

2021

**INTEGRATED
REPORT**

Introduction

For more than a century since its establishment in 1918, the Kansai Paint Group has been providing technologies cultivated in the paint and coating business.

Our founder, Iwai Katsujiro, was a manager with an ESG perspective, someone who emphasized manufacturing and trustworthy relationships, as well as long-term outlooks and social contributions.

Today, the Kansai Paint Group continues to live up to this spirit. With this as our driving force, we will take on the challenge of creating new value and solving global issues.



Kansai Paint Group Corporate Philosophy

Mission Statement

We leverage superior technology to contribute to our Customers and Society, in a sustainable manner, with innovative Products and Services, through a competent workforce, built on a culture of Customer Focus, Integrity and Respect to our Stakeholders.

Core Values



integrity

We build strong trust with all stakeholders, by doing the right thing, and by taking decisions that enhance the reputation of the organization in Society.



respect

We respect diversity and embrace cultural and individual characteristics of organization members, customers and communities by showing empathy and understanding the viewpoints of distinct beliefs, philosophies and cultures. We encourage and foster an environment of learning, teamwork and cooperation, that enables the development of all organization members.



customer focus

We continuously strive to understand and exceed Customer expectations.



entrepreneurial mindset

We facilitate the emergence of entrepreneurial ideas that have a long-term perspective, originality in thinking, and practicality of execution, taking responsibility to see these ideas through, with ownership at all times. We shall continue contributing to People and Society by providing sustainable value to all stakeholders.



accountability

We encourage organization members to take responsibility for their own actions and decisions, show commitment to all stakeholders, and accomplish work in an appropriate and efficient manner.



innovation

We pioneer Innovation by engaging our collective wisdom and knowledge to create new value propositions, and continuously strive to generate original and novel solutions for products, services, and work processes. We experiment in different and groundbreaking ways to deal with value-creation opportunities or challenges, through a deep understanding of the issue at hand.

Corporate Mission (Established January 1967)

- 1. To further build company credibility with the public and to contribute to society by providing products and services that achieve customer satisfaction.
- 2. To build on our knowledge and strive for technological innovations in order to improve the company's performance.
- 3. To harness the collective efforts of all individuals in order to maximize company returns.

Kansai Paint's Corporate Mission is the spiritual backbone of Kansai Paint and has been handed down since the company's foundation, forming the bedrock of the Kansai Paint Group Corporate Philosophy.

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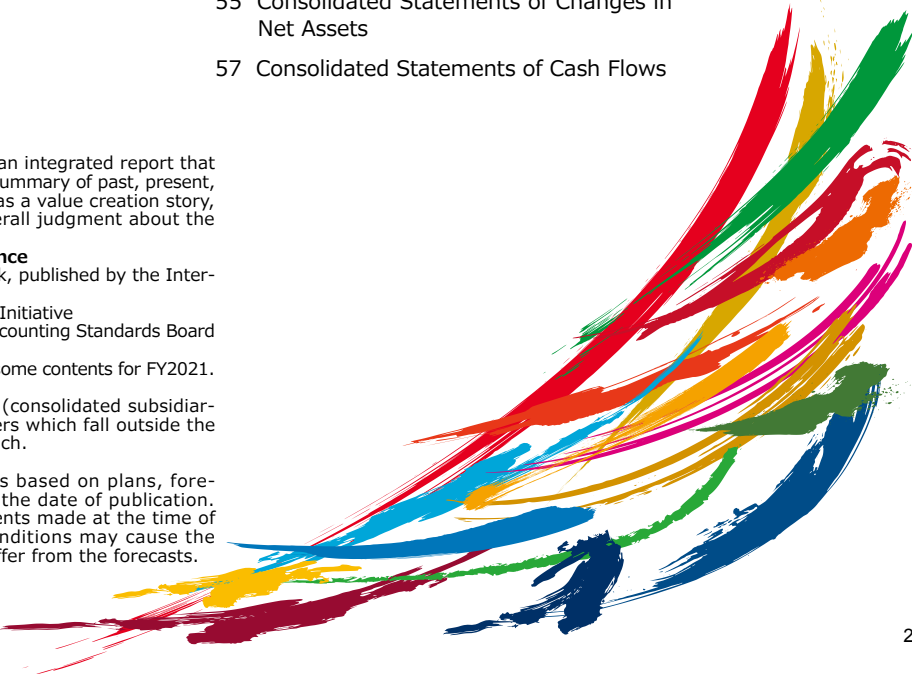
Editorial policy
Since 2019, the Kansai Paint Group has published an integrated report that provides a comprehensive and easy-to-understand summary of past, present, and future financial and non-financial information as a value creation story, with the aim of helping stakeholders make an overall judgment about the value of the group.

Guidelines and other information used as reference
● The International Integrated Reporting Framework, published by the International Integrated Reporting Council
● GRI Standards, published by the Global Reporting Initiative
● SASB Standards, published by the Sustainability Accounting Standards Board

Period covered
FY2020 (April 1, 2020 to March 31, 2021), including some contents for FY2021.

Scope of report
Kansai Paint Co., Ltd. and the Kansai Paint Group (consolidated subsidiaries) are included in the scope of this report. Matters which fall outside the scope of this report shall be clearly indicated as such.

Disclaimer
This report contains forward-looking statements based on plans, forecasts, and management plans and policies as of the date of publication. Forward-looking statements are based on judgments made at the time of creating the statements. Changes in various conditions may cause the results of future business activities or events to differ from the forecasts.



Good to Great

Returning to the spirit of our foundation and contributing to Earth and society

We are a well-established company with over 100 years of history. We have been expanding our business operation overseas, mainly in the field of automotive paint, and in the 2010s we expanded our scale through a series of mergers and acquisitions to become the eighth largest global paint manufacturer. On the other hand, we have faced various issues and experienced periods of decreases in profitability. In the 16th Medium-term Business Plan that started in FY2019, we have focused on tackling and resolving these issues head-on, and have made significant improvements in our management. The unprecedented crisis brought on by the COVID-19 pandemic provided us with an opportunity to reconsider the significance and value of our existence. As we formulated our growth strategy, Good to Great, which we announced in November last year, we came to the conclusion that we exist to contribute to the good of Earth and society. This was the very aspiration of our founder, Iwai Katsujiro, who stated that the basis of management is to "contribute to the development of the economy and society while pursuing profits." For our group, sustainability is not about following trends, but about returning to our roots. Our company is undergoing a major transformation with ESG management at its core, and this involves returning to the spirit in which the company was founded and working to solve social issues in order to benefit the world. We will pursue sustainability by making every effort to help achieve a decarbonized society, circular economy, and a safe and secure society by utilizing technologies and human resources we have cultivated through our paint and coating business.

Summary of results for FY2020

For the fiscal year ending March 31, 2021, sales were greatly affected by the COVID-19 pandemic, but we were able to limit the decline in sales to a 10.4% decrease from the previous year, resulting in sales of 364.6 billion yen. In addition, ordinary income and net income increased due to the effects of the initiatives in the 16th Medium-term Business Plan, including the realignment of low-profit assets and structural reforms. Consolidated operating income and ordinary income for the second half of the fiscal year reached record highs. On March 13, 2020, the day after the WHO declared the pandemic, our group issued two policies: "protect the safety of our employees and their families" and "continue our business." We have been able to make these kinds of achievements as a result of the united efforts of the entire global group. In November 2020, we announced our new growth

strategy, Good to Great, which sets the company's directions for the future while continuing our business despite the threat of COVID-19.

Forecast for FY2021

In FY2021, we will attempt to achieve our highest ever consolidated operating income and ordinary income by vigorously promoting the structural reforms that we have been working on for the past two years. As for sales, our target is 400 billion yen, the same level as FY2019, due to concerns over the impact of the ongoing COVID-19 pandemic, which shows no signs of abating.

FY2021 is the final year of the 16th Medium-term Business Plan. In addition to firmly accomplishing what we set out to achieve in the 16th Medium-term Business Plan, we will formulate the 17th Medium-term Business Plan. Our group has regained its earning power over the course of the 16th Medium-term Business Plan, and will enter a new stage by attempting to achieve its highest ever profits in the final year.

For the 17th Medium-term Business Plan, we have set mid-term goals and long-term goals for 2030 and 2050, and this the first three years of the plan will be vital in achieving these goals. During this period, we will undertake fundamental structural reforms, such as by revamping our supply chain in Japan and promoting digital transformation, and will make significant improvements in capital efficiency and profitability.

