

# FY2015 FINANCIAL RESULTS BRIEFING

May 20, 2016



# FY2015 FINANCIAL RESULTS BRIEFING

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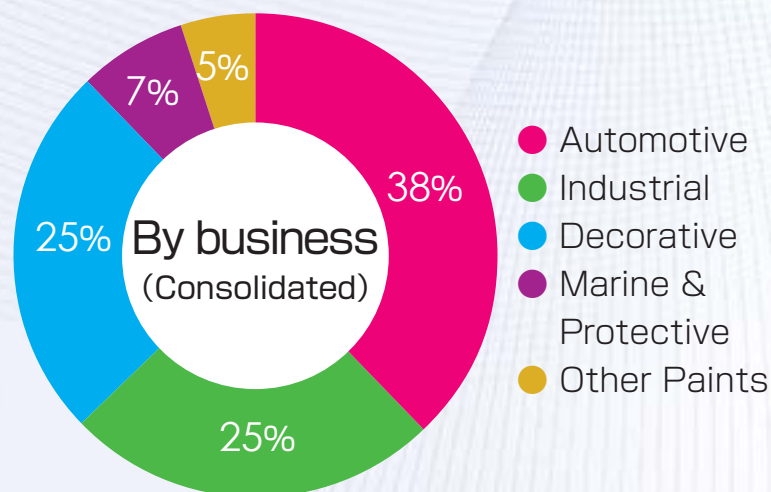
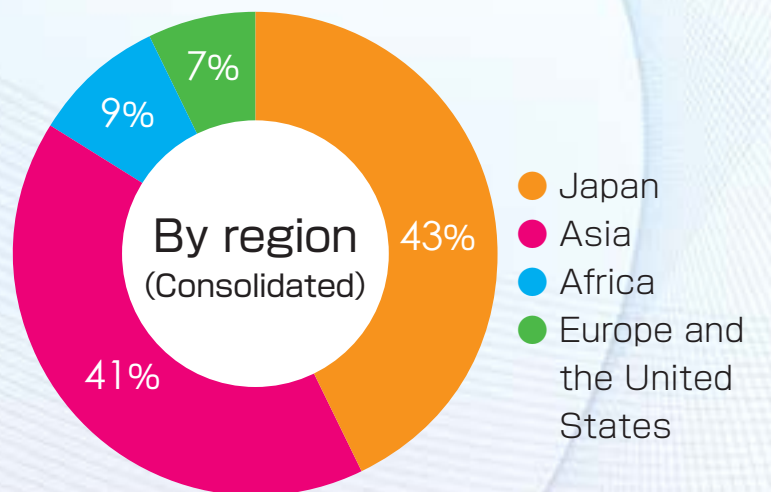
# Consolidated sales in FY2015: 328.1 billion yen

Founded : May 1918

Capital : 25.6 billion yen (as of March 31, 2016)

(Number of Shares Issued : 272 million)

Number of Employees : 12,491 (as of March 31, 2016)



## Main Group companies and their sales results

Figures in parentheses are FY2014 results (Unit : 100M yen)

|                                 | Japan  | Overseas   |
|---------------------------------|--|--|
| <b>Consolidated</b>             | <b>Kansai Paint Sales</b> 986 (1,022)<br><small>(Automotive, Industrial/Decorative, Sales)</small> | <b>KNPL (India)</b> 658 (695)<br><small>(Decorative/Automotive, Manufacturing)</small>   |
|                                 | <b>NKM Coatings</b> 141 (111)<br><small>(Marine, Sales)</small>                                    | <b>KPAL (South Africa)</b> 293 (395)<br><small>(Decorative/Automotive, Manufacturing)</small>  |
|                                 | <b>Kanpe Shoji</b> 75 (79)<br><small>(Industrial, Sales)</small>                                   | <b>TKP (Thailand)</b> 142 (163)<br><small>(Automotive/Industrial, Manufacturing)</small>   |
|                                 | <b>Kanpe Hapio</b> 66 (64)<br><small>(Decorative, Manufacturing)</small>                           | <b>KABS (Turkey)</b> 172 (185)<br><small>(Automotive/Industrial, Manufacturing)</small>  |
|                                 | <b>Other 10 companies</b>  | 21 in Asia, 20 in Africa, and 3 other companies  |
| <b>Equity method affiliates</b> | <b>Ogi Shokai</b> 203 (236)<br><small>(Decorative/Automotive, Sales)</small>                       | <b>Hunan Xiangjiang Kansai (China)</b> 393 (391)<br><small>(Automotive, Manufacturing)</small>   |
|                                 | <b>Eru Mizuho</b> 45 (57)<br><small>(Industrial, Sales)</small>                                    | <b>PKAF·US (United States)</b> 160 (164)<br><small>(Automotive, Manufacturing)</small>   |
|                                 | <b>12 other companies</b>  | <b>Cosco Kansai Paint (Shanghai, China)</b> 106 (119)<br><small>(Marine &amp; Protective, Manufacturing)</small><br>13 in Asia, 4 in Africa, and 9 other companies |

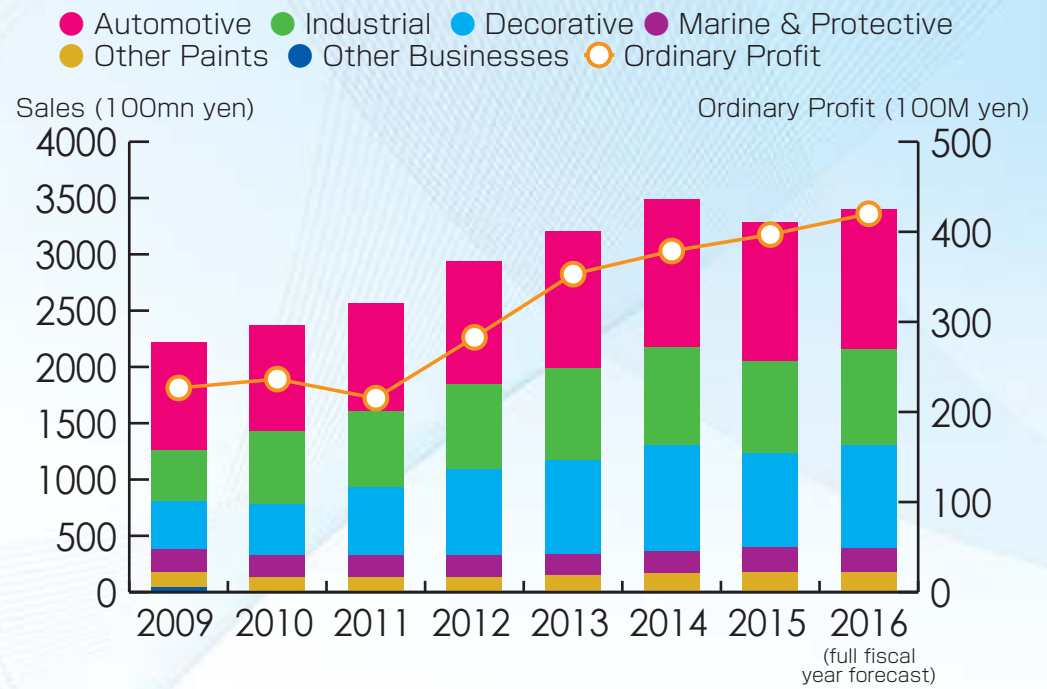
## 2 Financial Results & Forecasts

### Financial Results (consolidated)

#### Full Fiscal Year

|                 | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales           | 2,224 | 2,369 | 2,565 | 2,940 | 3,204 | 3,493 | 3,281 | 3,400 |
| Ordinary Profit | 226   | 235   | 214   | 283   | 354   | 377   | 397   | 420   |

Sales decreased but profits increased year-on-year  
(Sales:  $\Delta$ 6.1%, Ordinary profit: +5.3%)

