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Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (Based on Japanese GAAP)

May 11, 2020

Company name: CHUGOKU MARINE PAINTS, LTD.
 Stock exchange listing: Tokyo
 Stock code: 4617 URL <https://www.cmp.co.jp/>
 Representative: President Masataka Uetake
 Inquiries: Managing Director Junji Tomochika TEL 03-3506-3951
 Scheduled date of ordinary general meeting of shareholders: June 25, 2020
 Scheduled date to file Securities Report: June 25, 2020
 Scheduled date to commence dividend payments: June 26, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2020	87,729	(0.8)	3,498	–	4,065	–	(71)	–
Year ended March 31, 2019	88,452	6.6	(588)	–	(170)	–	(710)	–

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	(1.20)	–	(0.1)	3.7	4.0
Year ended March 31, 2019	(11.36)	–	(1.0)	(0.1)	(0.7)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	106,069	62,986	54.8	999.17
As of March 31, 2019	113,851	68,514	55.7	1,043.96

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2020	4,612	2,237	(5,950)	21,479
Year ended March 31, 2019	3,135	(186)	(6,754)	20,799

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2019	–	17.00	–	17.00	34.00	2,087	–	3.1
Year ended March 31, 2020	–	17.00	–	17.00	34.00	1,998	–	3.3
Year ending March 31, 2021 (Forecast)	–	17.00	–	17.00	34.00		–	

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	80,000	(8.8)	3,000	(14.3)	3,200	(21.3)	1,900	—	32.64
	~82,000	~(6.5)	~5,000	~42.9	~5,200	~27.9	~3,100		~53.25

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2020

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

Yes

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2020	∴	69,068,822 shares	As of March 31, 2019	∴	69,068,822 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	∴	10,851,745 shares	As of March 31, 2019	∴	8,367,936 shares
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Average number of shares during the period

Year ended March 31, 2020	∴	59,460,219 shares	Year ended March 31, 2019	∴	62,529,854 shares
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These financial results are not subject to audit by certified public accountants or auditing firms.

Explanation regarding the appropriate use of forecasts of business results and other special instructions

These forecasts are based on various assumptions made at the date of release of these materials, including the information available at the date of release of these materials and uncertain factors that may affect future results, and the Company makes no representations as to their achievability. Actual results may differ materially from these forecasts as a consequence of various factors.

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	29,209	26,669
Notes and accounts receivable - trade	32,126	30,817
Securities	204	236
Merchandise and finished goods	10,132	9,678
Work in process	528	533
Raw materials and supplies	6,699	6,886
Other	1,504	1,305
Allowance for doubtful accounts	(849)	(850)
Total current assets	79,556	75,276
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,766	18,096
Accumulated depreciation	(12,300)	(12,570)
Buildings and structures, net	7,466	5,525
Machinery, equipment and vehicles	17,198	16,901
Accumulated depreciation	(12,910)	(13,422)
Machinery, equipment and vehicles, net	4,287	3,479
Tools, furniture and fixtures	4,717	4,724
Accumulated depreciation	(4,138)	(4,213)
Tools, furniture and fixtures, net	579	511
Land	13,130	13,093
Leased assets	44	2,181
Accumulated depreciation	(33)	(460)
Leased assets, net	11	1,720
Construction in progress	110	473
Total property, plant and equipment	25,586	24,803
Intangible assets	1,341	513
Investments and other assets		
Investment securities	5,368	3,920
Retirement benefit asset	84	95
Deferred tax assets	1,224	1,034
Other	2,122	1,779
Allowance for doubtful accounts	(1,432)	(1,355)
Total investments and other assets	7,366	5,474
Total non-current assets	34,294	30,792
Total assets	113,851	106,069

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,219	11,264
Short-term borrowings	18,246	17,322
Current portion of long-term borrowings	1,012	10
Lease obligations	4	167
Accounts payable - other	2,454	2,319
Accrued expenses	2,769	2,517
Income taxes payable	449	590
Provision for bonuses	130	137
Provision for product warranties	334	267
Other	444	650
Total current liabilities	39,065	35,248
Non-current liabilities		
Long-term borrowings	1,722	2,712
Lease obligations	8	606
Long-term accounts payable - other	119	121
Deferred tax liabilities	57	114
Deferred tax liabilities for land revaluation	2,230	2,223
Retirement benefit liability	1,576	1,587
Other	557	469
Total non-current liabilities	6,271	7,835
Total liabilities	45,337	43,083
Net assets		
Shareholders' equity		
Share capital	11,626	11,626
Capital surplus	7,793	7,788
Retained earnings	47,286	45,190
Treasury shares	(6,688)	(9,019)
Total shareholders' equity	60,017	55,585
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	225	174
Revaluation reserve for land	3,814	3,798
Foreign currency translation adjustment	(519)	(1,241)
Remeasurements of defined benefit plans	(168)	(149)
Total accumulated other comprehensive income	3,352	2,583
Non-controlling interests	5,144	4,817
Total net assets	68,514	62,986
Total liabilities and net assets	113,851	106,069

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	88,452	87,729
Cost of sales	68,551	63,714
Gross profit	19,900	24,015
Selling, general and administrative expenses	20,489	20,516
Operating profit (loss)	(588)	3,498
Non-operating income		
Interest income	346	318
Dividend income	177	151
Royalty income	73	79
Technical advisory fee income	89	103
Foreign exchange gains	11	129
Rental income from real estate	123	110
Other	252	229
Total non-operating income	1,073	1,122
Non-operating expenses		
Interest expenses	398	406
Commission expenses	145	33
Other	110	116
Total non-operating expenses	655	556
Ordinary profit (loss)	(170)	4,065
Extraordinary income		
Gain on sales of non-current assets	18	14
Gain on sales of investment securities	680	82
Gain on sales of memberships	4	–
Total extraordinary income	702	96
Extraordinary losses		
Loss on sales of non-current assets	0	–
Impairment loss	122	1,626
Loss on sales of investment securities	–	24
Loss on valuation of investment securities	–	1,167
Loss on valuation of membership	18	–
Total extraordinary losses	142	2,818
Profit before income taxes	390	1,343
Income taxes - current	884	935
Income taxes - deferred	425	162
Total income taxes	1,309	1,097
Profit (loss)	(919)	245
Profit (loss) attributable to non-controlling interests	(209)	317
Loss attributable to owners of parent	(710)	(71)