Closing thoughts

With our founding spirit of "pursuing profits and contributing to social development" at the core, our group will continue to take on the challenge of solving problems in order to benefit Earth and society. This challenge means that we will thoroughly refine our strengths, proactively invest in future assets (businesses, communities, and human resources) that will contribute to social development, and create solid management foundations to support our businesses. Through our future challenges and reforms, we will become a truly global company as paint professionals. Although we are still at the beginning of our transformation, we have already begun to change with the idea that Good is the greatest enemy of Great. We hope that this report will convey the essence of our group's efforts and serve as a bridge between our company and you, as partners who share a common goal for the future and are working with us to achieve a sustainable society.



MORI Kunishi

Representative Director and President



Corporate Data

Company Profile

Established in 1918, Kansai Paint Co., Ltd. has grown into Japan's most progressive manufacturer in various fields related to coatings.

Today, the company enjoys a well-established position as one of the world's leading paint manufacturers.

The various products provided by the Kansai Paint Group are highly valued and trusted in a broad variety of fields, due to the important role our coatings play, such as protection, beautification, special functionality, and environmental sensitivity.

Moreover, with Kansai Paint's proprietary research and development capabilities at its core, the company is providing its clients around the world with unparalleled customer service by expanding its manufacturing, distribution, and sales activities worldwide.

Name	Kansai Paint Co., Ltd.
Head office	6-14, Imabashi 2-chome, Chuo-ku, Osaka 541-8523, Japan
Date established	May 17, 1918
Capitalization	25,658 million yen
Number of employees	15,908 (consolidated)
End of term	March 31
Principal business lines	Manufacturing and sale of paints Design, manufacturing, and sale of coating equipment Control and undertaking of painting work Design of colour schemes
Corporate website	https://www.kansai.com/

Major Offices	
Registry Office	33-1 Kanzaki-cho, Amagasaki, Hyogo
Head Office	6-14, Imabashi 2-chome, Chuo-ku, Osaka
Plants	Amagasaki, Ono, Nagoya, Hiratsuka, Kanuma, Tokyo, Kitakyushu
R&D Center	Hiratsuka

Group Companies

Consolidated subsidiaries

KANSAI PAINT SALES CO., LTD. (Ota-ku, Tokyo)
KUBOKO PAINT CO., LTD. (Higashiyodogawa-ku, Osaka)
NIPPON KAKO TORYO CO., LTD. (Koza-gun, Kanagawa Prefecture)
KANPE HAPIO CO., LTD. (Chuo-ku, Osaka City)
KANPE TRADING CO., LTD. (Ota-ku, Tokyo)
KAT CO., LTD. (Ota-ku, Tokyo)
KANSAI PAINT MARINE CO., LTD. (Ota-ku, Tokyo)
KANSAI HELIOS COATINGS GMBH (Austria)
KANSAI NEROLAC PAINTS LTD. (India)
KANSAI PLASCON EAST AFRICA (PTY) LTD. (Mauritius)
PT. KANSAI PRAKARSA COATINGS (Indonesia)
KANSAI PAINT ASIA PACIFIC SDN.BHD. (Malaysia)
U.S. PAINT CORPORATION (U.S.A.)
KANSAI ALTAN BOYA SANAYI VE TICARET A.S. (Turkey)
KANSAI PLASCON AFRICA LTD. (South Africa)
THAI KANSAI PAINT CO., LTD. (Thailand)
KANSAI RESIN (THAILAND) CO., LTD. (Thailand)
TAIWAN KANSAI PAINT CO., LTD. (Taiwan)
P.T. KANSAI PAINT INDONESIA (Indonesia)
SIME KANSAI PAINTS SDN. BHD. (Malaysia)
KANSAI PAINT (China) INVESTMENT CO., LTD. (China)
80 other companies

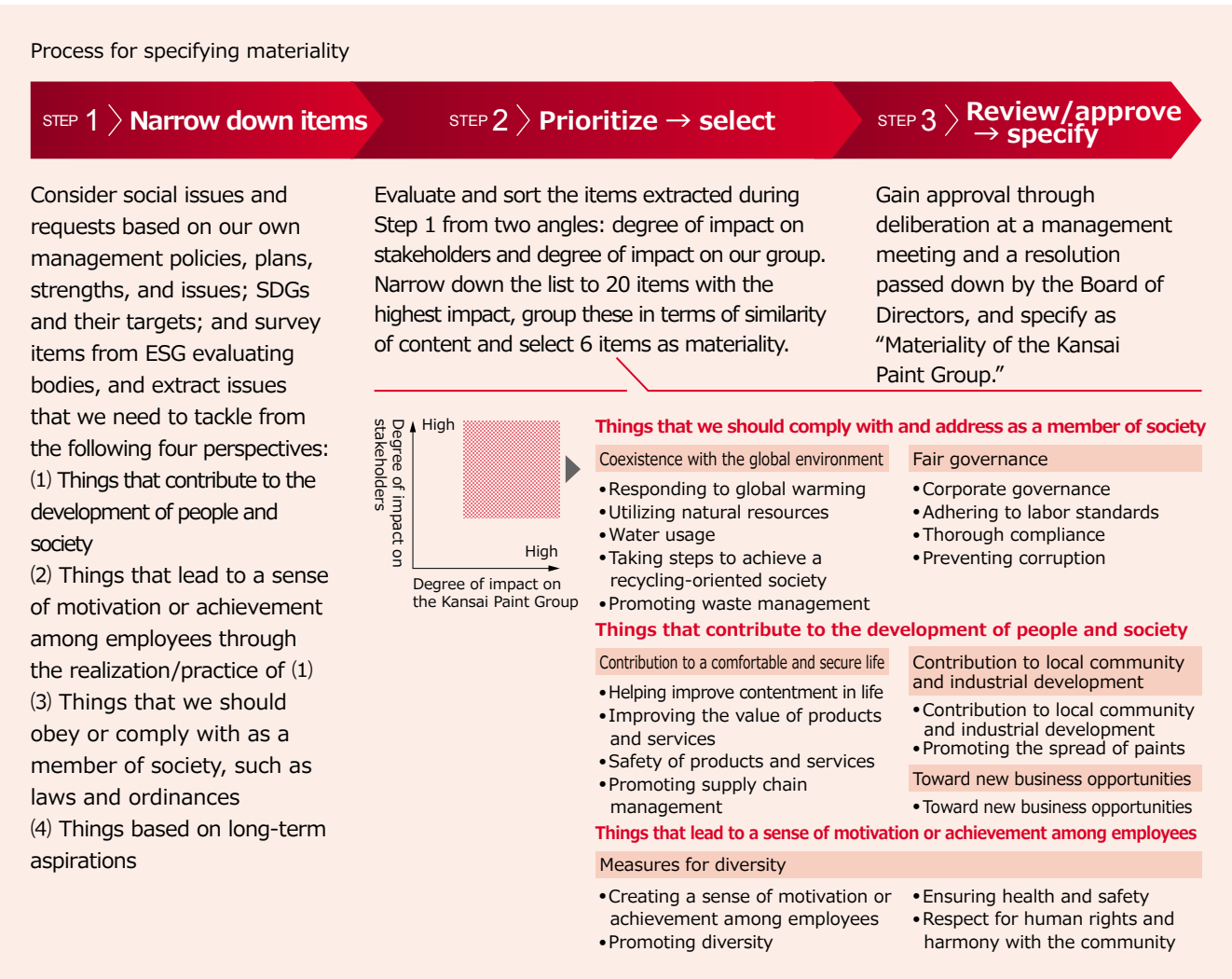
Unconsolidated subsidiaries and affiliates

OHGI SHOKAI CO., LTD. (Kita-ku, Osaka)
POLISAN KANSAI BOYA SANAYI VE TICARET A.S. (Turkey)
HUNAN XIANGJIANG KANSAI PAINT CO., LTD. (China)
COSCO KANSAI PAINT & CHEMICALS (SHANGHAI) CO., LTD. (China)
22 other companies



Materiality of the Kansai Paint Group

Today, the manner in which companies should tackle the issues facing society through their business activities is being called into question once more. In order to contribute to the development of people and society and to achieve sustainable growth in the future, we have identified the following materiality that we should prioritize through our business activities by leveraging our strengths, based on the Group Corporate Philosophy.