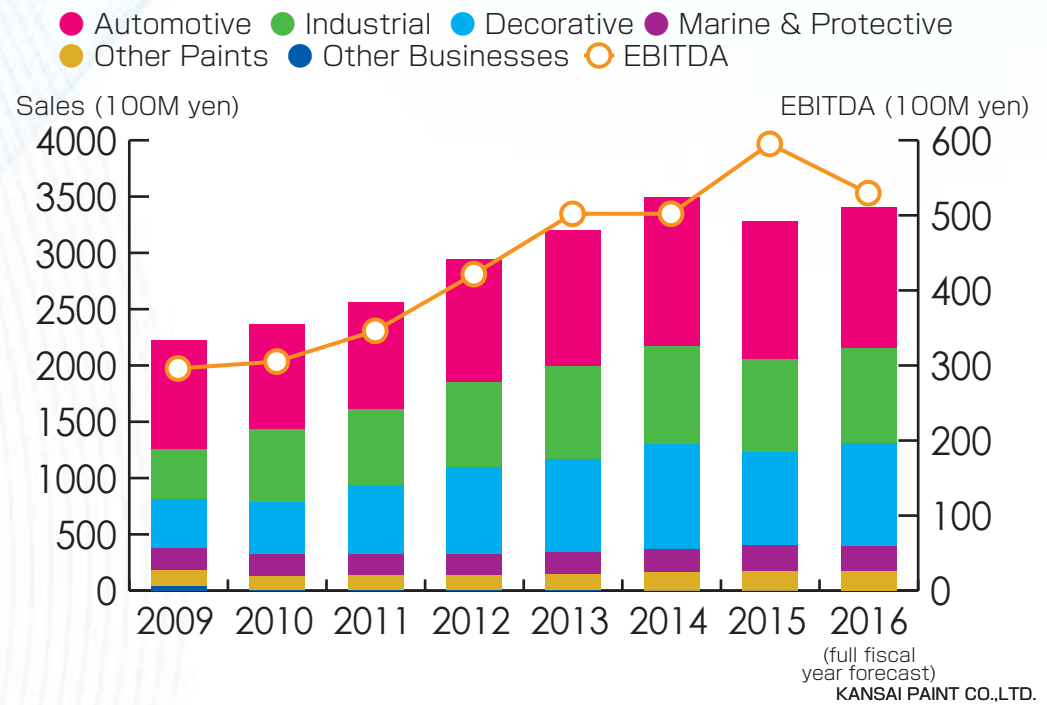


### EBITDA (consolidated)

#### Full fiscal year

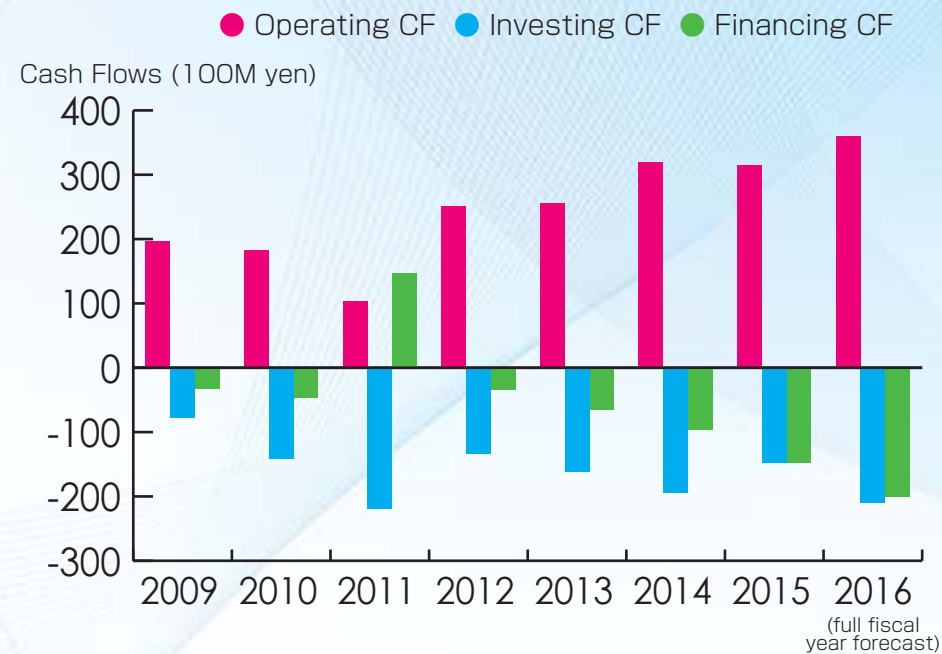
|        | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales  | 2,224 | 2,369 | 2,565 | 2,940 | 3,204 | 3,493 | 3,281 | 3,400 |
| EBITDA | 296   | 305   | 346   | 422   | 502   | 502   | 596   | 530   |

※EBITDA was calculated by adding and subtracting from profit before income taxes and minority interests



### Cash Flows (consolidated)

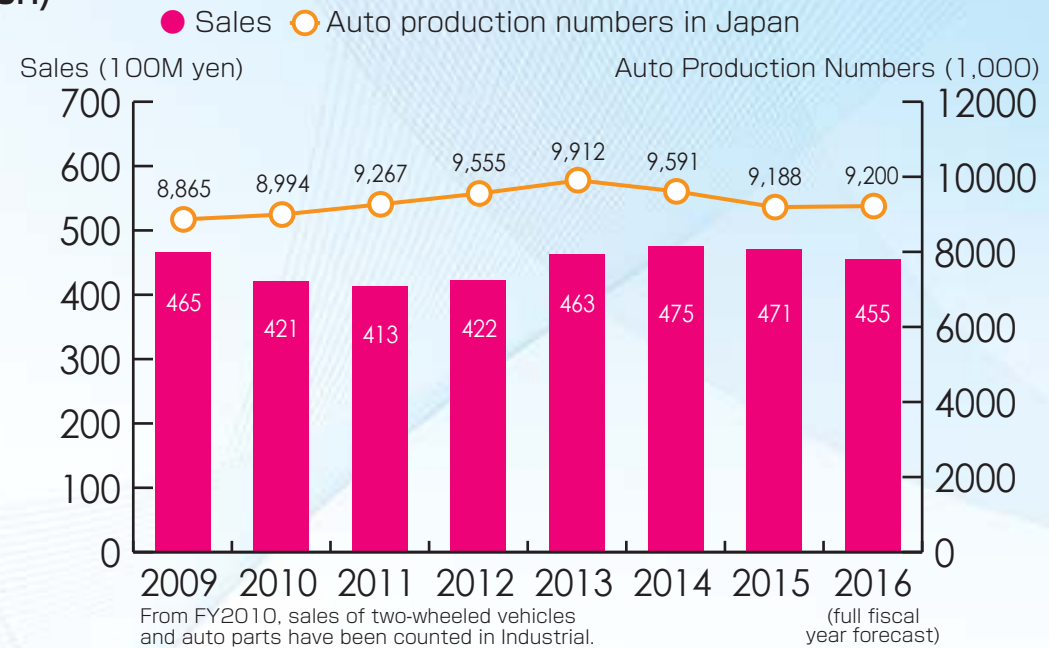
|              | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------|------|------|------|------|------|------|------|------|
| Operating CF | 196  | 183  | 104  | 251  | 255  | 319  | 314  | 360  |
| Investing CF | -77  | -142 | -219 | -134 | -161 | -195 | -147 | -210 |
| Financing CF | -32  | -47  | 147  | -34  | -65  | -96  | -148 | -200 |



## Automotive Coatings in Japan (excluding auto refinish)

- Although auto production numbers were down year-on-year, sales were maintained because of the increase in exports of paints, etc.
- ▷ While auto production numbers will remain at the same level as the previous year, sales are forecast to decrease due to adjustments from the bottoming-out in oil prices.
- ▷ Auto production numbers are forecast as 9.2 million in 2016.

