

FY2017 FINANCIAL RESULTS BRIEFING

May 21, 2018

KANSAI PAINT CO., LTD.

FY2017 FINANCIAL RESULTS BRIEFING

1. Status of the Kansai Paint Group

2. Financial Results & Forecasts

3. Regional Overview

4. The 15th Mid-Term Business Plan Progress

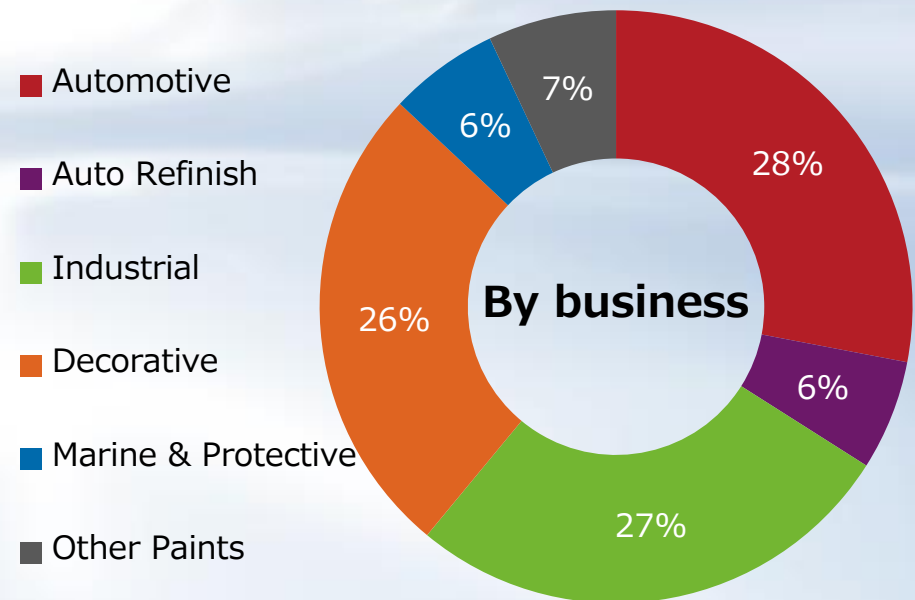
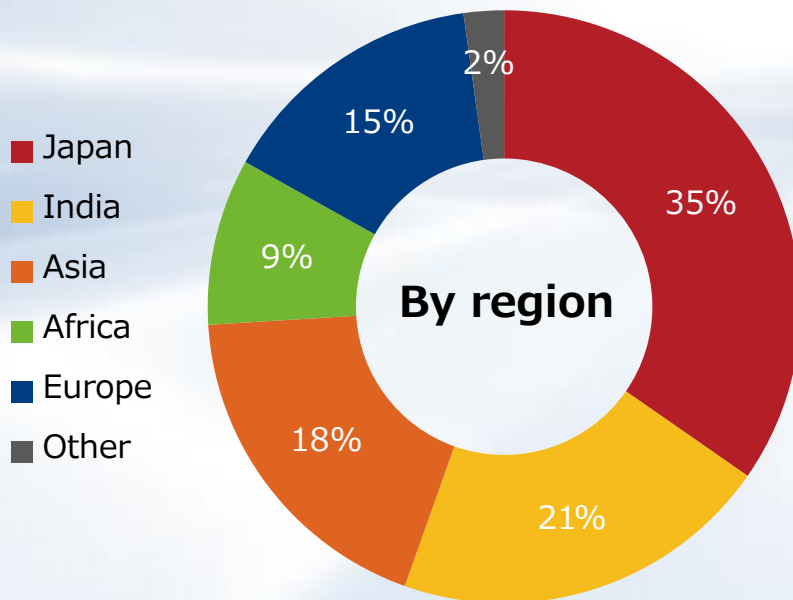
◎ Reference Material for the FY2017 Financial Results

Founded : May.17 1918

Capital : 25.6 billion yen (as of March 31, 2018)
(Number of Shares Issued: 272 million)

Number of Employees: 15,731 (as of March 31, 2018)

Sales : 401.9 billion yen(FY2017)



Sales

2017

- Sales increased year on year in all regions.
- KANSAI HELIOS (Europe) newly contributed from 2Q.
- Former Sadolin Group (Africa) newly contributed from 3Q.

2018 Forecast

- Sales are expected to increase year on year in all regions.
- KANSAI HELIOS (Europe) and former Sadolin Group (Africa) will fully contribute.