Relationship between the values of materiality and the Group Mission Statement and ESG/SDGs

Materiality	Contents of materiality	Core Values	ESG	Relevant SDGs
Coexistence with the global environment	• Responding to global warming • Utilizing natural resources • Water usage • Taking steps to achieve a recycling-oriented society • Promoting waste management	Accountability	E	
Fair governance	• Corporate governance • Adhering to labor standards • Thorough compliance • Preventing corruption	Integrity	G	
Toward new business opportunities	• Toward new business opportunities	Innovation	ES	
Contribution to a comfortable and secure life	• Helping improve contentment in life • Improving the value of products and services • Safety of products and services • Promoting supply chain management	Customer focus	ES	
Contribution to local community and industrial development	• Contribution to local community and industrial development • Promoting the spread of paints	Entrepreneurial mindset	ES	
Measures for diversity	• Creating a sense of motivation or achievement among employees • Promoting diversity • Ensuring health and safety • Respect for human rights and harmony with the community	Respect	S	

History of Social Contributions and Challenges

1918-1948: Founding Period

• In 1918, Iwai Katsujiro founded the company in Kanzaki, Amagasaki with 500,000 yen in capital.
• The company made great progress by contributing to the nationalization of paint production, much to the delight of many customers.
• Management foundations were established with a lineup of leading products, the opening of offices and factories in Tokyo, and the establishment of a company song.

1926 Released CELVA, Japan's first domestically produced lacquer

Following on from Japanite, Japan's first spar varnish that created an opportunity for the nationalization of paint production, we launched CELVA in 1926. In addition to pleasing many customers, Kansai Paint's performance for the year achieved significant gains. The Celva Paint Research Laboratory was established to provide spray coating technical instruction to company engineers, and hosted events such as paint technique competitions and demonstrations which significantly contributed to popularizing spray coating.



1934 Established the Kansai Paint Young Men's Military Training Center

At the request of the government, we established a private training school for young men within the main factory to provide military training and vocational education. Later, the school was reopened as the private Kansai Paint Boys' School and gained a reputation as one of the best schools in Amagasaki City until it was closed in 1945.



1949-1986: Postwar Growth Period

• The company overcame difficulties following the war to introduce many new technologies and products, becoming a comprehensive paint manufacturer.
• Listed on the Tokyo and Osaka Stock Exchanges, and established its head office in the commercial center of Osaka.
• Commenced overseas business in Singapore, Thailand, Taiwan, and India.

1955 Released Zolacoat, a multi-color design finishing material

The first technology introduced by Kansai Paint was the Zolacoat multi-colour design finishing material. The company hosted roughly 40 information sessions around Japan intended for press organizations, targeting special agents, vendors, painters, and general consumers. Zolacoat even became a kind of trend in building construction.



1971 Completed the Kanuma plant Expanded and established a position in the field of automotive coatings

Kansai Paint completed its fifth plant in Kanuma after building plants in Amagasaki, Tokyo, Hiratsuka, and Nagoya. The plant was equipped with modern facilities to establish a system for efficiently producing and supplying highly reliable products. The plant also received an award of excellence in the first Tochigi Prefectural plant greenery contest for its early environmental design considerations.



1987-2010: Overseas Expansion Period

• Kansai Paint began to officially globalize with the overseas expansion of domestic Japanese automobile manufacturers.
• In addition to expanding production capacity overseas, the company endeavored to improve its global price competitiveness and technology development capabilities and establish a technical support system.

1992 Established Tianjin Kansai Paint & Chemicals Co., Ltd. as a joint venture company in Tianjin, China

The overseas businesses made further progress as internationalization increased. Particularly in Asia, the expansion of overseas joint ventures and the self-reliance due to the management efforts of each company resulted in a strengthening of the management foundation.



2000 Developed the first water-based coating for use as an auto refinishing coating in Japan

The development of a water-based coating for use as an auto refinishing coating was a challenge, given that this product required a high level of quick-drying, workability, and excellent finish. However, we were among the first to start development work on these paints, and we continue to refine our technologies to this day.



2011-2018: Period of Accelerating Globalization

• Kansai Paint accelerated the pace of its globalization efforts through M&A, focusing on emerging countries with remarkable economic growth in anticipation of increased demand for paints.
• In Japan and overseas, it developed paints intended to solve specific problems and provide people with a comfortable life-proposing paints, such as anti-mosquito and antiviral paints.

2011 Acquired the shares of Freeworld Coatings (South Africa) and converted it into a consolidated subsidiary (currently Kansai Plascon Africa Ltd.)

The major South African paint manufacturer Freeworld Coatings Ltd. was converted into a consolidated subsidiary to accelerate the development of emerging markets and to establish a business foundation in the growing African market. Acquiring the company enhances Kansai Paint's competitiveness in the architectural field with Freeworld's strengths in architectural coatings.



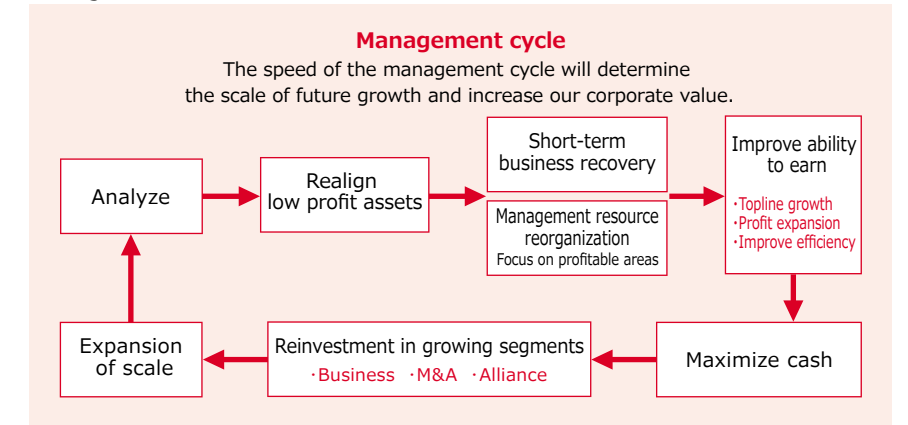
2018 Global company-wide implementation of group anniversary projects

To commemorate the 100th anniversary of Kansai Paint's founding, we held simultaneous ceremonies around the world via video streaming, introduced a group corporate logo, formulated a corporate philosophy that is easy to understand regardless of culture or language, and distributed original Shikkui Washi Japanese paper fans as commemorative gifts to approximately 18,000 group employees in Japan and overseas. These initiatives were intended to enhance the sense of unity of the group, as well as help increase motivation among employees.



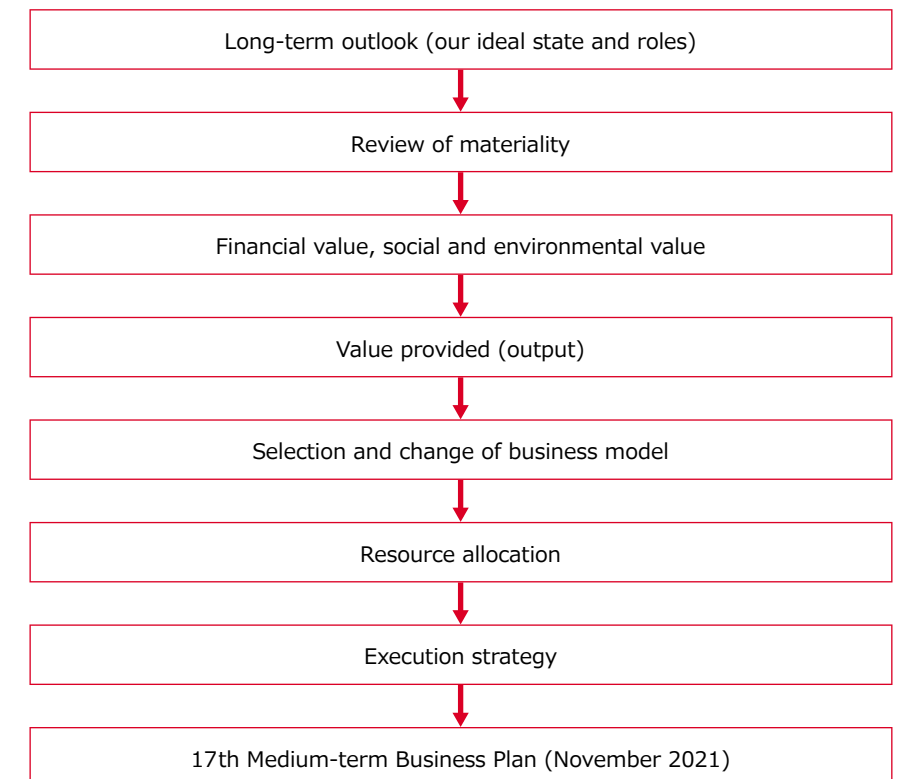
2019 Onwards: Carving out the Future for Ourselves

In the 16th Medium-term Business Plan, which began in FY2019, the company established the following management cycle to enhance corporate value by proceeding with the realignment of low-profit assets, thereby reorganizing management resources.