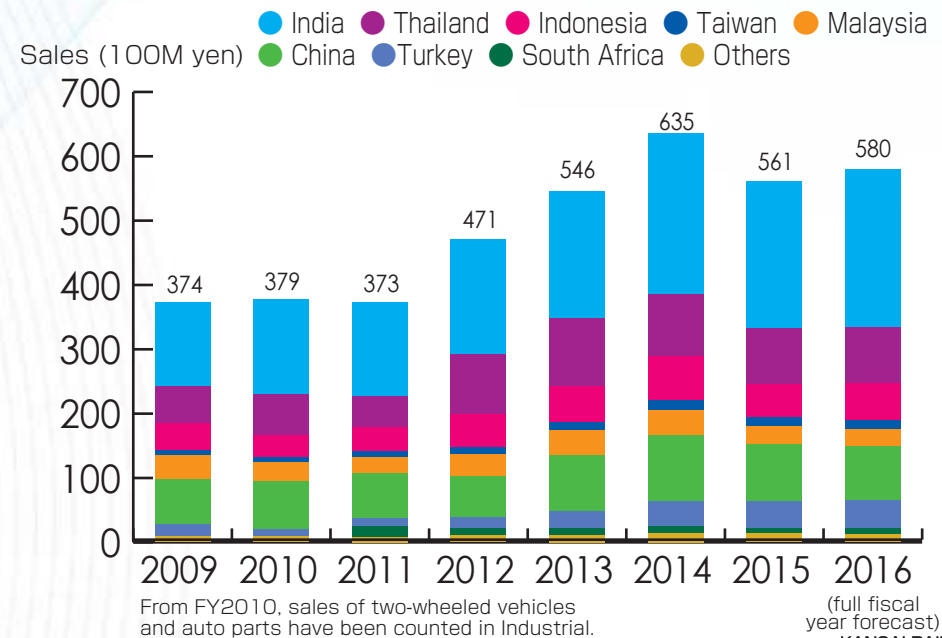
## Consolidated Sales (excluding auto refinish coatings)



## Automotive Coatings Overseas (excluding auto refinish)

- Sales in India increased year-on-year because of the increase in our main customers' auto production.
- Sales in Indonesia were down year-on-year because of the reduction in auto production.
- Sales in Thailand fell year-on-year because auto production failed to recover.
- ▷ Demand is expected to increase in the mid- to long-term to a full recovery for auto production.
- ▷ We will further accelerate entering into and expanding the markets for European and American auto manufacturers.

## Consolidated Sales (excluding auto refinish coatings)



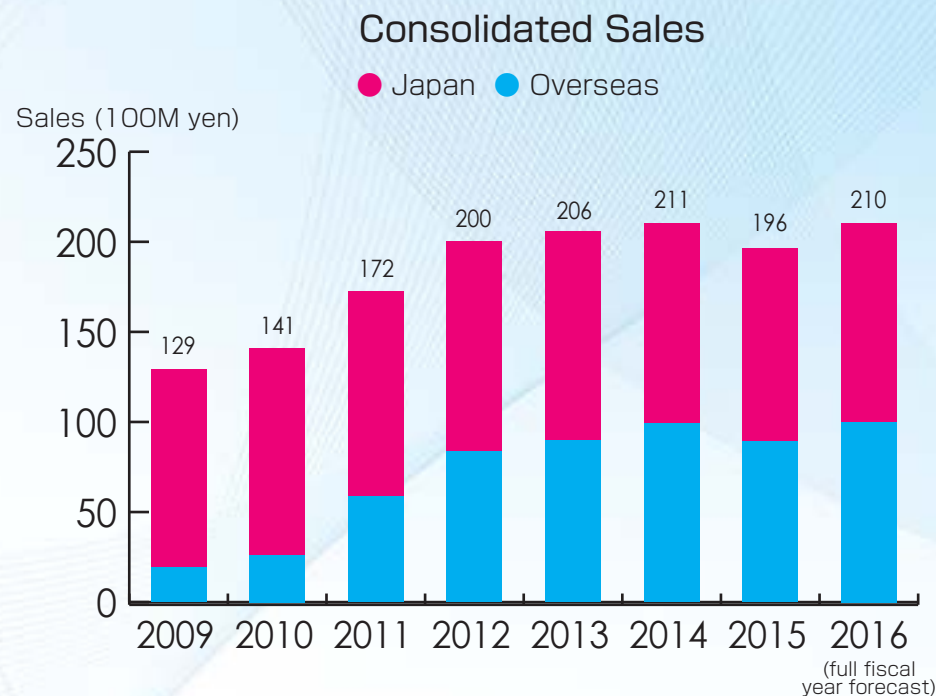
## Auto Refinish

### ■ Japan

- We promoted sales of eco-friendly paints, etc., but results still declined year-on-year because of weak demand.

### ■ Overseas

- Despite low-level economic growth in Africa, sales increased year-on-year on a local currency basis, but fell on a yen basis due to the significant impact of the exchange rate.
- ▷ We are accelerating entering into and developing businesses in emerging nations.



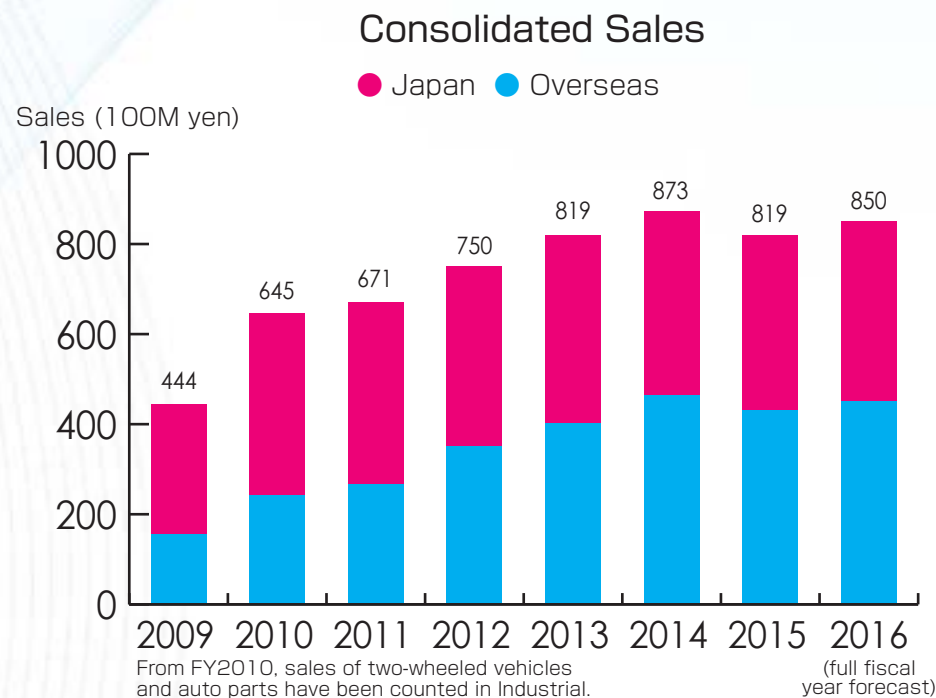
## Industrial

### ■ Japan

- Sales were down year-on-year because of a slowdown in demand for construction machinery, etc.
- ▷ We aim to expand our share by enhancing competitiveness.

### ■ Overseas

- Sales expanded, primarily in emerging countries, including from higher sales to Japanese manufacturers in India, among others; sales increased year-on-year on a local currency basis.
- ▷ We aim to capture demand from new customers, as well as Japanese manufacturers that are shifting their production overseas.



## Decorative

### ■ Japan

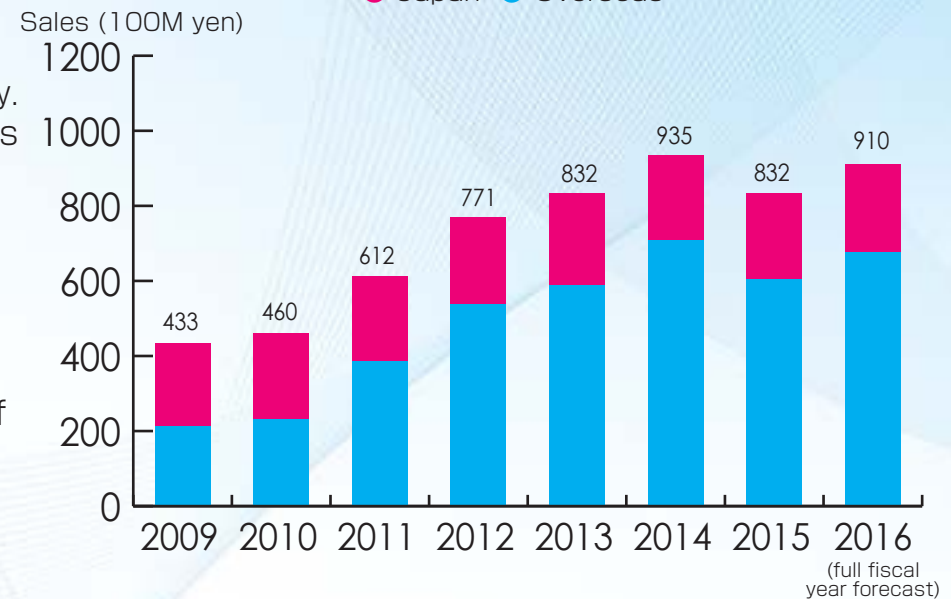
- Although signs of a market recovery can be observed, a full recovery was not realized, and sales increased only slightly.
- ▷ We aim to expand sales by launching and promoting sales of products that reflect market needs.