Ordinary Profit

2017

- Profit increased year on year in India and Europe.
- In Europe, KANSAI HELIOS newly contributed from 2Q.
- Profit decreased year on year in Japan, Asia and Africa.
One-time expenses affected significantly.
- Profits from affiliates in equity method decreased year on year.
- Increased Materials costs and SG&A.

2018 Forecast

- Profit from Japan, India, Asia ,Africa and Other region are expected to increase year on year.
- Profit from Europe is expected to decrease year on year.
- Profits from affiliates in equity method are expected to increase.
- Materials costs are expected to remain on an upward trend.
- Cost reduction efforts will be continued.



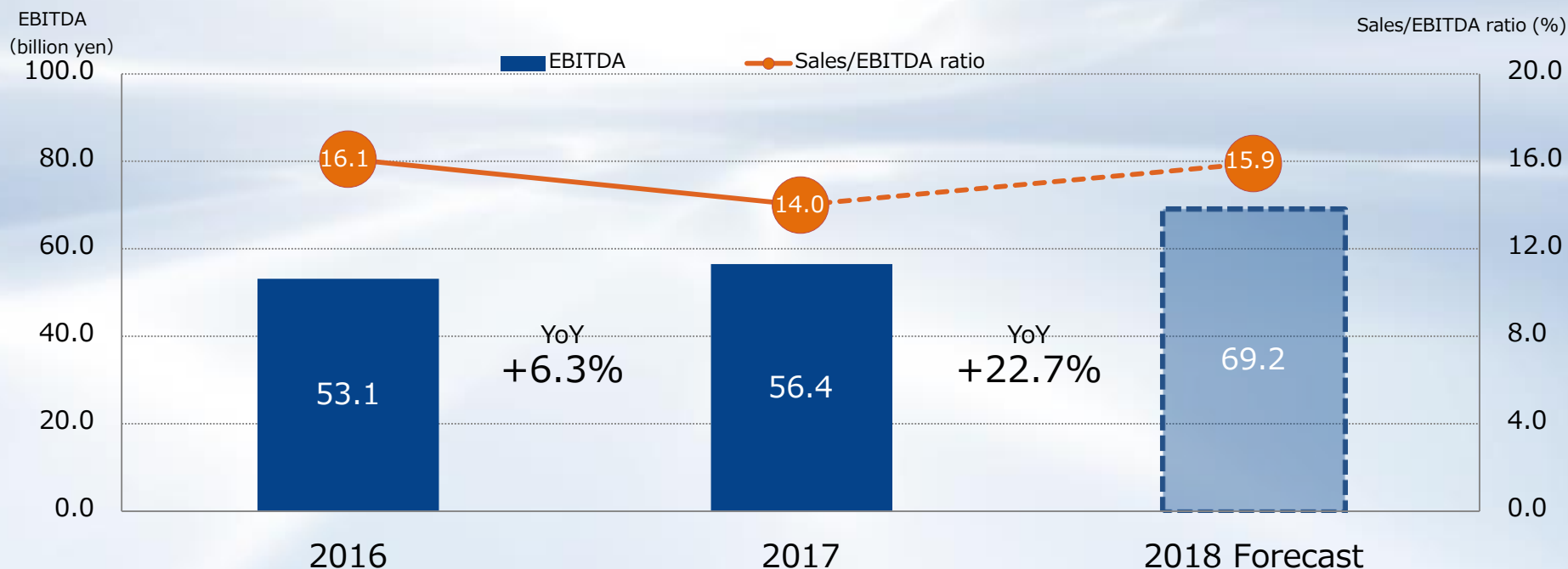
EBITDA

2017

- Earnings before tax decreased year on year.
- Amortization of goodwill and depreciation expense increased due to consolidation of KANSAI HELIOS, U.S. Paint, etc.
- Operating CF increased year on year.

2018 Forecast

- Earnings before tax is expected to increase year on year.
- Operating CF is expected to increase year on year.



Japan

2017

- Auto production increased; demand for automobile components and construction machinery recovered.
- Materials costs increased.
- Bad debt provision to affiliate in the Middle-East.

2018 Forecast

- Decrease in sales of automotive sector is expected due to increased overseas production. Increase in other sector's sales is expected.
- Auto production are expected to remain unchanged year on year (9.65 mil).
- Promote cost reduction measures including efficiency improvement.
- Domestic naphtha price forecast is 48,000 yen/kl (full-year).