2021 and beyond

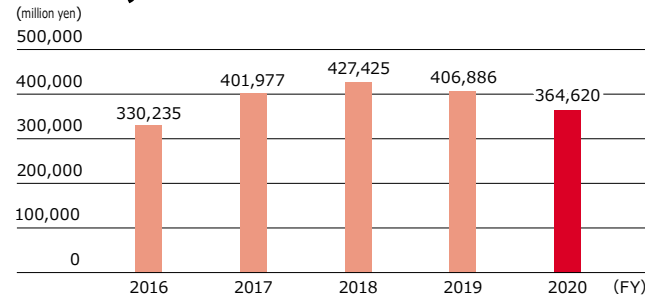
Shift to ESG management based on a long-term perspective



Financial Highlights

Net Sales (consolidated)

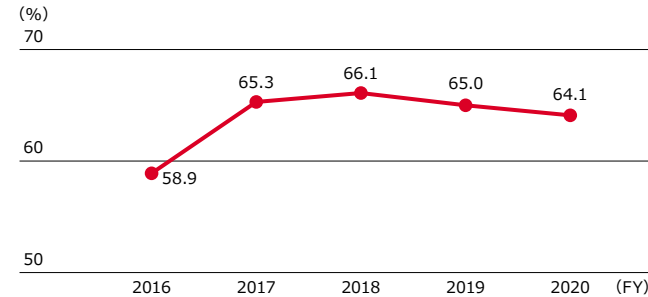
364,620 million yen **↓10.4% decrease**



Consolidated net sales for FY2020 were greatly affected by the stagnation of economic activities due to the spread of COVID-19 from the beginning of the year. Although sales picked up in the second half of the year due to a recovery in automobile production, they fell below the previous year's level due to the negative impact of foreign exchange conversion caused by currency depreciation in emerging countries.

Ratio of Overseas Net Sales

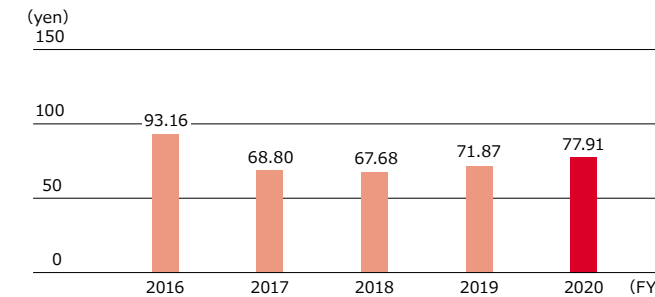
64.1% **↓0.9% decrease**



Although net sales in Europe were relatively strong, other overseas regions were greatly affected by the stagnation of economic activities due to COVID-19, and the ratio of overseas net sales therefore decreased. However, the overseas segment continues to account for a significant proportion of net sales.

EPS

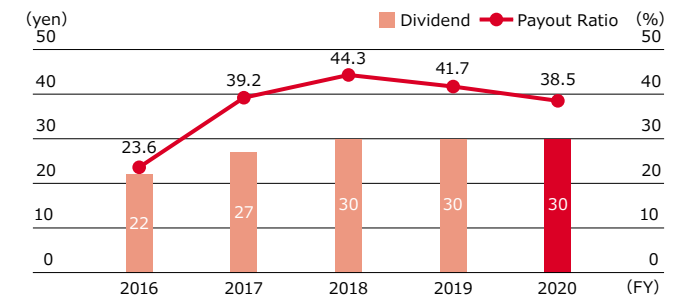
77.91 yen **↑6.04 yen increase**



Although consolidated operating income was slightly lower than the previous year, consolidated net income increased by 8.4% from the previous year due to an increase in equity in earnings of affiliates and an increase in gain on sales of investment securities resulting from a reduction in cross-shareholdings, and EPS also increased.

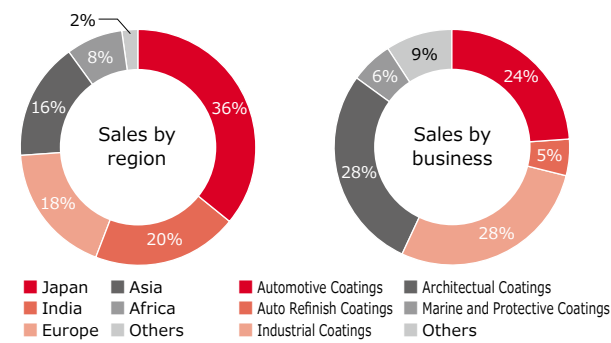
Dividend per Share / Dividend Payout Ratio (consolidated)

Dividend per Share **30** yen **±0 yen** Dividend Payout Ratio **38.5%** **↓3.2% decrease**



Under our basic policy of stable and sustainable payouts, we paid out a dividend of the same amount as the previous term. Consolidated net income increased due to the posting of extraordinary gains such as gain on sales of investment securities, and the consolidated dividend payout ratio decreased.

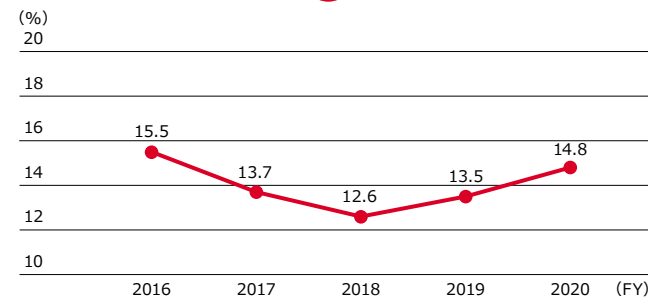
Composition Ratio of Sales by Region/Business



In terms of the composition ratio of sales by region, the composition continues to be largely the same as the previous year, and we maintain business operations spanning the globe. In terms of the composition ratio of sales by business, our three core business areas are automotive coatings, industrial coatings and architectural coatings. As a result, we have constructed a robust portfolio in terms of both region and business.

EBITDA Margin (consolidated)

14.8% **↑1.3% increase**

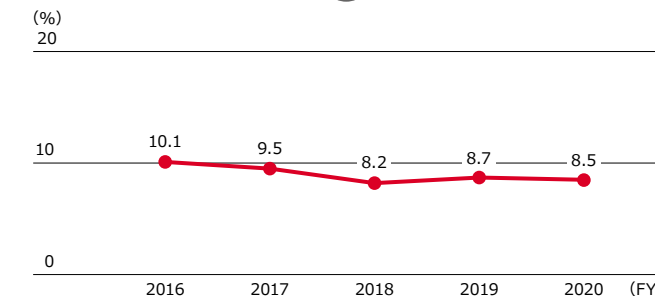


Despite the decline in sales due to the impact of the COVID-19 pandemic, profitability improved significantly due to the realignment of low-profit assets and reduction of fixed costs. In addition, the consolidated EBITDA margin was 14.8% (13.5% in the previous fiscal year) due to the improvement in equity in earnings of unconsolidated subsidiaries and affiliates.

*Consolidated EBITDA margin = (Consolidated operating income + Depreciation and amortization + Amortization of goodwill + Equity in earnings of unconsolidated subsidiaries and affiliates) / Consolidated net sales

Adjusted ROE

8.5% **↓0.2% decrease**

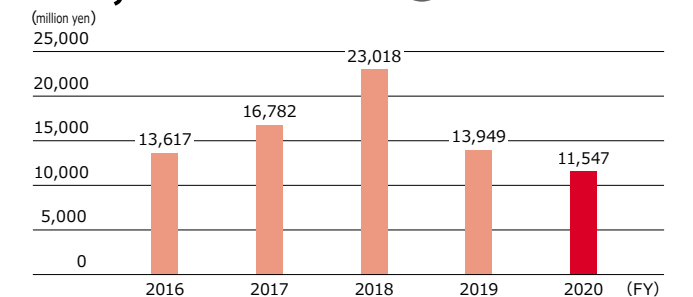


Despite the increase in consolidated net income, ROE declined slightly due to an increase in shareholders' equity.