### ■ Overseas

- Sales in India increased year-on-year on a local currency basis, in conjunction with economic growth.
- Sales in Africa were stagnant because of the decrease in demand from an economic slump in South Africa.
- Sales were down year-on-year in each country because of the major impact of exchange rates.
- ▷ We aim to increase demand in the business deployment regions, including India, Africa, Malaysia, and Indonesia, and to further expand our business deployment regions.

### Consolidated sales

● Japan ● Overseas



## Marine & Protective

### ■ Japan

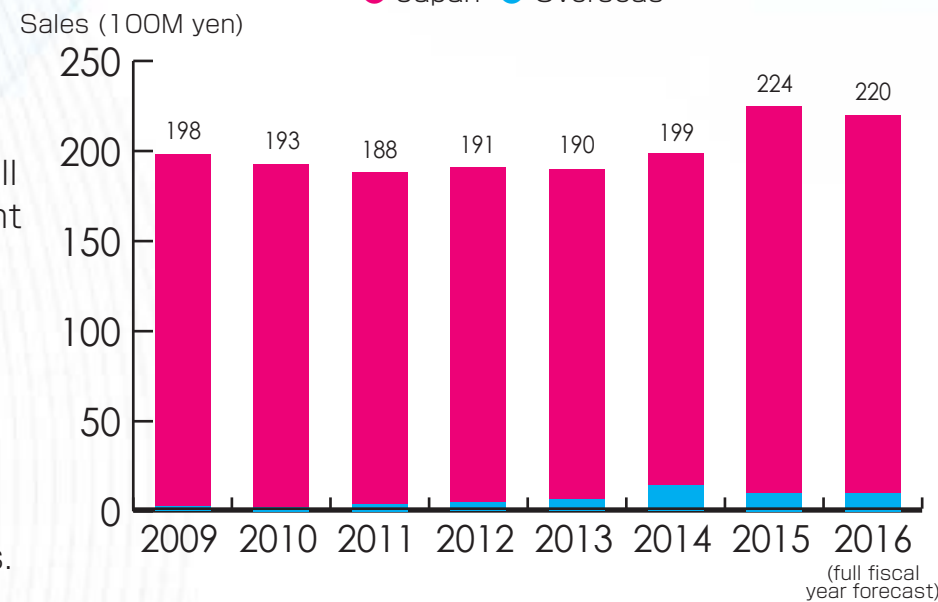
- In Marine, sales increased year-on-year as we worked to expand sales of fuel-saving paint, in addition to the recovery of the Marine market.
- In Protective, sales were unchanged year-on-year, as a full recovery has not been realized, although capital investment picked up and signs of a market recovery can be seen.
- ▷ We aim to capture demand from investments in national resilience initiatives and the Tokyo Olympics.

### ■ Overseas

- Sales increased year-on-year from business expansions in ASEAN countries.
- ▷ We aim to enter into and expand markets for protective products for infrastructure development in emerging nations.

### Consolidated sales

● Japan ● Overseas

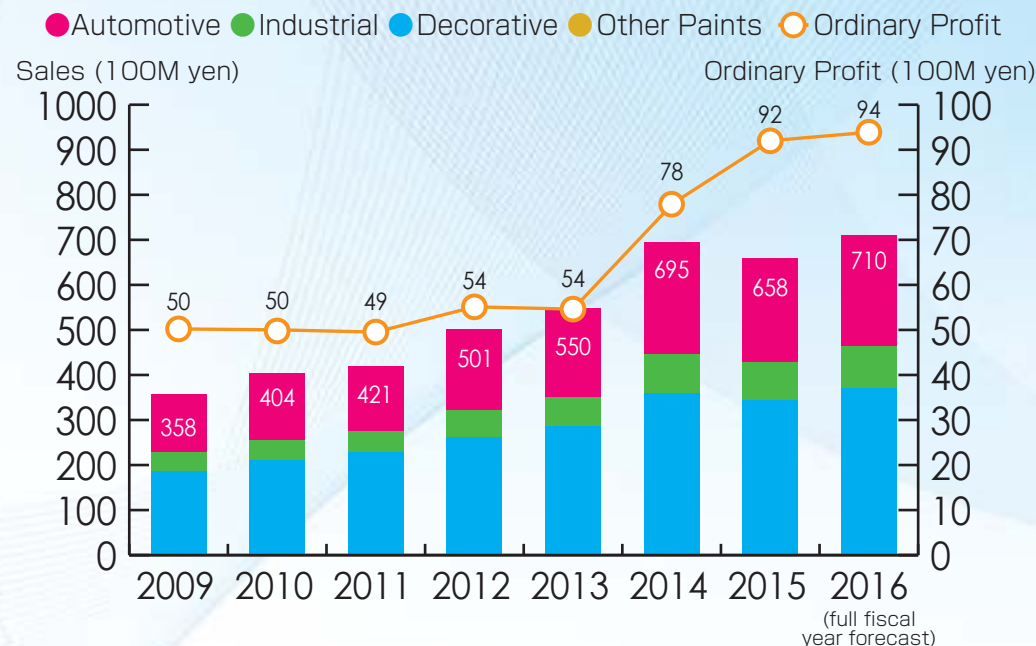




## Kansai Nerolac Paints Ltd. (KNPL)

- In Auto, sales increased on a local currency basis due to higher production for our main auto customers.
- In Decorative, sales increased on a local currency basis due to increases in demand in conjunction with economic growth.
- Although sales increased, these results were adversely affected by the exchange rate.
- ▷ Going forward, an expansion in demand in Automotive and Decorative is expected.
- ▷ We plan to continue to develop the production system to respond to this increase in demand.
- ▷ We will expand our business into neighboring nations, such as Sri Lanka and Nepal.

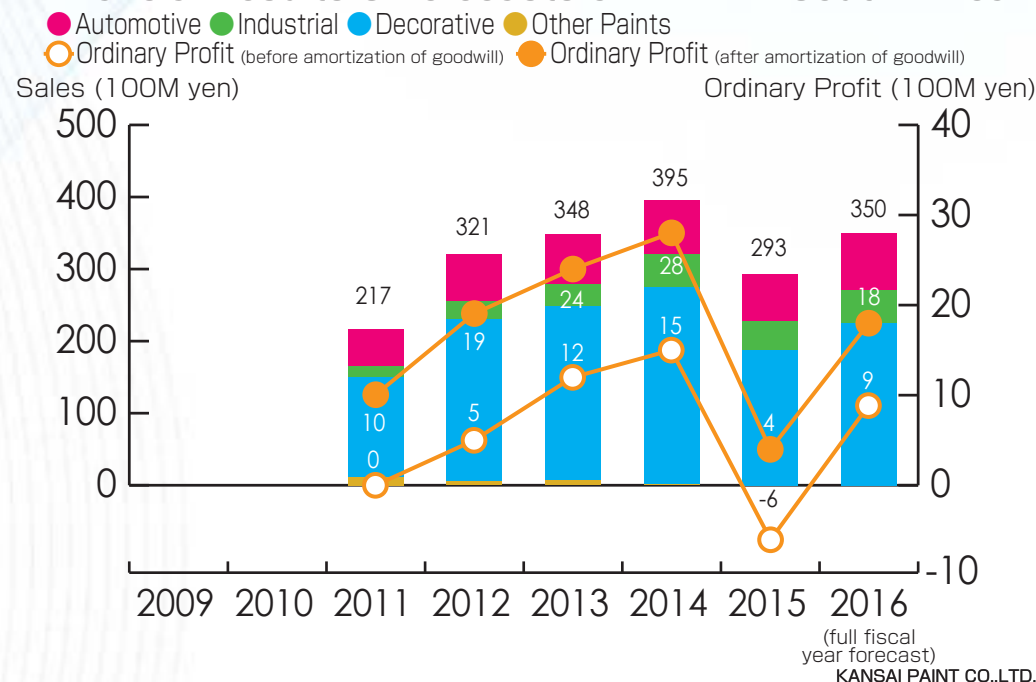
Financial Results & Forecasts of KNPL in India



## Kansai Plascon Africa Ltd. (KPAL)

- We worked to promote sales, but sales were down year-on-year as the economies in South Africa and neighboring countries slumped, and demand stagnated.
- ▷ We bolstered sales activities, primarily for products in Decorative, but the results were down significantly year-on-year because of exchange rates.
- ▷ We aim to enter into new regions and countries in the mid- to long-term, and expand business in conjunction with the economic growth in Africa.