India

2017

- Auto production increased in Major customers.
- Strong demand continued in the decorative sector.
- Impact of material costs increase was compensated by cost reductions.
- Impact of the introduction of goods service tax (GST) on paint demand was limited.

2018 Forecast

- Demand expected to continue expanding in both automotive and decorative sectors.
- Sales in 1Q expected to decrease due to change in accounting treatment associated with introduction of GST.
- Negative effect in translated results to JPY



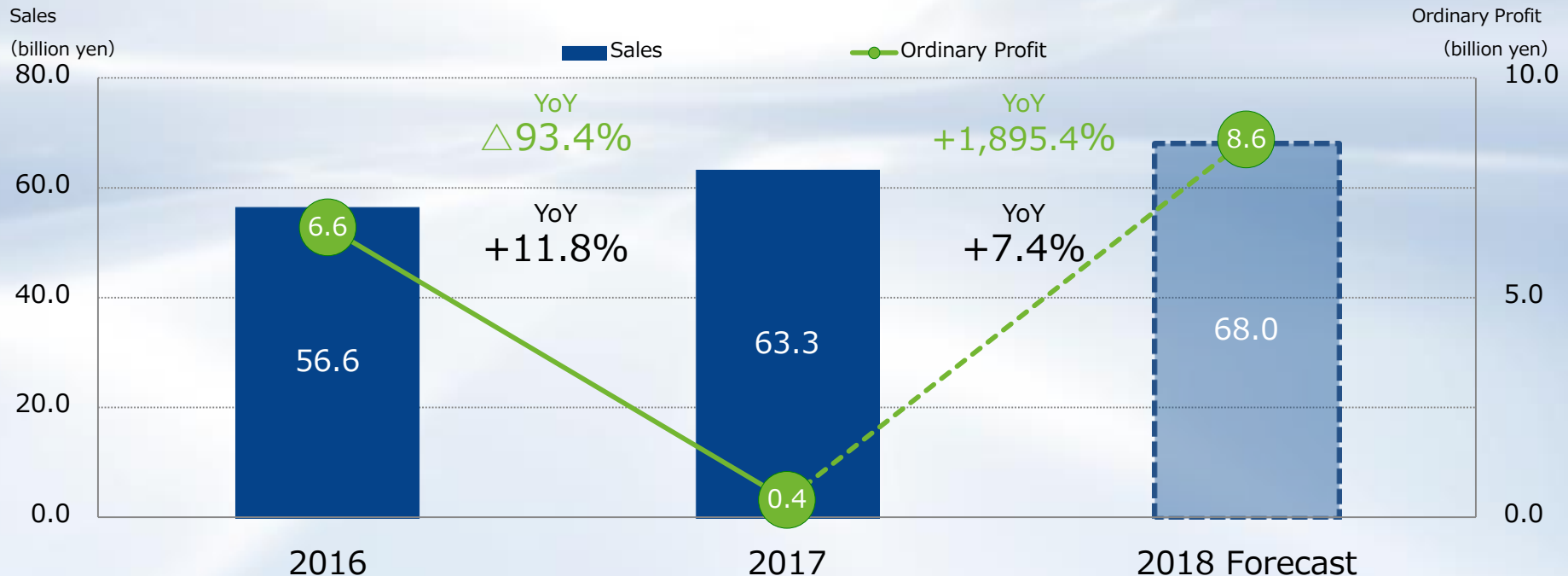
Asia

2017

- Auto production increased in Thailand, Indonesia and China.
- Sales increased in decorative sector in Indonesia and Malaysia.
- Impairment loss equivalent to goodwill in the Middle-East.
- One-time expense at an affiliates in equity method.
- Profits from affiliates in equity method decreased in China.
- Materials costs rose, SG&A increased.

2018 Forecast

- Increase in car production in Thailand, Indonesia and China.
- Sales in the decorative sector expected to increase in Indonesia and Malaysia.
- Profits from equity method affiliates expected to recover in China, Middle-East, etc.



Africa

2017

- Weak demand due to sluggish economy in South Africa.
- Increased materials costs due to depreciation of local currency.
- One-time expense such as share acquisition related cost of former Sadolin Group.
- Results of former Sadolin Group were newly consolidated after 3Q.

2018 Forecast

- Recovery of South African economy is expected to be slow.
- Results of former Sadolin Group to be fully consolidated.
- Further promotion of sales activities mainly in the decorative sector.
- Profitability improvement by cost reduction. Resolution of one-time cost increase.



