

Consolidated Financial Results [Japanese GAAP]
for the Third Quarter of the Fiscal Year Ending March 31, 2024
(April 1, 2023 – December 31, 2023)



February 8, 2024

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 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, 2024 (April 1, 2023 – December 31, 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	%
Nine months ended December 31, 2023	422,294	10.3	41,390	71.3	44,189	53.4	53,943	221.3
Nine months ended December 31, 2022	383,008	22.9	24,167	0.4	28,805	(4.8)	16,788	(5.0)

(Note) Comprehensive income:

Nine months ended December 31, 2023: 62,368 million yen 53.9%
 Nine months ended December 31, 2022: 40,531 million yen 17.6%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2023	237.58	—
Nine months ended December 31, 2022	68.92	67.32

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	683,333	396,718	48.1
As of March 31, 2023	671,954	353,020	43.6

(Reference) Shareholders' equity: As of December 31, 2023: 328,433 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)	—	—	—	20.00	38.00

(Note) Revisions to the latest dividend forecast announced : Yes

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	560,000	10.0	50,000	55.9	55,000	36.8	64,000	154.0	282.12

(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 December 31, 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 December 31, 2023:	12,455,564 shares
As of March 31, 2023:	42,115,208 shares
3. Average number of shares during the period:	
Nine months ended December 31, 2023:	227,054,616 shares
Nine months ended December 31, 2022:	243,601,234 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, although supply constraints have generally been resolved and the inflation rate has been slowing, geopolitical risks have remained high and upward pressure on prices has been persistent. Monetary tightening has continued, particularly in the United States and Europe, 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 in the consolidated cumulative third quarter of this fiscal year were 422,294 million yen (up 10.3% year-on-year). Operating income was 41,390 million yen (up 71.3% year-on-year) as a result of efforts to reduce costs and improve selling prices, despite an increase in fixed costs such as personnel expenses. Ordinary income was 44,189 million yen (up 53.4% year-on-year) mainly due to an increase in equity in earnings of unconsolidated subsidiaries and affiliates, despite foreign exchange losses and loss on net monetary position related to the hyperinflation accounting standard. Profit attributable to owners of parent was 53,943 million yen (up 221.3% year on year) 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, although market conditions were sluggish, efforts to improve selling prices led to a year-on-year increase in total sales. 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 123,006 million yen (up 8.7% year on year) and 16,407 million yen (up 99.4% year on year), respectively.

<India>

In the decorative coatings sector, sales promotion activities were promoted, but sales were on a par with 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 105,216 million yen (up 5.6% year on year)

and 12,469 million yen (up 37.6% 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 increased year on year due to steady sales in the mainstay industrial coatings sector and efforts to improve selling prices. As a result, sales in Europe as a whole increased year on year. Profits increased from the previous year due to an improvement in selling prices and a decline in some raw material prices, despite an increase in personnel and other costs caused by inflation.

As a result of those factors, the segment's net sales and segment income were 102,825 million yen (up 22.2% year on year) and 3,953 million yen (up 123.6% 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 lower prices of certain raw materials and an increase in equity in earnings of affiliates.

As a result of those factors, the segment's net sales and segment income were 53,416 million yen (up 6.0% year on year) and 8,796 million yen (up 65.4% 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. Amid these conditions, efforts to capture demand in the industrial coatings sector and improve sales prices led to a year-on-year increase in sales. In East Africa as well, we focused on expanding sales in the decorative coatings sector, and sales were firm. As a result, overall sales in Africa increased year on year. Profits increased from the previous year due to cost-cutting measures such as the replacement of raw materials with cheaper products.

As a result of those factors, the segment's net sales and segment income were 31,049 million yen (up 1.9% year on year) and 2,862 million yen (up 32.4% 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 6,780 million yen (up 31.5% year on year) and 2,166 million yen (up 137.9% year on year), respectively.

Consolidated financial statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	86,973	70,211
Trade notes and accounts receivable, and contract assets	106,785	129,033
Securities	8,169	19,116
Finished goods	54,673	56,624
Work-in-process	7,994	8,408
Raw materials and supplies	42,942	41,745
Other	16,819	16,827
Allowance for doubtful receivables	(4,526)	(4,701)
Total current assets	319,832	337,265
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	65,465	68,896
Other, net	80,844	89,219
Total property, plant and equipment	146,309	158,115
Intangible assets		
Goodwill	34,905	35,722
Other	28,842	32,464
Total intangible assets	63,747	68,186
Investments and other assets		
Investment securities	89,098	61,482
Other	58,061	63,732
Allowance for doubtful receivables	(5,094)	(5,450)
Total investments and other assets	142,065	119,765
Total non-current assets	352,122	346,067
Total assets	671,954	683,333