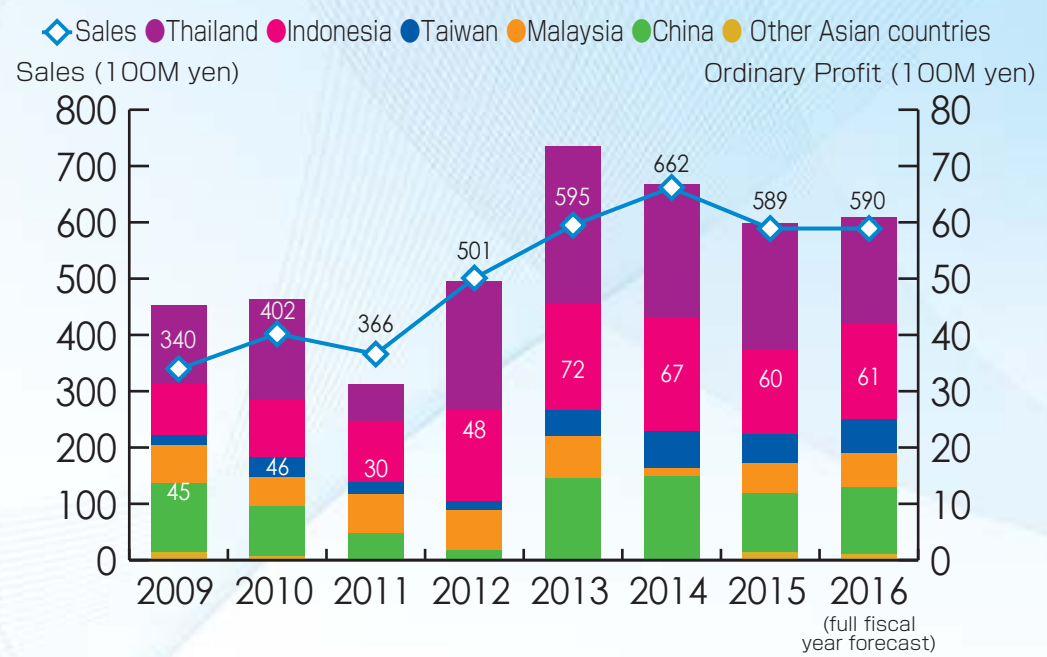
Financial Results & Forecasts of KPAL in South Africa



### Ordinary profit in Asia

- As auto production numbers did not achieve a full-scale recovery in Thailand, sales slumped and profits were down year-on-year.
- In Indonesia, profits fell year-on-year due to a reduction in the number of vehicles produced. Sales growth in Decorative was sluggish, but profits increased due to cost reductions.
- Despite the introduction of tax advantages for small vehicles, profits in China were down year-on-year because of the stagnant demand for construction machinery, among others.
- ▷ Despite the sluggish economic growth in each country, the markets will continue to expand, and business expansion is expected from the increase in demand.

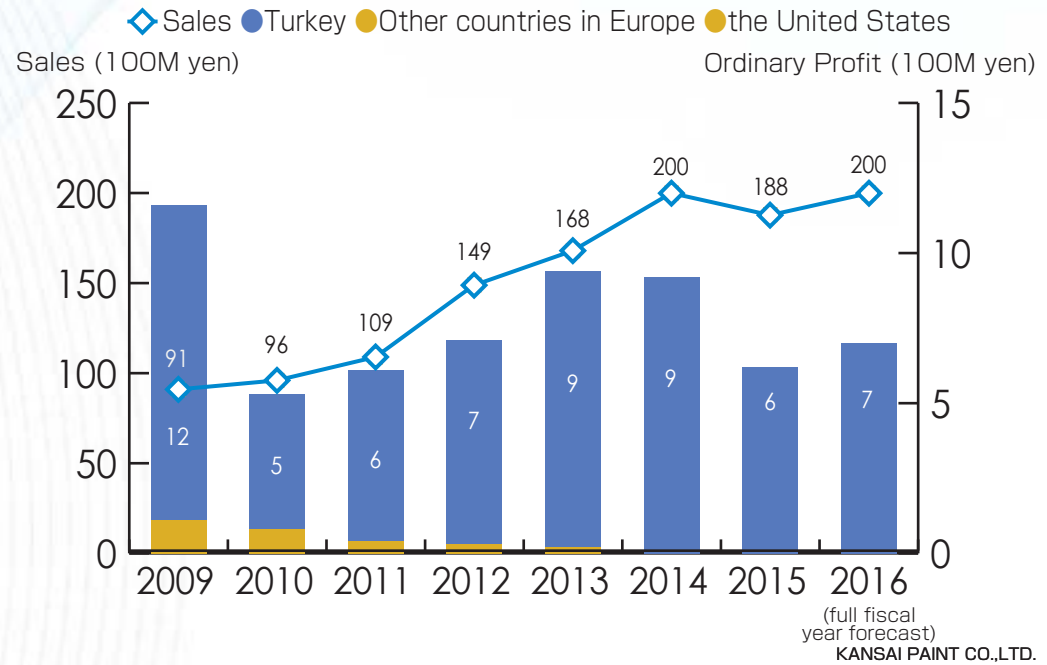
Financial Results & Forecasts of Consolidated Subsidiaries in Asia



### Ordinary profit in Europe and the United States

- Despite the higher sales of Automotive and Industrial products in Turkey, profits were down year-on-year because of the impact of the exchange rate.
- ▷ Although there are concerns about the economy's future, demand is expected to continue to increase.

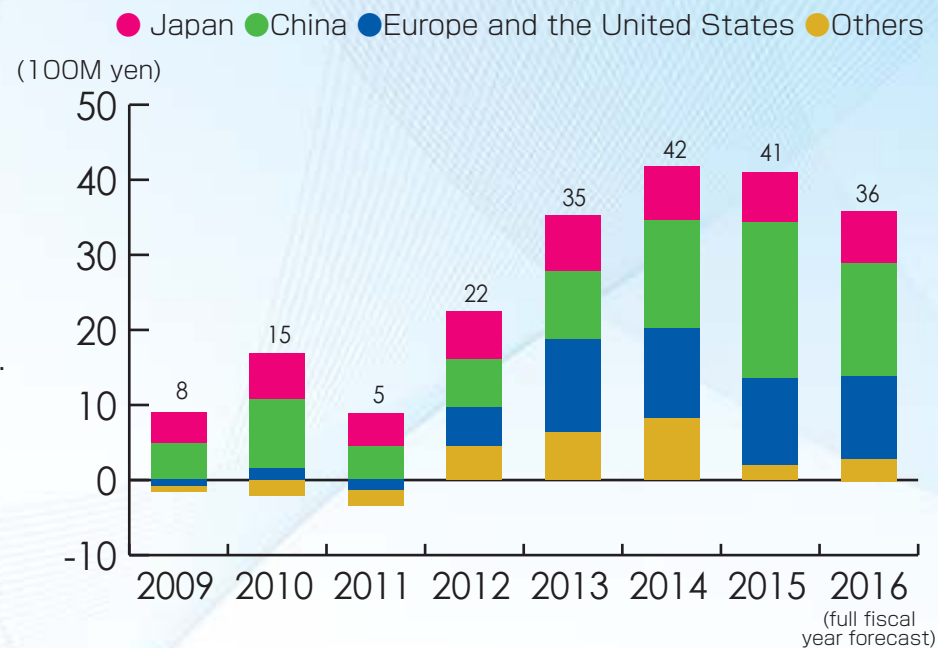
Financial Results & Forecasts of Consolidated Subsidiaries in Europe and the United States



## Profits from equity method affiliates

- In Japan, profits were unchanged year-on-year, despite the impact of the reduction in auto production numbers.
- In China, profits increased year-on-year because of business expansions for non-Japanese auto manufacturers.
- In Europe and the United States, profits were down year-on-year because of stagnant sales growth in Europe.
- ▷ In China, despite the continued business expansion for non-Japanese auto manufacturers, lower profits are forecast because of the slump in container market sales.