*Adjusted ROE = (Consolidated net sales + amortization of goodwill) / Shareholder's equity (the average shareholder's equity at the beginning and end of the fiscal year)

Capital Investment Costs

11,547 million yen **↓17.2% decrease**

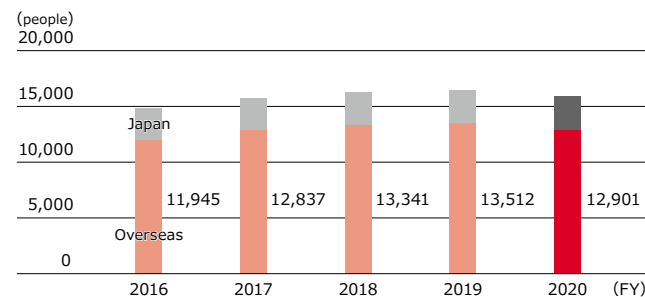


We curbed capital investment in response to the COVID-19 pandemic, but aggressively pursued digitalization and investment for the future. In India, a major investment in the construction of a new plant was completed in the previous fiscal year, and preparations are in place for expansion after the economy recovers.

Non-financial Highlights

Human Capital Ratio of Overseas Employees

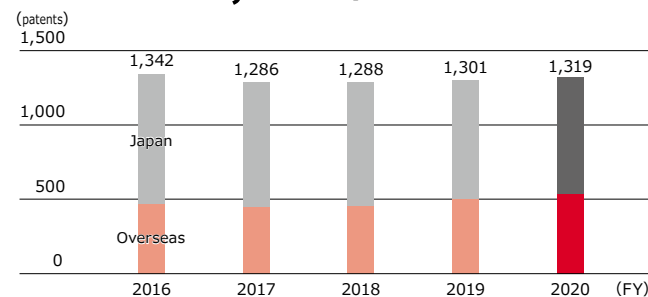
81%



In line with the increasing globalization of our group's business operations, the ratio of overseas employees in our group has exceeded 80%, and we are continuously deepening our communication at the global level as the basis of strengthening our group's overall capabilities.

Intellectual Capital Patents Held

1,319 patents



We constantly strive to bring about technological innovations, and take an active stance in developing new products and technologies. As a result, we occupy a superior position within the industry in terms of the number of patents held. In the case of technologies related to automobiles in particular, such as automotive coatings, we are the industry's top holder of patents. We file applications for new patents and make regular revisions, constantly optimizing our patents. We will continue working to improve our technical capabilities through such measures as promoting the use of patented technologies within the group.

Social/Related Capital Applications Submitted Our Corporate Brand

86 countries + **2** regions



In November 2018, our group formulated and introduced a unified corporate brand and logo for use in all sections of our group. We are currently seeking to expand this corporate brand around the world, and are in the process of lodging applications for registration of our logo as a means of improving our group image. The number of applications is based on the number of countries and regions (EU and OAPI).

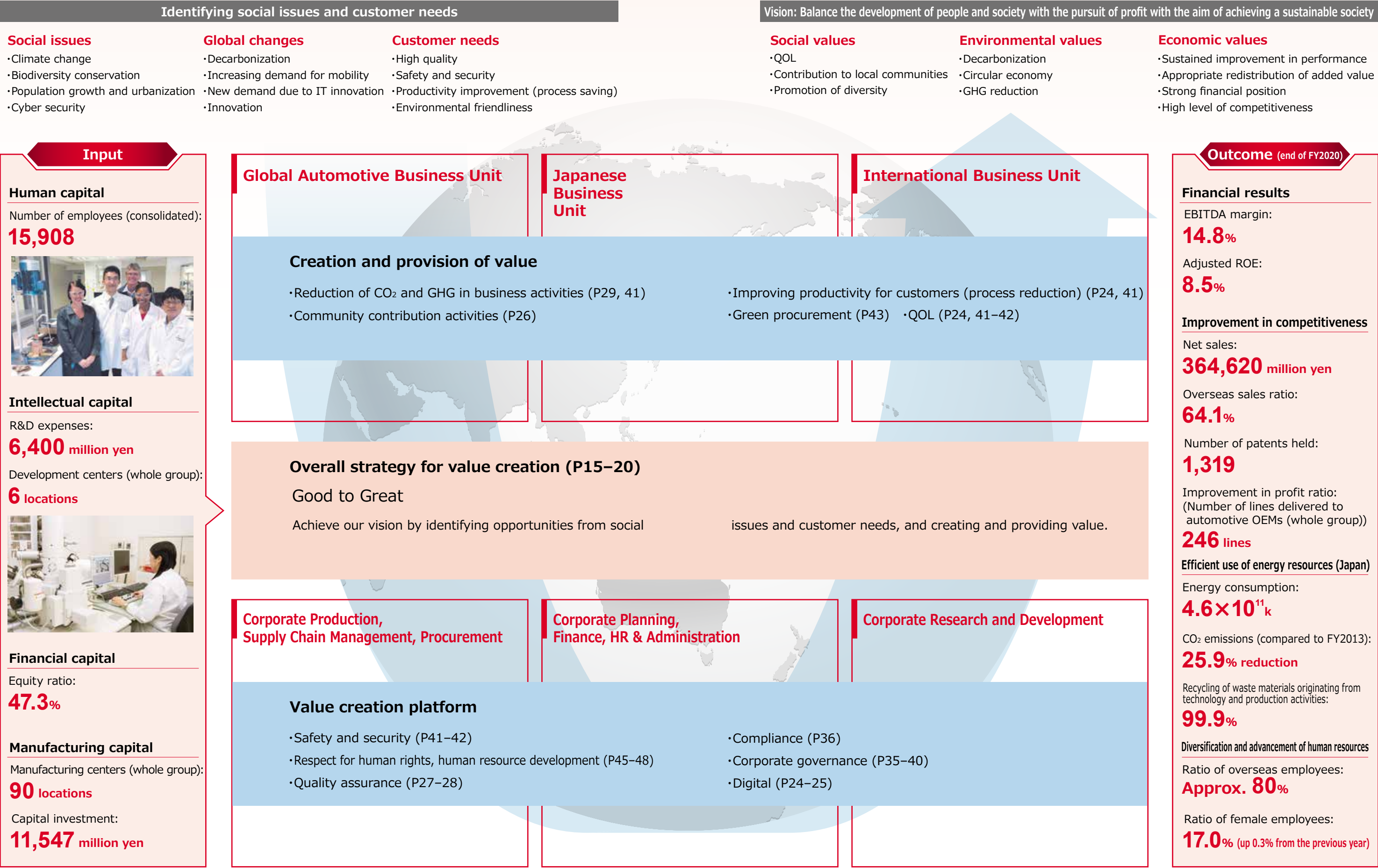
Production Capital Manufacturing Bases (whole group)

90 locations



To cope with increasing globalization and a robust demand for our products and services, especially in developing nations, we are carrying out business activities rooted in regions, with local production for local consumption. We currently have 90 bases in 31 countries, and have put in place systems for promptly providing products and services to global markets and customers of all kinds.

Value Creation Process



The 16th Medium-term Business Plan and its Progress

The Kansai Paint Group started implementing its 3-year 16th Medium-term Business Plan in FY2019.

In the 14th and 15th Medium-term Business Plans, we promoted rapid globalization and the expansion in scale of our business operations, but profitability declined. In the 16th Medium-term Business Plan, we are working to drastically improve profitability by strengthening governance overseas, realigning low-profit assets, and reforming our financial structure.

The unprecedented crisis brought on by the COVID-19 pandemic forced us to take a number of measures, but the measures our group had taken earlier in the 16th Medium-term Business Plan were successful. We were able to strengthen our management foundation by taking additional measures to deal with the impact of COVID-19, and are implementing many of our plans ahead of schedule.

Overseas profitability, which had been an issue at the start of the 16th Medium-term Business Plan, is steadily improving, and we are enhancing our resistance to changes in external factors by improving our regional and business portfolio.

Targets

FY2021 Target

Operating results

Consolidated net sales: 400,000 million yen (CAGR: +4.7%)

Consolidated EBITDA margin: Higher than 15.5% (2.9 percent points higher than FY2018)

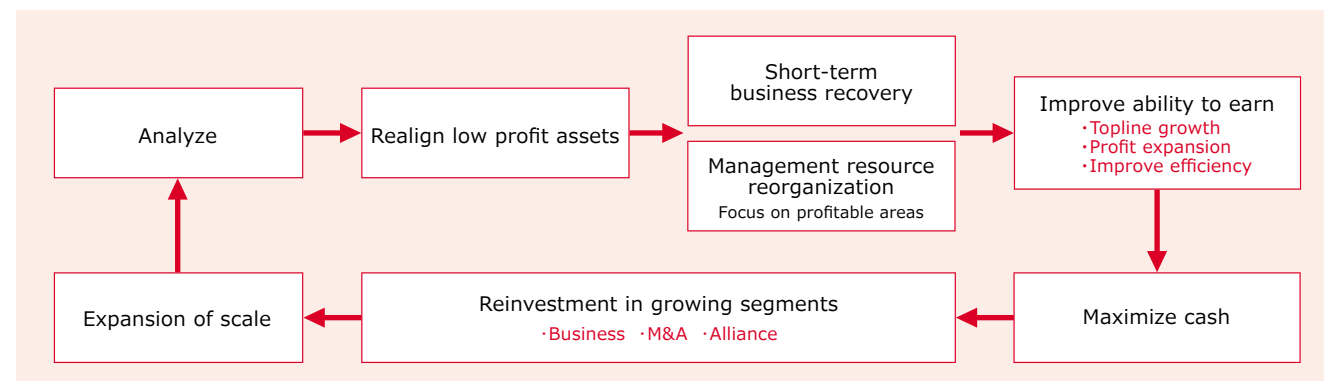
Adjusted ROE: Higher than 10% (1.8 percent points higher than FY2018)

Due to the impact of the COVID-19 pandemic, we will revise our targets for net sales and total cash flow generated from operating activities in three years. However, we will strengthen our independent efforts against external factors and work to achieve the targets of the 16th Medium-term Business Plan in terms of EBITDA margin and ROE.