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Trade notes and accounts payable	80,999	89,360
Short-term borrowings	73,432	41,717
Short-term bonds payable	44,999	45,000
Income and enterprise taxes payable	7,760	16,826
Provision for bonuses	4,930	4,033
Other	53,209	37,276
Total current liabilities	265,332	234,214
Non-current liabilities		
Net defined benefit liability	7,818	8,340
Other	45,783	44,060
Total non-current liabilities	53,602	52,400
Total liabilities	318,934	286,614
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	21,056	19,953
Retained earnings	299,019	281,360
Treasury stock, at cost	(79,971)	(22,877)
Total shareholders' equity	265,762	304,095
Accumulated other comprehensive income		
Net unrealized holding gains on securities	32,744	15,749
Deferred gains (losses) on derivatives under hedge accounting	(2,045)	7
Foreign currency translation adjustments	(7,937)	4,637
Remeasurements of defined benefit plans	4,385	3,943
Total accumulated other comprehensive income	27,147	24,337
Non-controlling interests	60,110	68,285
Total net assets	353,020	396,718
Total liabilities and net assets	671,954	683,333

(2) Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	383,008	422,294
Cost of sales	281,004	292,021
Gross profit	102,004	130,272
Selling, general and administrative expenses	77,836	88,882
Operating income	24,167	41,390
Non-operating income		
Interest income	318	556
Dividend income	1,639	1,199
Equity in earnings of unconsolidated subsidiaries and affiliates	3,425	5,246
Foreign currency exchange gain	391	—
Miscellaneous income	1,053	1,527
Total non-operating income	6,828	8,530
Non-operating expenses		
Interest expense	943	1,485
Loss on disposal of inventories	261	178
Foreign currency exchange loss	—	1,012
Loss on net monetary position	—	2,115
Miscellaneous expenses	986	940
Total non-operating expenses	2,190	5,731
Ordinary income	28,805	44,189
Extraordinary income		
Gain on sale of property, plant and equipment	304	11,366
Gain on sale of investment securities	2,547	32,771
Gain on sale of shares of subsidiaries and affiliates	—	41
Gain on liquidation of subsidiaries and affiliates	—	31
Total extraordinary income	2,851	44,210
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	105	198
Impairment loss	215	69
Loss on sale of investment securities	2	41
Write-down of securities and investment securities	—	7
Loss on sale of shares of subsidiaries and affiliates	20	—
Loss on liquidation of subsidiaries	—	101
Early extra retirement payments	14	8
Total extraordinary losses	358	427
Income before income taxes and non-controlling interests	31,298	87,972
Total income taxes	11,428	26,333
Net income	19,870	61,638
Net income attributable to non-controlling interests	3,081	7,695
Net income attributable to owners of the parent	16,788	53,943

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net income	19,870	61,638
Other comprehensive income		
Net unrealized holding losses on securities	(7,503)	(19,990)
Deferred gains on derivatives under hedge accounting	3,465	2,031
Foreign currency translation adjustments	19,100	12,535
Remeasurements of defined benefit plans	(522)	(442)
Shares in other comprehensive income of equity method affiliates	6,121	6,596
Total other comprehensive income	20,661	729
Comprehensive income	40,531	62,368
Comprehensive income attributable to:		
Owners of the parent	32,610	51,133
Non-controlling interests	7,921	11,235

Segment information

(1) Nine months ended December 31, 2022 (April 1, 2022 - December 31, 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	113,201	99,659	84,124	50,382	30,483	377,851	5,157	383,008	—	383,008
(2) Intersegment sales and transfers	11,139	33	164	2,712	161	14,210	—	14,210	(14,210)	—
Total sales	124,340	99,692	84,288	53,094	30,645	392,062	5,157	397,219	(14,210)	383,008
Operating income	7,436	9,116	2,046	3,310	2,099	24,009	16	24,026	141	24,167
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	792	(53)	(278)	2,008	62	2,531	893	3,425	—	3,425
Segment income	8,229	9,063	1,767	5,318	2,162	26,540	910	27,451	141	27,593

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 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) Nine months ended December 31, 2023 (April 1, 2023 - December 31, 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	123,006	105,216	102,825	53,416	31,049	415,514	6,780	422,294	—	422,294
(2) Intersegment sales and transfers	12,006	54	18	2,749	216	15,046	—	15,046	(15,046)	—
Total sales	135,013	105,271	102,843	56,166	31,266	430,561	6,780	437,341	(15,046)	422,294
Operating income	15,277	12,496	4,396	5,772	2,752	40,695	713	41,409	(19)	41,390
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	1,129	(26)	(443)	3,024	109	3,793	1,452	5,246	—	5,246
Segment income	16,407	12,469	3,953	8,796	2,862	44,489	2,166	46,656	(19)	46,636

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 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.
- *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 unconsolidated subsidiaries and affiliates. Accordingly, segment income has also been changed from ordinary income to operating income and equity in earnings of unconsolidated subsidiaries and affiliates. As a result of this change, segment income for the same quarter of the previous consolidated fiscal year is also compared after changing to operating income and equity in earnings of unconsolidated subsidiaries and affiliates.