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To Whom It May Concern:

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Notice of Change in the Use of Funds concerning the Issuance of Convertible Bonds

Kansai Paint Co., Ltd. (the “Company”) hereby announces that it will change the “use of procured funds” (hereinafter referred to as “use of funds”) that was disclosed in the “Notice Concerning the Issuance of Euro-Yen Convertible Bonds Due 2019 and Euro-Yen Convertible Bonds Due 2022” and the “Notice Concerning the Determination of Issuance Terms, etc. of Euro-Yen Convertible Bonds Due 2019 and Euro-Yen Convertible Bonds Due 2022” dated June 1, 2016.

1. Reason for the change

The Group issued bonds with stock acquisition rights in order to maintain a robust and highly flexible financial structure to enable flexible strategic investments in the future, in addition to procuring growth capital that would contribute to business expansion at low cost.

Meanwhile, in the mid-term business plan that is currently being promoted, we have placed the acceleration of globalization as a priority measure, and intend to actively enter new markets and fields, in addition to expanding and strengthening business in existing markets.

Amid such moves, the Company acquired shares of the Helios Group as was disclosed in the “Notice Concerning Acquisition of Shares of European Coatings Maker Helios Group (and turning the Group into a subsidiary)” dated December 6, 2016, as the Company believes that the European market offers growth potential as well as being an important region with high expectations of contributing to synergy generation in improving the Group’s business competitiveness, such as in procuring raw materials.

In view of such circumstances, the Company has decided to make partial changes to the use of

funds.

2. Details of the change

Details of the change in the use of funds are as follows:

(Before the change)

- (a) 36 billion yen until March 31, 2019 for investment (including investment in subsidiaries and affiliated companies) in the enhancement of production facilities and the establishment of a sales network in the Asia region such as Indonesia, Thailand, and China, and other regions including South Africa and Turkey, in order to capture growth at overseas bases, and 14 billion yen until March 31, 2019 for investment to improve business efficiency in production, sales, and logistics, as well as maintenance investment (including investment in subsidiaries and affiliated companies), in order to improve both efficiency and safety at domestic bases.
- (b) 15 billion yen until March 2019 as R&D expenses in core technology, paint technology, coating technology, and color development.
- (c) 15 billion yen until January 31, 2017 as bond redemption funds.
- (d) 20 billion yen until March 31, 2017 as funds for repurchasing shares.
- (e) 1.99 billion yen until March 31, 2017 as working capital for purchasing raw material, etc.

(After the change)

Of the above, the following was appropriated for a portion of the funds for acquiring shares of the Helios Group.

- (a) 9 billion yen of the 36 billion yen in overseas-related investments (Approximately 27 billion yen has already been appropriated for the initial use of funds.)
9.5 billion yen of the 14 billion yen in domestic-related investments (Approximately 4.5 billion yen has already been appropriated for the initial use of funds.)
- (b) 12 billion yen of the 15 billion yen in R&D expenses (Approximately 3 billion yen has already been appropriated for the initial use of funds.)

The shortfall in the initial use of funds due to appropriation of the funds for acquiring shares of the Helios Group is planned to be addressed with funds in hand and future cash flows.

3. Future outlook and impact

The impact of this change on the Group's consolidated business performance will be announced appropriately as needed as soon as the details have been confirmed.