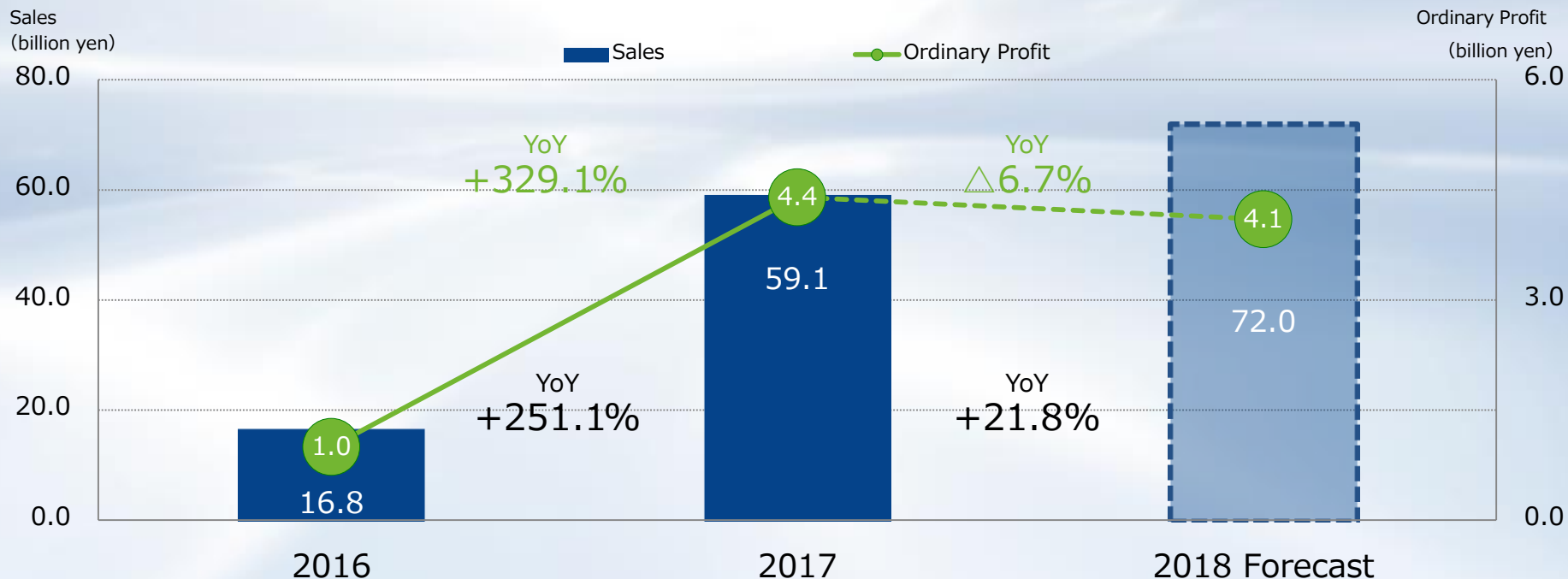
Europe

2017

- Results of KANSAI HELIOS newly contributed from 2Q.
- Auto production numbers increased in Turkey.
- Translated results of Turkey was negatively affected by currency conversion.

2018 Forecast

- Results of KANSAI HELIOS to fully contribute.
- Turkey: Negative effect in translated results.



Other

2017

- U.S. Paint contributed to full-year results
- Slump in car production in North America

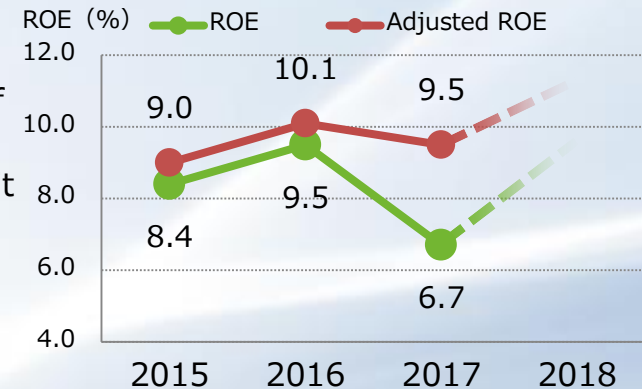
2018 Forecast

- Recovery in car production in North America lagging



Business Plan

- In FY2017, although planned sales were achieved, the impact from sluggish economy in South Africa and the Middle-East as well as significant one-time expense, resulting in ordinary profit falling short of the plan.
- In the FY2018 plan, we forecast sales of 435 bn yen and ordinary profit of 46.5 bn yen reflecting upward trend of raw material prices despite recovery in South Africa and the Middle-East.
- We will aim to achieve ROE of more than 10% with the increase of EBITDA.