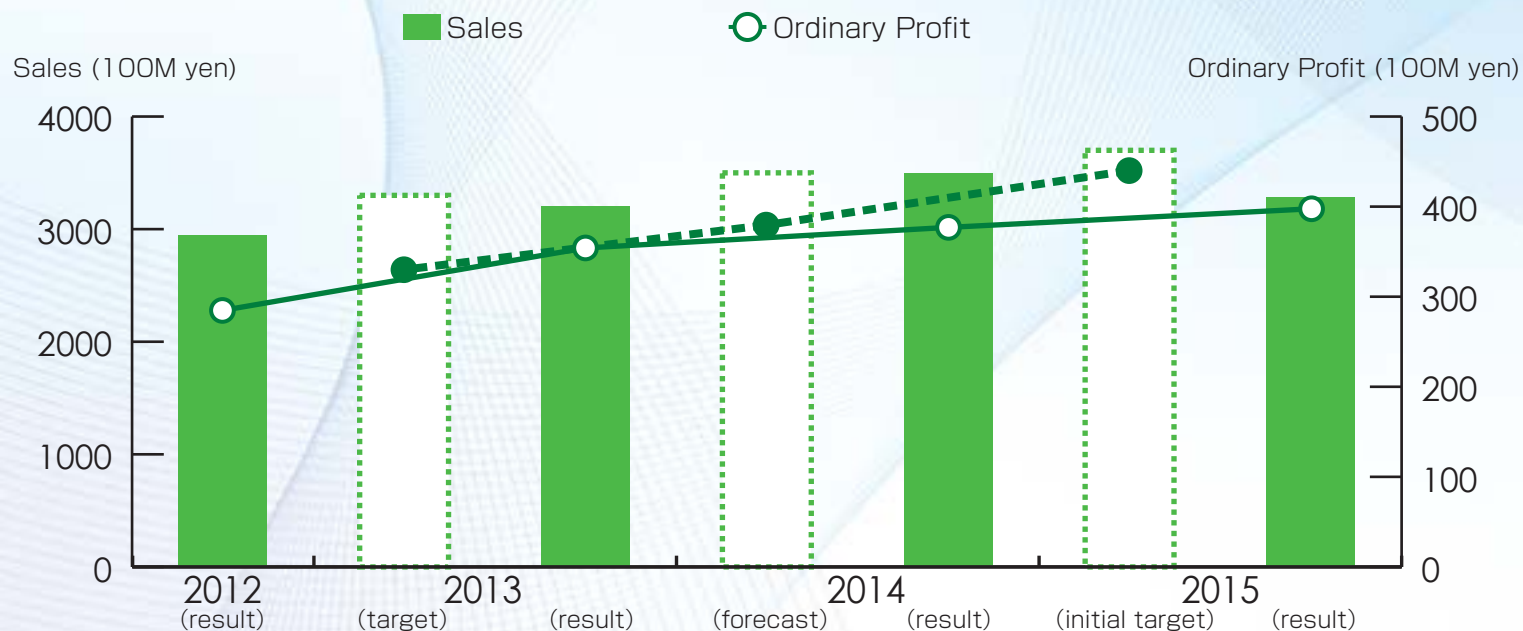
Profits from equity method affiliates (simple aggregation)



Each initiative was conducted based on the three themes set as priority measures.

| Priority measure   | Description  | Progress to the present  |
|--|--|--|
| <p><b>Accelerating Globalization</b></p>                       | <p>① Expand overseas business, primarily in emerging countries</p> <p>② Business development in new areas and fields</p> <p>③ Respond to market needs</p>    | <ul style="list-style-type: none"> <li>○ Zimbabwe : Acquire shares of Astra Industries Limited</li> <li>○ Mexico : Establish Mexico DNT KANSAI Mexicana and begin operations</li> <li>○ Malaysia : Acquire shares of Malaysia PLC Laboratory</li> <li>○ China : Establish Zhaoqing Kansai Shenglian Powder Coatings &amp; Technology</li> <li>○ Myanmar : Establish Kansai Paint Myanmar</li> <li>○ Sri Lanka : Establish Kansai Paint Lanka</li> <li>○ Establish a production system to respond to increases in demand</li> </ul>   |
| <p><b>Increasing Profitability</b></p>                         | <p>① Overseas : Increase profits by expanding the business scale and improving efficiency</p> <p>② Japan: reduce total costs and enhance competitiveness</p> | <ul style="list-style-type: none"> <li>○ Pursue initiatives to increase market share and develop businesses for non-Japanese customers</li> <li>○ Conduct promotional activities utilizing Manchester United</li> <li>○ Promote a project to fundamentally improve domestic business profits</li> <li>○ Restructure the system of bases in Japan                             <ul style="list-style-type: none"> <li>⇒Start base operations that consolidate the functions of the East Area Logistics and Color Center</li> <li>⇒Restructure the Amagasaki Office : establish a logistics and color center for the Kansai area, consolidated into the Amagasaki Office</li> <li>⇒Sell the land of the welfare facility</li> </ul> </li> </ul> |
| <p><b>Strengthening the Group's Management Foundations</b></p> | <p>① Maximize synergies by sharing and effectively utilizing management resources</p>  | <ul style="list-style-type: none"> <li>○ Enhance work teams' activities by sharing global management resources, including technologies, procurement, manufacturing, and marketing</li> <li>○ Promote organizational building for globalization</li> </ul>  |

The Plan did not achieve its initial financial targets in its final fiscal year because of the temporary slowdown in emerging countries' economic growth and the impact of exchange rates.



Consolidated (100M yen)

|                 | 2012   | 2013   | 2014   | 2015           |        |
|-----------------|--------|--------|--------|----------------|--------|
|                 | result | result | result | initial target | result |
| Sales           | 2,940  | 3,204  | 3,493  | 3,700          | 3,281  |
| Ordinary Profit | 283    | 354    | 377    | 440            | 397    |

The global reorganization of various grouped companies has accelerated. Going forward, it is highly likely that this reorganization will progress beyond regions. As a result, global companies' shift to an oligopoly in the paint industry will also accelerate.

Therefore, we must prove ourselves as a truly global company to be a winner in the competition under these circumstances.



# We aim to be a globally competitive company.



While remaining aware of competitiveness during this revolutionary period in the paint industry,

**we continue to take on  
“challenges” and “changes”,**

and aim to be a truly global company.

