slowed. Under such circumstances, the economic recovery in China has remained at a slow pace after the termination of the zero-corona policy, partly due to the impact of the stagnant real estate market. In Europe, the economy continues to be depressed by monetary tightening due to price hikes and interest rate hikes. In other regions, the economy showed signs of recovery or a pick-up supported by robust domestic demand. Japan's economy has picked up moderately, mainly in domestic demand, reflecting the normalization of economic activity, while being affected by such factors as the rise in prices and the slowdown in the pace of recovery in overseas economies.

The Group's net sales for the period under review were 274,005 million yen (up 9.3% year-on-year). Operating income was 25,734 million yen (up 63.3% year-on-year) as a result of efforts to improve profits, such as passing on price increases to sales prices, while selling expenses increased in line with sales growth. Ordinary income was 32,084 million yen (up 52.5% year-on-year) mainly due to an increase in equity in earnings of affiliates and foreign exchange gains caused by the depreciation of the yen. Profit attributable to owners of parent was 46,452 million yen (up 275.5% year on year), mainly due to gains on sales of investment securities associated with the reduction in strategic shareholdings and gains on sales of fixed assets associated with the sale of land in India.

Segment overviews are as follows.

From this consolidated fiscal year, the main business management indicators used in evaluating the performance of our group have been changed from ordinary income to operating income and equity in earnings of affiliates. Accordingly, segment income has also been changed from ordinary income to operating income and equity in earnings of affiliates. As a result of this change, segment income for the same quarter of the previous fiscal year is also compared after changing to operating income and equity in earnings of affiliates.

<Japan>

In the automotive coatings sector, the number of automobiles manufactured increased from the previous year, and sales increased from the previous year. In the industrial coatings, decorative coatings, automotive coatings (for refinishing) and the protective coatings sector, total sales increased year on year due to efforts to improve selling prices amid a gradual recovery in market conditions. In the marine sectors, sales increased from the previous year due to an increase in the volume of ships for repairs of ocean-going vessels. Profits increased year on year due to lower prices for some raw materials, as well as efforts to improve selling prices.

As a result of those factors, the segment's net sales and segment income were 80,147 million yen (up 9.0% year on year) and 10,006 million yen (up 110.9% year on year), respectively.

<India>

In the decorative coatings sector, sales promotion activities were promoted, but sales fell below the previous year due to the impact of sluggish market conditions caused by the influence of the monsoon, and intensifying competition. On the other hand, automobile production was stable, and improvements in selling prices also contributed to an increase in overall sales in India over the previous year. Profits increased from the previous year due to a decline in the prices of some raw materials, as well as continued efforts to improve selling prices.

As a result of those factors, the segment's net sales and segment income were 71,040 million yen (up 4.2% year on year) and 8,948 million yen (up 38.8% year on year), respectively.

<Europe>

In Turkey, the number of automobiles manufactured increased from the previous year, and sales increased from the previous year due in part to efforts to improve selling prices. In other European countries, sales in the mainstay industrial coatings sector were firm, and efforts to improve selling prices and other measures resulted in higher sales than in the previous year, resulting in a year-on-year increase in Europe as a whole. Profits declined from the previous fiscal year due to the significant impact of rising personnel and other costs caused by inflation.

As a result of those factors, the segment's net sales and segment income were 64,685 million yen (up 18.8% year on year) and 1,302 million yen (down 19.9% year on year), respectively.

<Asia>

In China, although the number of automobiles manufactured increased from the previous year, demand from major customers was sluggish, and sales fell below the previous year. In Thailand, Malaysia, and Indonesia, sales increased year on year due to a recovery in automobile production and efforts to improve selling prices. Profits increased from the previous year due to a decline in certain raw material prices and an improvement in equity in earnings of affiliates.

As a result of those factors, the segment's net sales and segment income were 34,967 million yen (up 8.7% year on year) and 5,607 million yen (up 78.5% year on year), respectively.

<Africa>

The economies of South Africa and neighboring countries were slow to recover due to chronic power shortages and high prices, and demand was sluggish. Despite efforts to improve sales prices, sales decreased from the previous year. In East Africa, we focused on expanding sales in the decorative coatings sector, and sales were firm. However, overall sales in Africa were slightly lower than the previous year. On the other hand, profits increased from the previous year due to an improvement in the product mix and cost reduction initiatives.

As a result of those factors, the segment's net sales and segment income were 18,869 million yen (down 1.2% year on year) and 1,542 million yen (up 37.4% year on year), respectively.

