

JCR Affirmed A+p/Stable Rating on Senior debts of Kansai Paint

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Rationale

- (1) Kansai Paint Co., Ltd. (the "Company") is Japan's largest paint manufacturer. The Company is engaged in industrial and decorative coatings in addition to the core automotive coatings. It is strengthening Asian region such as India and Thailand as key business areas in response to overseas business expansion by Japanese automakers. For the purpose of full entry into the African market, the Company acquired a South African paint manufacturer, Freeworld Coatings Ltd. ("FWC") and made it a consolidated subsidiary in April 2011.
- (2) High technological strength for durability and environmental conservation is required for the automotive coatings. As a matter of fact, new entrants into the industry are limited in number. Local production is often required of paint manufacturers in response to the overseas business development by automakers. Capital strength and investment capability that can support this move are required of paint manufacturers. The Company has strong relations with Japanese automakers on the back of its strong technological strength and ensures large market shares for the automotive coatings for new cars both in Japan and abroad.
- (3) The Company expects an increase in revenue and a decrease in profits for the fiscal year ending March 31, 2012. Although FWC can contribute to the Company's earnings, the declined production of the core automotive coatings due to the Great East Japan Earthquake and the flooding in Thailand, the increased price of raw materials, and the effects on currency exchange from higher yen are reasons for the lower earnings. As production by Japanese automakers is now beginning to return to the normal conditions and an expansion in automobile production in Asia can be expected continually in the future, JCR expects that the Company's earnings will begin to improve in and after the fiscal year ending March 31, 2013. For the domestic business where expansion in demand for coatings is not likely over the middle and long term, JCR thinks that maintenance and improvement of profitability by streamlining and continued cost reductions is a challenge.
- (4) The Company's financial structure is good as evidenced by the 56.9% capital ratio (at the end of September 2011). Despite its acquisition of FWC, the Company retains good financial balance. The capital investments may increase in the future for the enhancement of production in emerging countries and entry into the geographic areas and business fields, which have not been entered before. Taking into consideration an expectation that the Company can continue to increase the equity capital through earnings accumulation and its cash flow generation capacity, however, JCR thinks it less likely at the moment that the financial structure will deteriorate significantly.

Rating

Issuer: Kansai Paint Co., Ltd. (security code: 4613)

<Affirmation>

Senior debts: A+p Outlook: Stable

Outline of the method for the determination of the credit rating is posted as "Rating Methodology (Corporate)" on JCR's home page (<http://www.jcr.co.jp>). The rating methodology is subject to additions and changes. In such cases, however, these additions and changes are shown in chronological order. Please check the release date of this press release against that of the rating methodology (i.e., the date when such methodology became effective) and then refer to the rating methodology above.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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