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit (loss)	(919)	245
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,599)	(50)
Foreign currency translation adjustment	(2,330)	(658)
Remeasurements of defined benefit plans, net of tax	(98)	19
Total other comprehensive income	(4,029)	(689)
Comprehensive income	(4,948)	(443)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,475)	(824)
Comprehensive income attributable to non-controlling interests	(473)	381

Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,626	7,783	50,248	(1,703)	67,955
Changes during period					
Dividends of surplus			(2,300)		(2,300)
Loss attributable to owners of parent			(710)		(710)
Purchase of treasury shares				(5,000)	(5,000)
Disposal of treasury shares		9		14	23
Reversal of revaluation reserve for land			48		48
Net changes in items other than shareholders' equity					
Total changes during period	-	9	(2,961)	(4,985)	(7,938)
Balance at end of period	11,626	7,793	47,286	(6,688)	60,017

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,824	3,863	1,541	(63)	7,166	5,973	81,094
Changes during period							
Dividends of surplus							(2,300)
Loss attributable to owners of parent							(710)
Purchase of treasury shares							(5,000)
Disposal of treasury shares							23
Reversal of revaluation reserve for land							48
Net changes in items other than shareholders' equity	(1,599)	(48)	(2,060)	(105)	(3,814)	(828)	(4,642)
Total changes during period	(1,599)	(48)	(2,060)	(105)	(3,814)	(828)	(12,580)
Balance at end of period	225	3,814	(519)	(168)	3,352	5,144	68,514

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,626	7,793	47,286	(6,688)	60,017
Changes during period					
Dividends of surplus			(2,040)		(2,040)
Loss attributable to owners of parent			(71)		(71)
Purchase of treasury shares				(2,344)	(2,344)
Disposal of treasury shares		2		13	16
Changes in subsidiaries' interests by purchase of its treasury stock		(6)			(6)
Reversal of revaluation reserve for land			15		15
Net changes in items other than shareholders' equity					
Total changes during period	–	(4)	(2,096)	(2,330)	(4,431)
Balance at end of period	11,626	7,788	45,190	(9,019)	55,585

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	225	3,814	(519)	(168)	3,352	5,144	68,514
Changes during period							
Dividends of surplus							(2,040)
Loss attributable to owners of parent							(71)
Purchase of treasury shares							(2,344)
Disposal of treasury shares							16
Changes in subsidiaries' interests by purchase of its treasury stock							(6)
Reversal of revaluation reserve for land							15
Net changes in items other than shareholders' equity	(50)	(15)	(721)	19	(769)	(326)	(1,096)
Total changes during period	(50)	(15)	(721)	19	(769)	(326)	(5,527)
Balance at end of period	174	3,798	(1,241)	(149)	2,583	4,817	62,986

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	390	1,343
Depreciation	1,739	2,159
Impairment loss	122	1,626
Increase (decrease) in allowance for doubtful accounts	(192)	(16)
Increase (decrease) in other provisions	28	(44)
Decrease (increase) in retirement benefit asset	(1)	(10)
Increase (decrease) in retirement benefit liability	87	32
Interest and dividend income	(523)	(469)
Interest expenses	398	406
Foreign exchange losses (gains)	58	(1)
Loss (gain) on sales and retirement of non-current assets	(1)	(5)
Loss (gain) on sales of investment securities	(680)	(57)
Loss (gain) on valuation of investment securities	–	1,167
Decrease (increase) in trade receivables	2,370	1,026
Decrease (increase) in inventories	(938)	44
Decrease/increase in consumption taxes receivable/payable	(158)	187
Increase (decrease) in trade payables	431	(1,808)
Other, net	360	(215)
Subtotal	3,491	5,364
Interest and dividends received	520	486
Interest paid	(399)	(406)
Income taxes paid	(477)	(831)
Net cash provided by (used in) operating activities	3,135	4,612
Cash flows from investing activities		
Payments into time deposits	(13,856)	(9,924)
Proceeds from withdrawal of time deposits	13,544	12,991
Net decrease (increase) in short-term loans receivable	18	17
Purchase of non-current assets	(1,081)	(1,345)
Proceeds from sales of non-current assets	29	68
Purchase of investment securities	(15)	(22)
Proceeds from sales of investment securities	1,099	365
Other, net	75	86
Net cash provided by (used in) investing activities	(186)	2,237
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	898	(697)
Proceeds from long-term borrowings	1,700	500
Repayments of long-term borrowings	(1,713)	(512)
Proceeds from sales of treasury shares	23	16
Purchase of treasury shares	(5,000)	(2,344)
Purchase of treasury shares of subsidiaries	–	(520)
Dividends paid	(2,297)	(2,040)
Dividends paid to non-controlling interests	(361)	(189)
Other, net	(4)	(161)
Net cash provided by (used in) financing activities	(6,754)	(5,950)
Effect of exchange rate change on cash and cash equivalents	(674)	(219)
Net increase (decrease) in cash and cash equivalents	(4,480)	679
Cash and cash equivalents at beginning of period	25,279	20,799
Cash and cash equivalents at end of period	20,799	21,479