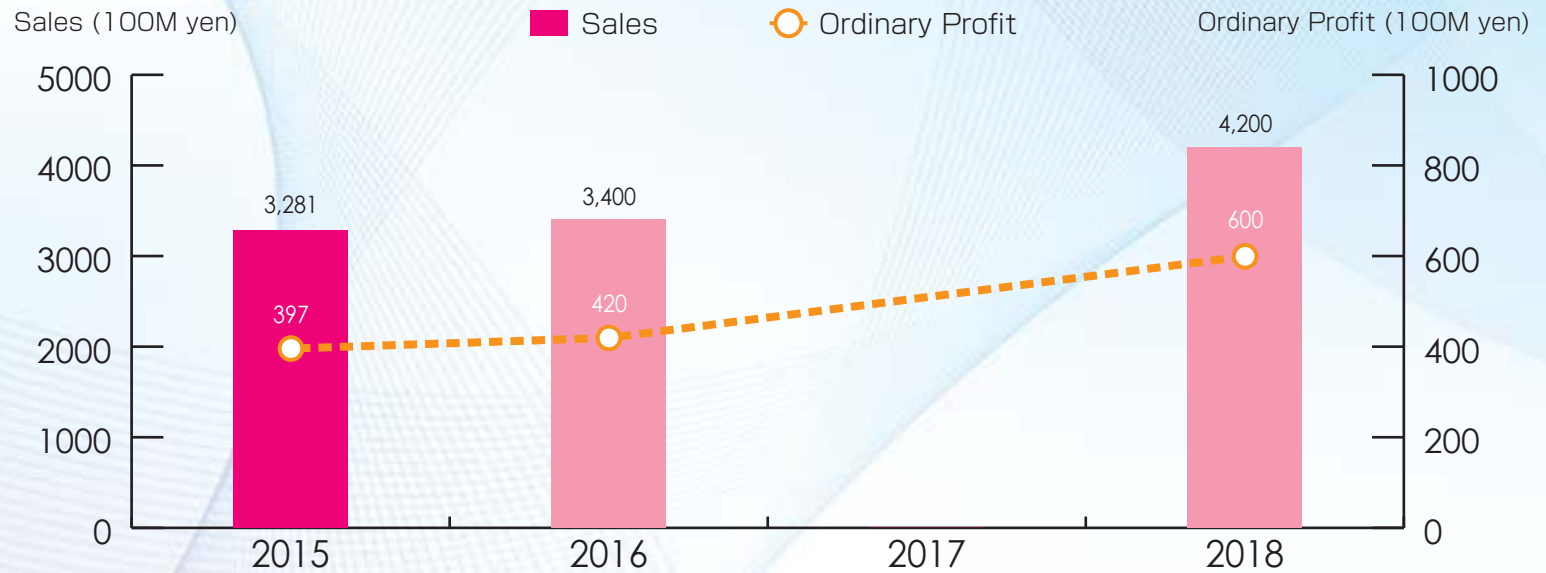


We intend to achieve our business targets by implementing the following priority measures

| Priority measures   | Main content  |
|---|---|
| <p><b>Accelerating Globalization</b></p>                      | <ul style="list-style-type: none"> <li>○ Expanding and strengthening our businesses in existing markets</li> <li>○ Entering into new markets and regions</li> </ul>   |
| <p><b>Increasing Profitability</b></p>                        | <ul style="list-style-type: none"> <li>○ Expanding market share</li> <li>○ Reducing costs through efficiency and optimization</li> </ul>  |
| <p><b>Strengthening the Group's Management Foundation</b></p> | <ul style="list-style-type: none"> <li>○ Sharing and promoting the resource utilization within the Group</li> <li>○ Establishing the headquarters' function and building the organization</li> <li>○ Integrating current regions into seven global regions and establishing a supervisory control function</li> </ul> |

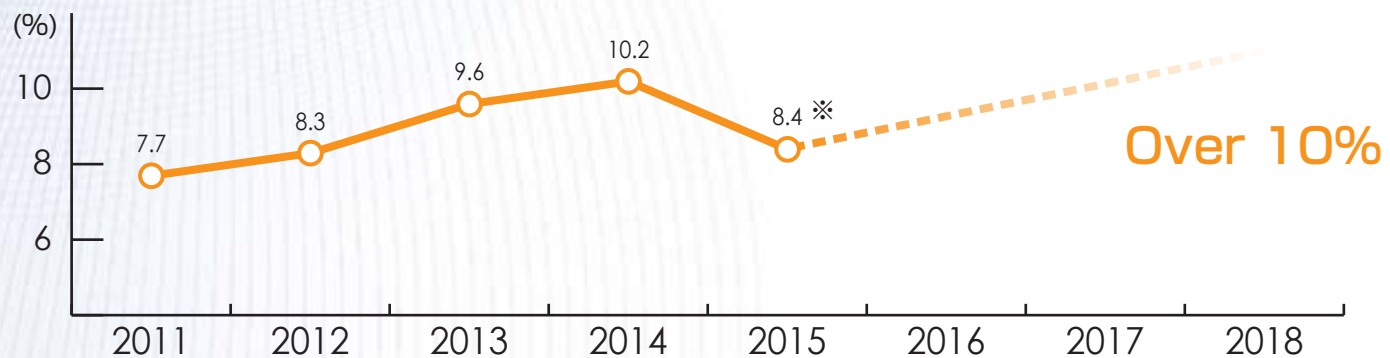
## 1. Results Targets

We aim to expand business scale and strengthen profitability.



## 2. ROE Target

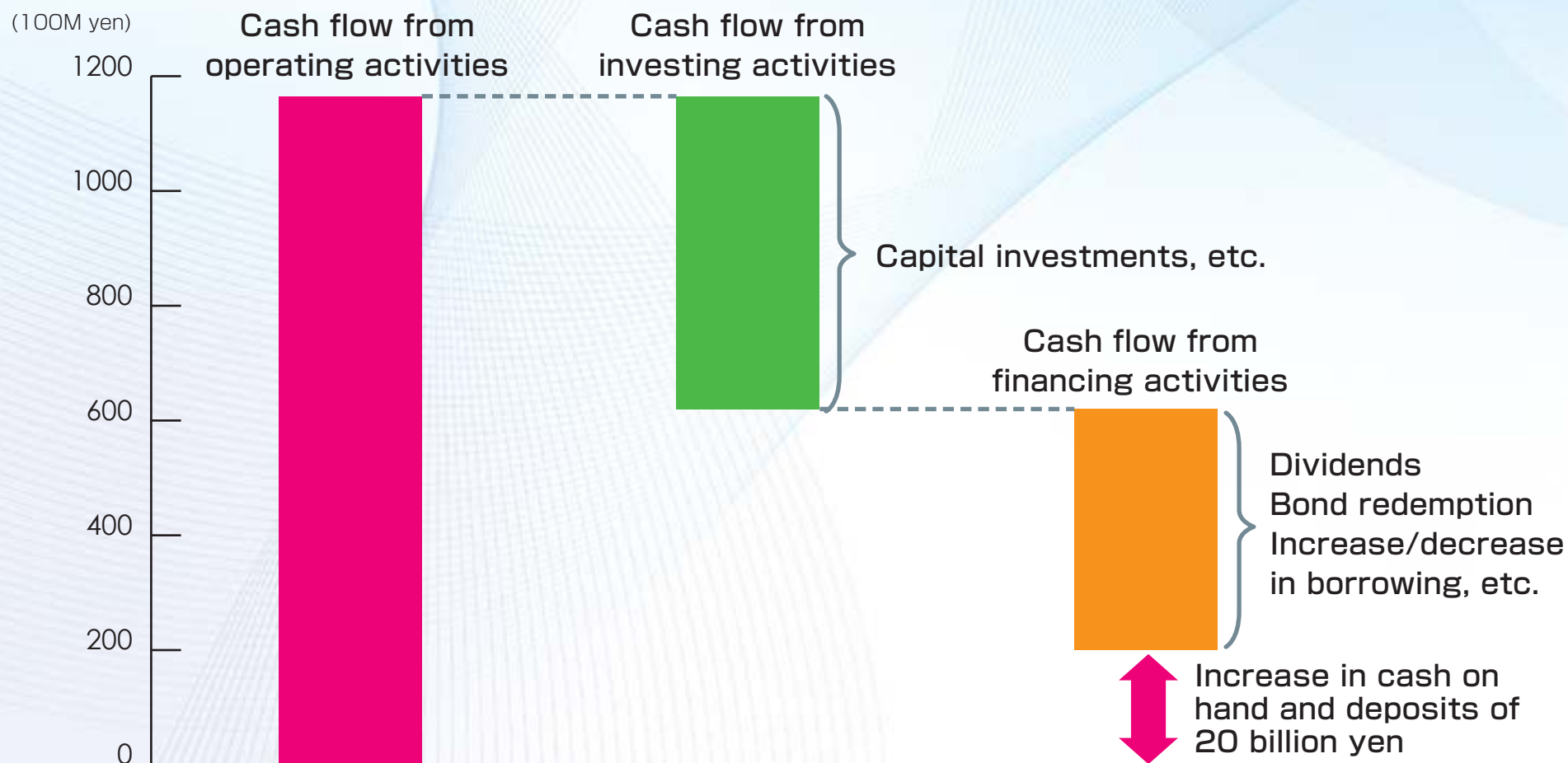
Additionally, we aim to improve ROE to over 10% by the final fiscal year of the Mid-Term Plan.



\*FY2015 results exclude extraordinary profits from the sale of land in India.