*Disclosed at November 2017

Priority Measures and Progress

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

Priority measures	Main content	Progress up until now etc.
Accelerating Globalization	<ol style="list-style-type: none"> 1. Expanding and strengthening our businesses in existing markets 2. Entering into new markets and regions 	<ul style="list-style-type: none"> ● Acquired shares of the Helios Group in Europe ● Acquired shares of the Sadolin Group in East Africa ● Acquired shares of Polisan Turkey, capital increase from third parties ● Acquired shares of U.S. Paint in the U.S. ● Acquired shares of Saudi Industrial Paint in Saudi Arabia ● Acquired shares of Sancora Paint Industries in Malaysia ● Planned to establish a joint venture in Nigeria and Kenya ● Acquired pipeline-internal-painting technology from Mirodur in Italy ● Mitsui & Co., Ltd. acquired a stake in Kansai Helios
Increasing Profitability	<ol style="list-style-type: none"> 1. Increasing earning power by expanding market share 2. Reducing costs through efficiency and optimization 	<ul style="list-style-type: none"> ● Promote measures to develop businesses for non-Japanese clients and expansion of market share ● Promote new business development with European and U.S. automakers. ● Expand sales of functional products such as plaster paint and insect repellent paint ● Kansai Anti-Mosquito Paint obtained approval of U.S. EPA
Strengthening the Group's Management Foundations	<ol style="list-style-type: none"> 1. Sharing and promoting the resource utilization within the group 2. Establishing the headquarters' function and building the organization 3. Integrating current regions into eight global regions and establishing a supervisory control function 	<ul style="list-style-type: none"> ● Issue of convertible bonds ● Establishment of headquarters' functions to start in FY 2017 ● Established the Group's corporate philosophy

Kansai Anti-Mosquito Paint obtained approval by U.S. EPA (Environmental Protection Agency)

- Kansai Anti-Mosquito Paint, a product to prevent infections transmitted through mosquitoes, obtained approval by the U.S. EPA.
- It is ground-breaking that paint obtained the reputable EPA approval. Expectations toward the product's functions and effects were highly valued.
- The product is expected to be launched by summer 2018 in the United States. Upon business deployment in the U.S., it is anticipated that the EPA's approval will become a major appeal to the market as a countermeasure against infections such as Zika fever and West Nile fever and its impact will spread on a global basis.



*The photo is a sample image.

KANSAI PAINT CO.,LTD.

Kansai Paint contributes.

- We will assist in the development of society and mankind through the coating business and continually endeavor to be a company indispensable to society.
- We will strive to contribute to solving problems facing society such as the need for environmental conservation, as well as creating a better world.
- We will address changes and aim to build and maintain the company's credibility in society.

Furthermore,

The global coating business is a growth industry.

In this industry, we will aim to improve our cash generation ability and further disseminate coatings throughout the world.

FY2017

Reference Material for Financial Results

Sales by Segment

(billion yen)

	2016		2017		2018	
	1H	Full year	1H	Full year	1H (Forecast)	Full year (Forecasts)
Automotive (domestic)	21.8	47.3	23.7	50.2	23.5	49.0
Automotive (overseas)	28.7	56.1	30.6	61.0	31.5	64.0
Auto Refinish (domestic)	5.4	10.6	5.4	10.5	5.5	11.0
Auto Refinish (overseas)	4.6	8.8	5.5	12.7	7.5	15.0
Automotive total	60.5	122.8	65.3	134.5	68.0	139.0
Industrial (domestic)	19.0	38.3	19.8	39.7	20.0	40.5
Industrial (overseas)	22.2	45.1	32.1	72.2	40.0	80.5
Industrial total	41.2	83.4	51.9	111.9	60.0	121.0
Decorative (domestic)	11.7	22.2	11.5	21.5	12.0	23.5
Decorative (overseas)	31.0	64.4	39.4	82.1	46.0	93.5
Decorative total	42.7	86.7	50.9	103.6	58.0	117.0
Marine & Protective (domestic)	9.6	19.7	10.3	19.8	10.0	20.0
Marine & Protective (overseas)	0.5	1.1	1.1	2.8	2.0	4.0
Marine & Protective total	10.0	20.8	11.4	22.6	12.0	24.0
Other Paints	7.8	16.5	12.4	29.4	17.0	34.0
Total	162.2	330.2	191.8	401.9	215.0	435.0