<Others>

In North America, the number of automobiles manufactured increased from the previous year, and sales increased from the previous year. Profits increased from the previous fiscal year, mainly due to an improvement in operating income accompanying an increase in sales and an increase in equity in earnings of affiliates.

As a result of those factors, the segment's net sales and segment income were 4,296 million yen (up 31.3% year on year) and 1,199 million yen (up 148.9% year on year), respectively.

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	86,973	64,484
Trade notes and accounts receivable, and contract assets	106,785	128,254
Securities	8,169	17,535
Finished goods	54,673	56,310
Work-in-process	7,994	8,266
Raw materials and supplies	42,942	44,311
Other	16,819	17,023
Allowance for doubtful receivables	(4,526)	(4,697)
Total current assets	319,832	331,488
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	65,465	69,701
Other, net	80,844	87,139
Total property, plant and equipment	146,309	156,841
Intangible assets		
Goodwill	34,905	36,648
Other	28,842	32,363
Total intangible assets	63,747	69,011
Investments and other assets		
Investment securities	89,098	59,502
Other	58,061	62,242
Allowance for doubtful receivables	(5,094)	(5,626)
Total investments and other assets	142,065	116,119
Total non-current assets	352,122	341,972
Total assets	671,954	673,460

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Trade notes and accounts payable	80,999	89,242
Short-term borrowings	73,432	37,692
Short-term bonds payable	44,999	45,000
Income and enterprise taxes payable	7,760	19,412
Provision for bonuses	4,930	5,045
Other	53,209	35,946
Total current liabilities	265,332	232,338
Non-current liabilities		
Net defined benefit liability	7,818	8,316
Other	45,783	43,411
Total non-current liabilities	53,602	51,727
Total liabilities	318,934	284,066
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	21,056	20,879
Retained earnings	299,019	276,913
Treasury stock, at cost	(79,971)	(22,874)
Total shareholders' equity	265,762	300,576
Accumulated other comprehensive income		
Net unrealized holding gains on securities	32,744	16,523
Deferred losses on derivatives under hedge accounting	(2,045)	(3,448)
Foreign currency translation adjustments	(7,937)	4,003
Remeasurements of defined benefit plans	4,385	4,090
Total accumulated other comprehensive income	27,147	21,168
Non-controlling interests	60,110	67,649
Total net assets	353,020	389,394
Total liabilities and net assets	671,954	673,460

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	250,700	274,005
Cost of sales	183,812	190,574
Gross profit	66,887	83,431
Selling, general and administrative expenses	51,124	57,697
Operating income	15,762	25,734
Non-operating income		
Interest income	212	433
Dividend income	923	956
Equity in earnings of unconsolidated subsidiaries and affiliates	1,831	2,863
Foreign currency exchange gain	3,074	3,328
Miscellaneous income	880	1,049
Total non-operating income	6,922	8,631
Non-operating expenses		
Interest expense	568	783
Loss on disposal of inventories	198	126
Loss on net monetary position	117	504
Miscellaneous expenses	760	866
Total non-operating expenses	1,644	2,281
Ordinary income	21,041	32,084
Extraordinary income		
Gain on sale of property, plant and equipment	285	11,311
Gain on sale of investment securities	2,401	32,571
Gain on sale of shares of subsidiaries and affiliates	—	41
Gain on liquidation of subsidiaries	—	22
Total extraordinary income	2,686	43,947
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	47	202
Loss on sale of investment securities	2	41
Write-down of securities and investment securities	—	7
Loss on liquidation of subsidiaries	—	101
Early extra retirement payments	12	8
Total extraordinary losses	62	361
Income before income taxes and non-controlling interests	23,665	75,669
Total income taxes	9,050	23,800
Net income	14,615	51,868
Net income attributable to non-controlling interests	2,243	5,416
Net income attributable to owners of the parent	12,371	46,452

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net income	14,615	51,868
Other comprehensive income		
Net unrealized holding losses on securities	(6,718)	(19,429)
Deferred gains (losses) on derivatives under hedge accounting	1,196	(1,425)
Foreign currency translation adjustments	24,119	14,683
Remeasurements of defined benefit plans	(348)	(295)
Shares in other comprehensive income of equity method affiliates	6,108	4,776
Total other comprehensive income	24,356	(1,689)
Comprehensive income	38,971	50,179
Comprehensive income attributable to:		
Owners of the parent	30,165	40,473
Non-controlling interests	8,806	9,705