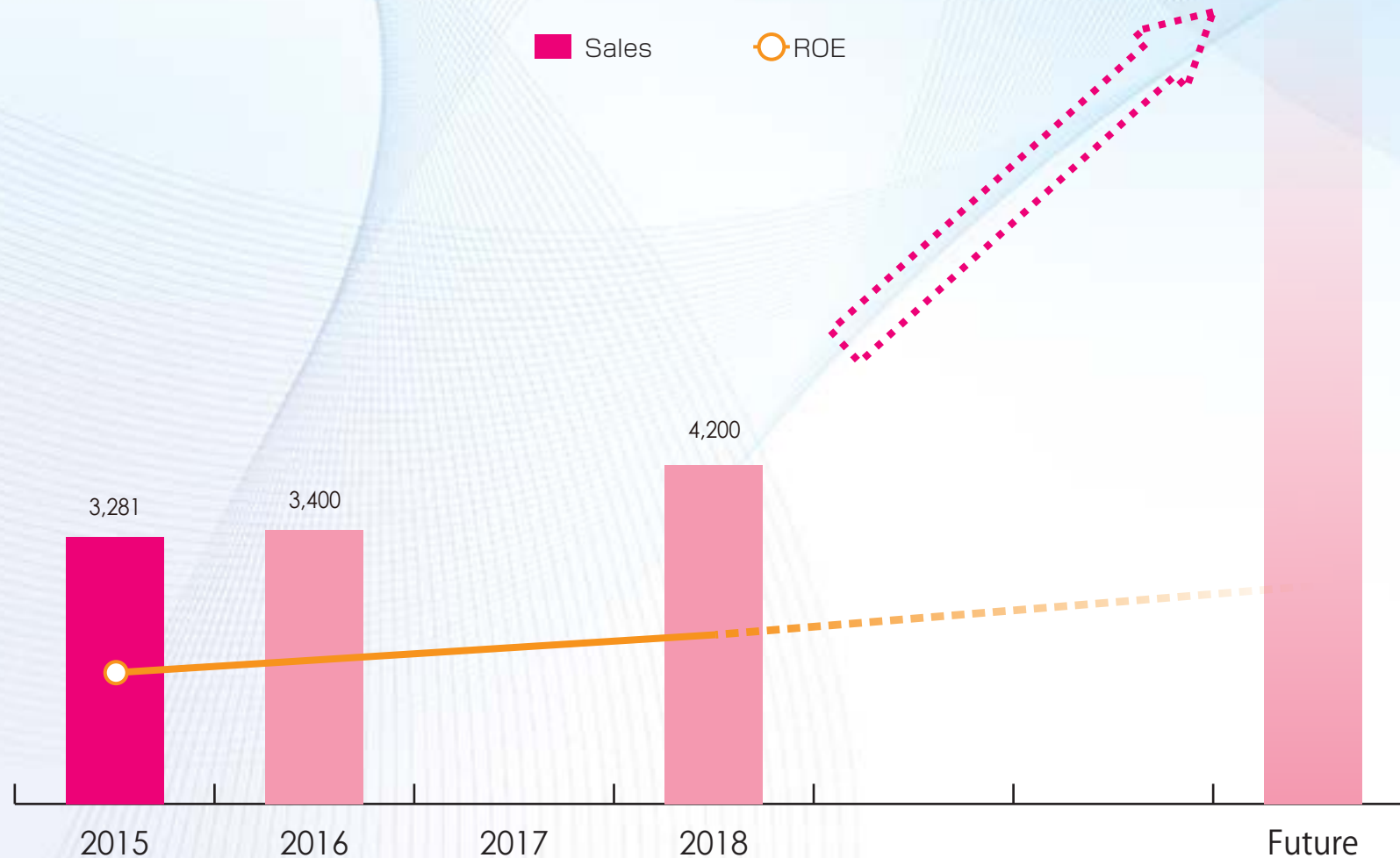
### 3. Cash Flow Targets (three-year cumulative total)

We aim to further expand our businesses by using the cash generated to invest in strategic growth.



## 4. Future Vision

We aim to be number one in the paint industry by enhancing our global competitiveness through optimizing investments and leveraging synergies to promote the expansion of business scale and improve profits.



We need speed to become number one in the paint industry.  
We will continue to review existing frameworks and combinations of techniques, including those other than for independent company growth.

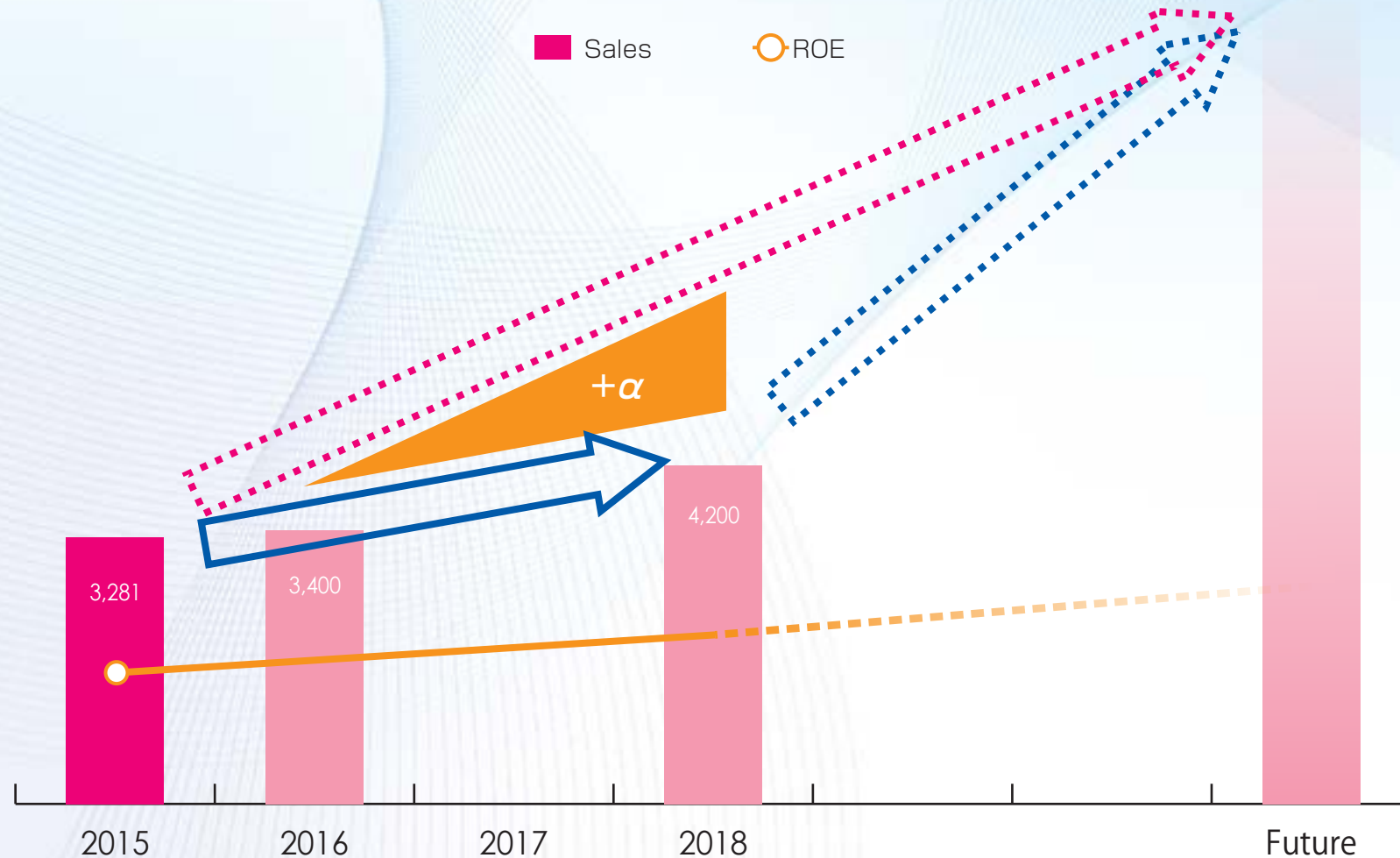


We will consider and utilize many options as resources to achieve these objectives while ascertaining market trends, as our basic policy involves securing financial soundness and improving corporate value.



## 6 The 15th Mid-Term Business Plan

We have also incorporated a  $+\alpha$  into our 15th Mid-Term Plan to accelerate our future vision, with an investment value of approximately 150 billion yen.



# Kansai Paint contributes.

The paint industry is growing.

As a comprehensive paint manufacturer,  
we aim to continue to satisfy our customers  
in the global market by offering them  
highly competitive products, thereby

**becoming a truly global company.**



**ALESKO**

**KANSAI PAINT CO.,LTD.**