Sales by Region

(billion yen)

	2016		2017		2018	
	1H	Full year	1H	Full year	1H (Forecast)	Full year (Forecasts)
Japan	73.8	151.4	77.3	155.6	78.0	158.0
India	37.3	74.7	43.9	83.4	42.5	86.5
Asia	28.3	56.6	30.7	63.3	34.0	68.0
Africa	13.4	28.0	14.4	35.1	21.0	45.0
Europe	8.8	16.8	22.8	59.1	37.0	72.0
Other	0.6	2.6	2.8	5.5	2.5	5.5
Total	162.2	330.2	191.8	401.9	215.0	435.0

Ordinary Profit by Region

(billion yen)

	2016		2017		2018	
	1H	Full year	1H	Full year	1H (Forecast)	Full year (Forecasts)
Japan	10.0	23.5	12.0	19.1	10.2	21.7
India	5.9	11.6	7.3	13.4	6.6	14.0
Asia	3.6	6.6	2.7	0.4	4.1	8.6
Africa	-1.8	-3.7	-2.3	-5.0	-2.0	-2.9
Europe	0.6	1.0	2.3	4.4	2.6	4.1
Other	0.6	1.0	0.6	1.0	0.5	1.0
Total	18.8	40.0	22.5	33.2	22.0	46.5

Cash Flows

(billion yen)

	2016		2017		2018
	1H	Full year	1H	Full year	Full year (Forecast)
Operating CF	10.2	29.1	13.6	33.5	46.1
Investing CF	-62.6	-97.0	-24.9	-33.8	-21.8
Financing CF	78.8	60.2	11.2	8.1	3.9

Depreciation, Capital Expenditures, and R&D Expenses

(million yen)

	2016		2017		2018
	1H	Full year	1H	Full year	Full year (Forecast)
Depreciation	4,775	10,153	5,895	13,176	15,000
Capital expenditures	6,246	13,617	7,582	16,782	23,000
R&D expenses	2,540	5,297	3,091	6,592	7,000

Key Performance Indicators

	2016		2017	
	1H	Full year	1H	Full year
Net assets (billion yen)	262.9	296.1	310.2	322.4
Total assets (billion yen)	497.1	540.4	583.9	603.8
Net assets per share (yen)	885.63	984.50	1,038.33	1,074.09
Earnings per share (yen)	43.80	93.16	48.98	68.80
Shareholders' equity ratio (%)	45.8	46.9	45.7	45.8
Return on equity (%)	-	9.5	-	6.7
Price-earnings ratio (multiple)	-	25.4	-	36.0
No. of employees (persons)	12,435	14,828	15,754	15,731

Domestic Car Production

(million)

	2016		2017		2018
	1H	Full year	1H	Full year	Full year (our predictions)
No. of cars produced	4.41	9.36	4.67	9.67	9.65

Source: Japan Automobile Manufacturers' Association

Currency Translation Rates

(yen/local currency)

	2016				2017				2018	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Full year (our predictions)
U.S. Dollar	116.68	108.08	102.43	109.27	114.10	111.43	111.35	113.03	108.74	108.88
Euro	127.96	121.85	114.32	118.16	120.99	123.23	130.61	133.61	132.88	132.81
Indian Rupee	1.63	1.54	1.63	1.72	1.74	1.74	1.74	1.76	1.71	1.65
Chinese Yuan	17.80	16.51	15.36	15.99	16.57	16.33	16.66	17.10	17.11	17.17
Thai Baht	3.27	3.07	2.94	3.09	3.25	3.26	3.33	3.43	3.44	3.44
Malaysian Ringgit	28.16	27.22	25.24	25.28	25.67	25.69	26.12	27.25	27.73	27.77
Indonesian Rupiah	0.0086	0.0082	0.0079	0.0083	0.0086	0.0084	0.0084	0.0084	0.0081	0.0080
Turkish Lira	39.99	37.80	34.68	33.51	31.15	31.33	31.75	30.09	28.49	26.94
South African Rand	7.51	7.29	7.16	7.96	8.48	8.44	8.44	8.42	9.09	9.03

Domestic Naphtha Price(our estimate)

(yen/kl)

	2016		2017		2018
	1H	2H	1H	2H (prediction)	Full year (our predictions)
Domestic naphtha price	31,450	38,000	37,600	46,250	48,000



Forecasts of financial results stated in this document are forecasts based on currently available information that includes potential risks and uncertain elements.

Therefore, actual financial results may differ from the forecast figures.