• Consolidated EBITDA margin exceeding 15.5%.

• Adjusted ROE of more than 10.0%.

Management cycle

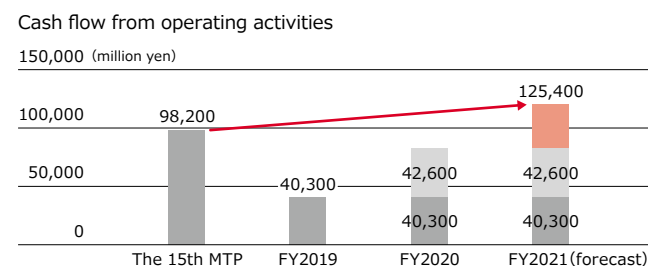
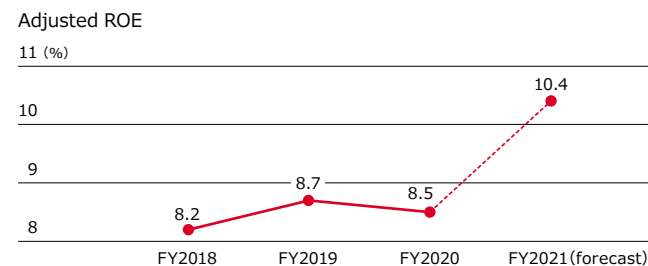
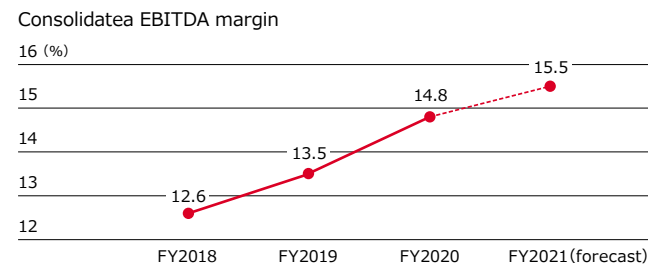
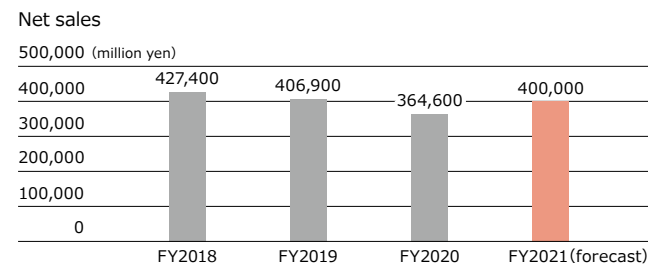


In the 16th Medium-term Business Plan, we have set the goal of implementing a management cycle to accelerate the pace of our growth.

Since the first year of the 16th Medium-term Business Plan, we have analyzed issues such as the business environment, profitability and future potential of each company, mainly in overseas businesses, and have been realigning several low-profit assets. Although we have had to make a series of tough decisions, our business performance has been steadily improving.

As a result, our earning power has increased and we are beginning to enter a cycle where cash flow will increase in the future. Going forward, we will actively invest in promising fields to create a new growth trajectory.

Progress

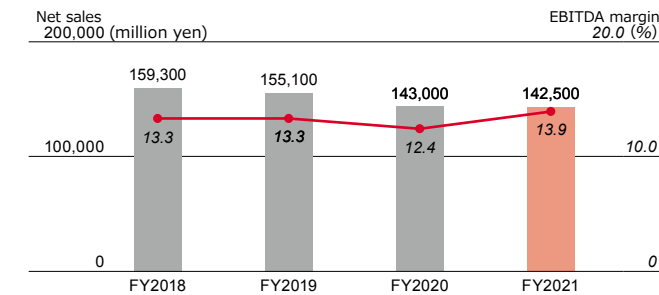


Key principles

In FY2020, we implemented a variety of reforms and measures based on the key policies of the 16th Medium-term Business Plan: **"Profit expansion followed by capital productivity and profitability improvement," "Improve business competitiveness,"** and **"Improve comprehensive strength of the group."** The results of these efforts are clearly reflected in the figures.

Progress of the 16th Medium-term Business Plan

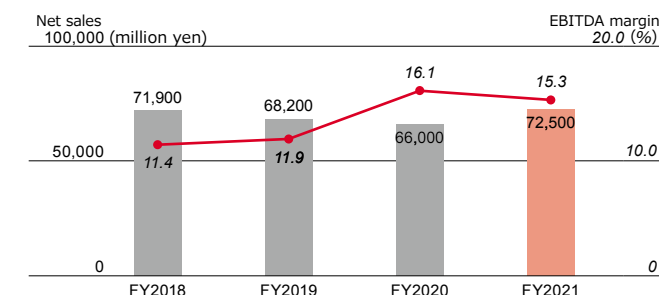
Japan



What we have done so far

- ✓ Reviewed overseas business strategy
- ✓ Improved governance
- ✓ Facilitated realignment of low-profit assets
- ✓ Improved profitability in architectural field

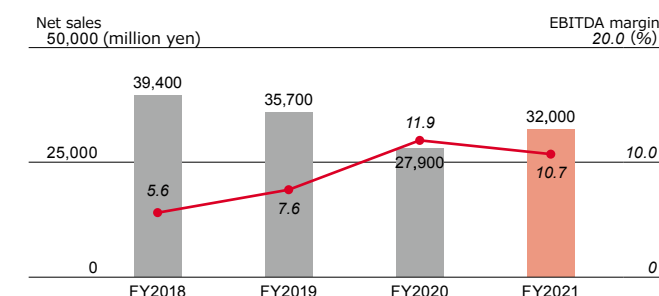
Europe



What we have done so far

- ✓ Realigned low-profit assets
KPR (Russia)
KPE (UK)
- ✓ Undertook structural reform of Helios
- ✓ Expanded paints for automotive parts
- ✓ Expanded paints for railway vehicles

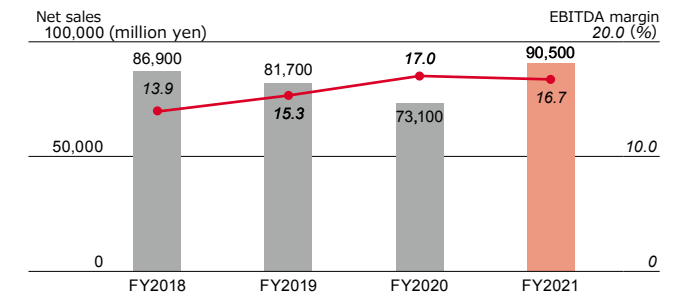
Africa



What we have done so far

- ✓ Responded to structural changes in demand
- ✓ Undertook restructuring
- ✓ Realigned low-profit assets
Nigeria
Sold off auto refinishing distributors
- ✓ Reviewed warehouses

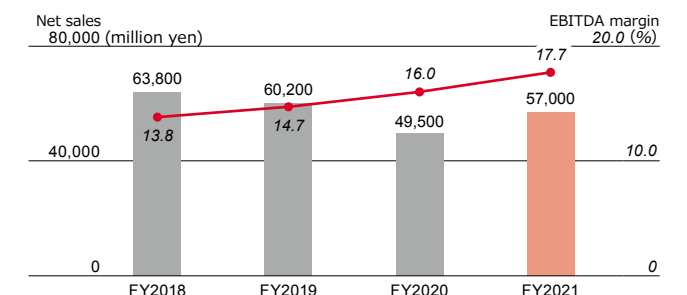
India



What we have done so far

- ✓ Made active investments (factories, digital)
- ✓ Developed and deployed functional products
- ✓ Expanded business (architectural and decorative materials)
- ✓ Maintained and improved high market share in automotive coatings

Asia



What we have done so far

- ✓ Realigned low-profit assets
Middle East business
Chongqing ALESCO
Kansai Shenglian
KP (China) Investment Co., Ltd.
KP Shenyang
- ✓ Undertook structural reform in Southeast Asia (KPAP)

In November 2020, our group formulated and announced our growth strategy Good to Great, which will serve as a backbone to seamlessly connect the 16th Medium-term Business Plan with its successor, the 17th Medium-term Business Plan, making it more dynamic and effective.