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Income before income taxes and non-controlling interests	23,665	75,669
Depreciation and amortization	7,656	8,529
Amortization of goodwill	1,911	2,179
Increase in allowance for doubtful receivables	805	305
Decrease in net defined benefit liability	(636)	(590)
Interest and dividend income	(1,136)	(1,390)
Interest expense	568	783
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,831)	(2,863)
Gain on sale of investment securities	(2,398)	(32,571)
Write-down of investment securities	—	7
Gain on sale or disposal of property, plant and equipment, net	(237)	(11,109)
Increase in trade notes and accounts receivable	(14,278)	(16,194)
Decrease (increase) in inventories	(11,056)	4,860
Increase in trade notes and accounts payable	11,376	6,612
Other, net	(3,756)	(3,692)
Subtotal	10,652	30,535
Interest and dividends received	3,865	4,951
Interest paid	(599)	(364)
Income taxes paid	(2,473)	(12,423)
Net cash provided by operating activities	11,444	22,698
Cash flows from investing activities		
Payments into time deposits	(1,999)	(1,938)
Proceeds from withdrawal of time deposits	3,521	1,722
Net decrease (increase) in securities	1,473	(7,579)
Purchase of property, plant and equipment	(3,724)	(7,022)
Proceeds from sale of property, plant and equipment	378	11,314
Purchase of intangible assets	(923)	(2,443)
Purchase of investment securities	(27)	(11)
Proceeds from sale of investment securities	3,983	36,639
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(16,734)
Payments of loans receivable	(75)	(51)
Collection of loans receivable	40	281
Payments for settlement of derivative, net	—	(11,699)
Payments for acquisition of businesses	—	(429)
Other, net	(260)	(428)
Net cash provided by investing activities	2,386	1,619
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	47,952	(37,183)
Proceeds from long-term debt	486	3,760
Repayments of long-term debt	(1,580)	(200)
Proceeds from issuance of bonds	54,999	95,000
Redemption of bonds	(10,000)	(94,999)
Redemption of convertible bonds with stock acquisition rights	(60,000)	—
Purchase of treasury stock	(50,003)	(9,022)
Cash dividends paid	(3,873)	(3,483)
Cash dividends paid to non-controlling interests	(2,598)	(3,094)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,661)	(234)
Other, net	(554)	(810)
Net cash used in financing activities	(26,832)	(50,271)
Effect of exchange rate changes on cash and cash equivalents	3,994	2,889
Decrease in cash and cash equivalents	(9,006)	(23,064)
Cash and cash equivalents at beginning of period	59,709	83,263
Cash and cash equivalents at end of period	50,702	60,199

Segment information

(1) Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

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	73,537	68,156	54,467	32,168	19,098	247,428	3,271	250,700	—	250,700
(2) Intersegment sales and transfers	7,403	16	109	1,796	84	9,410	—	9,410	(9,410)	—
Total sales	80,941	68,173	54,576	33,964	19,183	256,838	3,271	260,110	(9,410)	250,700
Operating income	4,264	6,487	1,885	1,920	1,108	15,666	66	15,732	30	15,762
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	480	(39)	(259)	1,220	14	1,416	415	1,831	—	1,831
Segment income	4,744	6,447	1,625	3,141	1,122	17,082	481	17,564	30	17,594

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 adjusted to reflect operating income recorded in the Consolidated Statements of Income which is adjusted by Equity in earnings (losses) of unconsolidated subsidiaries and affiliates.
- *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) Six months ended September 30, 2023 (April 1, 2023 - September 30, 2023)

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	80,147	71,040	64,685	34,967	18,869	269,709	4,296	274,005	—	274,005
(2) Intersegment sales and transfers	8,452	39	5	1,773	163	10,434	—	10,434	(10,434)	—
Total sales	88,599	71,079	64,691	36,741	19,033	280,144	4,296	284,440	(10,434)	274,005
Operating income	9,264	8,969	1,852	3,823	1,515	25,426	317	25,743	(9)	25,734
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	742	(21)	(550)	1,783	27	1,981	882	2,863	—	2,863
Segment income	10,006	8,948	1,302	5,607	1,542	27,407	1,199	28,607	(9)	28,597

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 adjusted to reflect operating income recorded in the Consolidated Statements of Income which is adjusted by Equity in earnings (losses) of unconsolidated subsidiaries and affiliates.
- *4 Reportable segments other than Japan include the following countries:
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 Asia: Indonesia, Thailand, China and other locations.
 Africa: South Africa, Uganda, Zimbabwe and other locations.
- *5 From this consolidated fiscal year, the main business management indicators used in evaluating the performance of our group have been changed from ordinary income to operating income and equity in earnings of affiliates. Accordingly, segment income has also been changed from ordinary income to operating income and equity in earnings of affiliates. As a result of this change, segment income for the same quarter of the previous fiscal year is also compared after changing to operating income and equity in earnings of affiliates.