Growth Strategy: Good to Great

7 Keys to executing ESG management



Numerical targets for 2025

EBITDA over **18%**

ROE over **13%**

In our growth strategy, we have placed ESG management at the center. At the same time, we have set numerical targets that will significantly raise the level of our company.

We have established 7 Keys to Good to Great as a mechanism for implementing ESG management and as a key theme for achieving our numerical targets.

7 Keys to "Good to Great"

1. Continuous profitable growth
2. Strategic concentrated investment
3. Expansion of partnerships
4. Thorough improvement of profitability
5. Reorganization based on the characteristics of each business
6. Talent development
7. Strengthening infrastructure

In April 2021, our organization was reorganized into three business units and three Group HQs in order to strongly promote the 7 Keys. The entire company will work as one to promote reforms by dividing the measures into those that will be implemented company-wide and those that are tailored to specific business characteristics.

New organization from April 2021

Reorganization based on the characteristics of each business

Group HQ will support the three business units

Head of Global Automotive Business Unit



TOMIDA Kazumasa

Head of Japan Business Unit



TERAOKA Naoto

Head of International Business Unit



NISHIBAYASHI Hitoshi

Support

Group HQ

Chief of Corporate Planning, Finance, HR & Administration



TAKAHARA Shigeki

Chief of Corporate Production, Supply Chain Management, Procurement



FURUKAWA Hidenori

Chief of Corporate Research and Development



TAGIRI Sawane

7 Keys to "Good to Great"

The 7 Keys are the key themes that will help us become a Great company, and embody our value creation process.

Identifying social issues and customer needs

Social issues

- Climate change
- Biodiversity conservation
- Population growth and urbanization
- Cyber security

Global changes

- Decarbonization
- Increasing demand for mobility
- New demand due to IT innovation
- Innovation

Customer needs

- High quality
- Safety and security
- Productivity improvement (process saving)
- Environmental friendliness

Creation and provision of value

We will maximize profits by thoroughly strengthening profitability through measures such as revamping our supply chain in Japan. We will use these profits to achieve sustainable growth by investing intensively in areas that contribute to Earth and society.

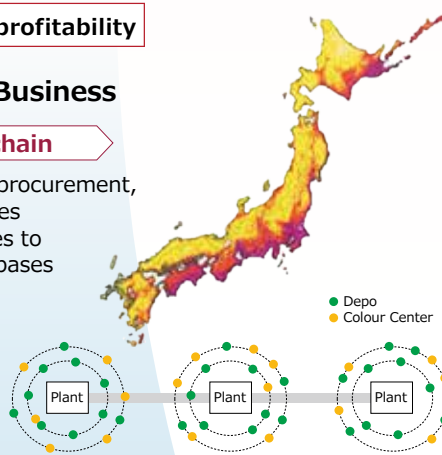
Thorough improvement of profitability

Structural reform of Japan Business

Complete review of the supply chain

- Strengthen total competitiveness in procurement, design, production, logistics, and sales
- Shift from dispersed production bases to a small number of large production bases
- Disaster risk minimization and BCP
- Smart factories
- ESG measures

Strongly promote in the 17th Medium-term Business Plan
Link to 2030 targets



Vision: Balance the development of people and society with the pursuit of profit with the aim of achieving a sustainable society

Social values

- QOL
- Contribution to local communities
- Promotion of diversity

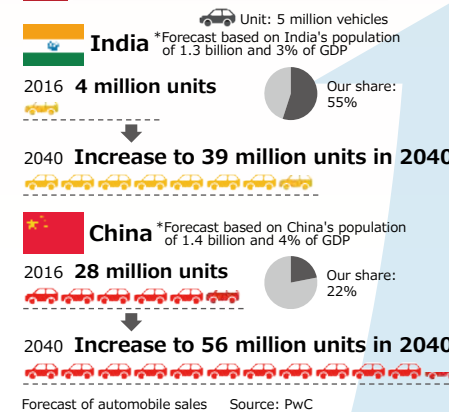
Environmental values

- Decarbonization
- Circular economy
- GHG reduction

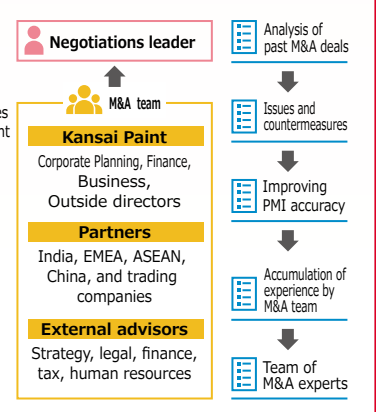
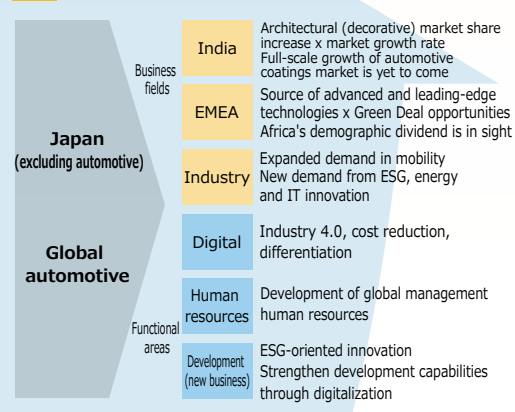
Economic values

- Sustained improvement in performance
- Appropriate redistribution of added value
- Strong financial position
- High level of competitiveness

Continuous profitable growth



Strategic concentrated investment



Executing organization for value creation

It is people and organizations that actually create value. The inputs, such as social issues and customer needs, and the outputs, such as value, vary greatly depending on the characteristics of the business. We will reorganize our organization according to the characteristics of the business at hand, and utilize the resources of our value creation platform to achieve our objectives.

Reorganization based on the characteristics of each business



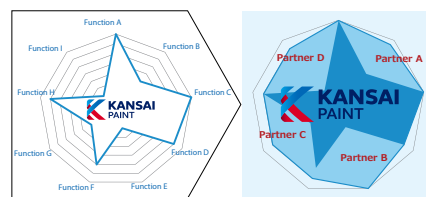
Group HQ will support the three business units



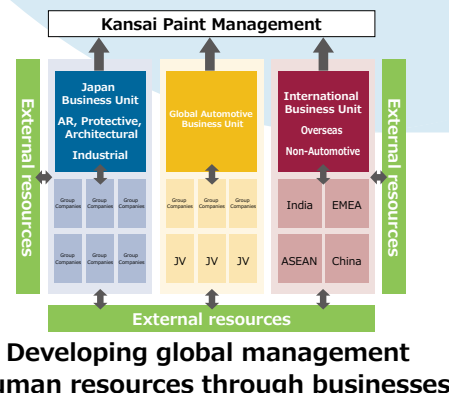
Value creation platform

We will strengthen the foundations that support our growth. We will generate funds through financial restructuring and strengthen our human resources, digital capabilities and governance through partnerships with professionals in various fields.

Expansion of partnerships

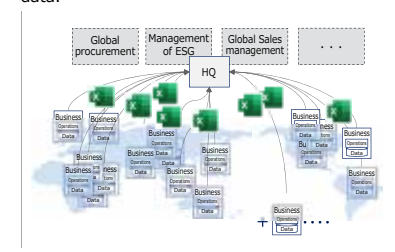


Talent development

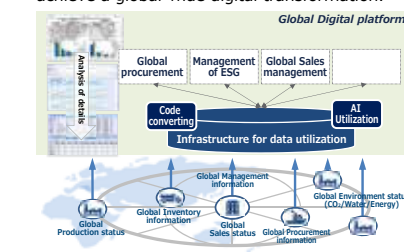


Strengthening Infrastructure

Current
As a result of aggressive M&A, different operations, systems, and codes are being used by different companies and businesses, and global data is collected in Excel with minimal granularity, making it difficult to fully utilize the data.



Future
On the Global Digital platform, we will develop a unified global code to automatically collect and utilize sales, production, inventory, procurement, and environmental information from all locations, thereby allowing us to achieve a global-wide digital transformation.



- (1) Correction of uneven distribution of group funds and efficient management
Correct uneven distribution of cash on hand and borrowings, and promote centralization at head office
Start preparations for introduction of Cash Management System
- (2) Generate funds for growth investment by reducing total assets
Promote reduction of cross-shareholdings
Reduce and make effective use of existing real estate (land and buildings)
Improve efficiency of current assets (reduce trade notes and accounts receivables and inventory days)
- (3) Secure a flexible fund procurement system
Promote diversification of fund procurement methods (CP, commitment lines, etc.)
Consider asset finance and mezzanine financing

Optimal Capital Allocation

- (A) Profit growth in existing businesses (B) Necessary M&A
+
(C) Appropriate return to stakeholders

Social issues · Climate change · Biodiversity conservation · Population growth and urbanization · Cyber security

Global changes · Decarbonization · Increasing demand for mobility · New demand due to IT innovation · Innovation

Customer needs · High quality · Safety and security · Productivity improvement (process saving) · Environmental friendliness

Things we will do:

Europe

- ▶ Invest in industrial coatings (businesses, M&A)
- ▶ Expand coatings for automotive and EV-related parts
- ▶ Expand coatings for railroad vehicles
- ▶ Respond to new demand related to circular economies and decarbonization

India

- ▶ Invest more aggressively to capitalize on market growth
- ▶ Maintain automotive market share and respond to expansion period
- ▶ Increase market share of architectural coatings
- ▶ Promote unique strategies
- ▶ Develop functional products by leveraging technological capabilities

Africa

- ▶ Undertake restructuring in South Africa
- ▶ Realign low-profit assets
- ▶ Optimize logistics including in neighboring countries
- ▶ Shift to sales expansion
- ▶ Mid- to long-term strategy

Japan

- ▶ Undertake structural reform in Japan
- ▶ Global digital transformation
- ▶ Promote digitalization in Japan
- ▶ Reform human resource systems
- ▶ Explore new businesses
- ▶ Strengthen governance

Asia

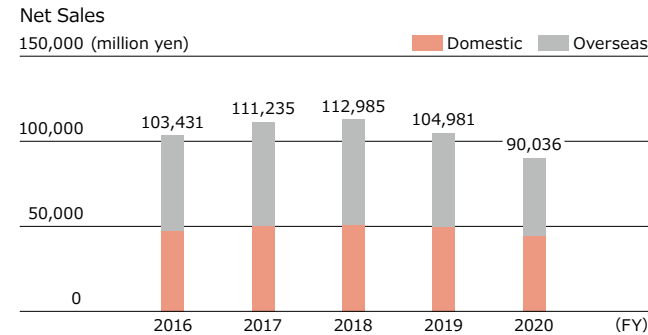
- ▶ Realign low-profit assets (Southeast Asia)
- ▶ Improve and strengthen China business structure
- ▶ Respond to new EV demand
- ▶ Strengthen coatings for automotive and EV-related parts
- ▶ Strengthen industrial coatings
- ▶ Develop Deco, Protective and Auto refinish business

17th Medium-term Business Plan based on a long-term perspective

- Formulate mid- to long-term numerical targets for decarbonization
- Scenario analysis for TCFD endorsement
- Update materiality
- Resource allocation
- Promote diversity
- Promote digital transformation

Business Overview

Automotive Coatings



- Achievement of improved added value through high-quality products
- Solid service and support capabilities for customer lines
- Strong presence among Japanese-affiliated automobile manufacturers
- When there is a surge in raw material prices, pass-throughs slow and there is a lag in profitability improvement
- Have not completely achieved local production for local consumption in global businesses
- Cost competitiveness differs by region
- Expanded vehicle production in emerging markets
- Expanded supply to non-Japanese-affiliated automobile manufacturers
- Increased share resulting from factors including automobile model changes
- Decrease in volume due to changes to automobile materials that need less paint, and the emergence of alternative materials such as film to replace paint
- Supply chain disruptions due to accidents, damage, etc., at raw material manufacturers
- Reduction in domestic automobile sales volumes due to car sharing becoming more mainstream, etc.



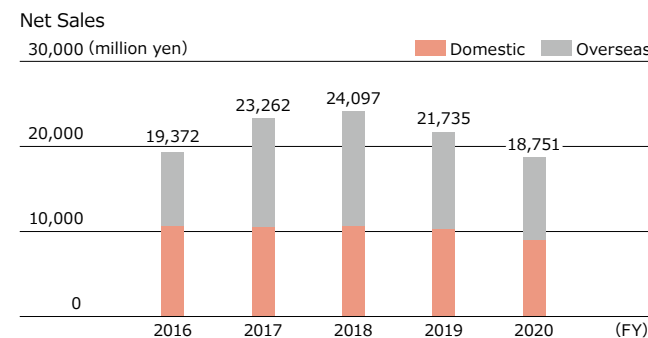
Market Trends and Operating Results for This Fiscal Year

Due to the impact of COVID-19, concerns about the supply of semiconductors, and other factors, the market environment in Japan, India, and ASEAN countries was extremely severe, and sales decreased from the previous year. In China and Europe, sales were almost the same as the previous year as the recovery of production volumes was faster than expected.

Market Forecast and Outlook

Both in Japan and overseas, we expect a significant recovery from the decline in demand caused by COVID-19, and anticipate a significant increase in sales in markets where we have a large share, such as India, China and Japan. In addition, we will promote future expansions in demand by developing the necessary R&D and supply systems to capitalize on the new demand for coatings created in the mobility field.

Auto Refinish Coatings



- Strong market presence through the latest water-based coatings
- Highly safe product lineup complying with environment-related laws and regulations
- Advanced and efficient colour matching capabilities based on an overwhelming pool of colour-related information
- Delays in expanding markets in the US, China, etc.
- Low degree of recognition from non-Japanese-affiliated car manufacturers
- Newcomers have difficulty capturing and expanding share
- Potential for new business chances to meet changing needs due to the shift from car ownership to car sharing becoming more mainstream
- Expansion of markets due to an increase in automobile ownership in emerging markets
- Light repair services, etc. becoming more mainstream
- Contraction in the automobile repair business itself due to the improved safety performance of cars
- Rapid changes to requirements for products and services due to tighter environmental regulations, etc.
- Potential for changes to the nature of competition due to the arrival of global manufacturers through M&A



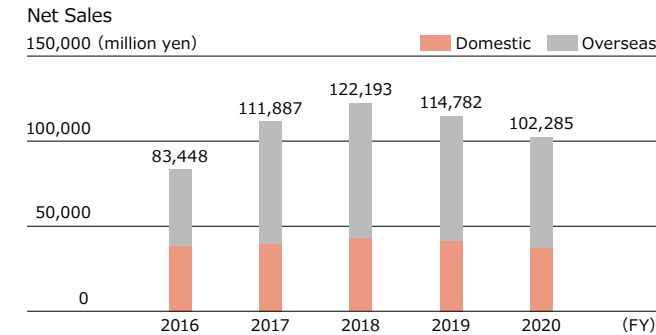
Market Trends and Operating Results for This Fiscal Year

Global sales decreased from the previous year due to lockdowns and market declines caused by COVID-19. Although there was an increase in sales in some regions such as Europe, sales in Japan, Africa and Asia were lower than in the previous year.

Market Forecast and Outlook

While there are concerns over diminishing equilibrium in the Japanese market, we will work to expand sales of eco-friendly coatings, and will take steps toward capturing a greater market share. In addition, we will also explore creating new business opportunities by combining our group's all-water-based coatings and colour matching systems along with services and support. Overseas, in addition to improving existing businesses, we will endeavor to venture into new businesses, especially in emerging markets.

Industrial Coatings



- Diverse and sound technical capabilities resulting from a proven track record in supplying to a broad range of business fields
- Strong relationships of trust through a long-term proven track record in supplying to major clients
- Possession of original technologies in business fields in which demand is expected to grow
- Growth in demand stemming from accelerated industrialization due to economic growth in emerging markets, etc.
- Growth in sales resulting from the increased overseas expansion of Japanese clients
- Improved earnings and increased business opportunities thanks to the horizontal expansion of technologies within the group
- Raw material procurement risk due to suppliers
- Broad range of business fields and clients, meaning an increasing need to provide services on an individual basis
- Radical technological innovation does not occur so easily
- Emergence of competition with an overwhelming presence in specific business fields
- Intensification of the competitive environment with global players in each region
- Emergence of new competition as a result of groundbreaking technological innovation



Market Trends and Operating Results for This Fiscal Year

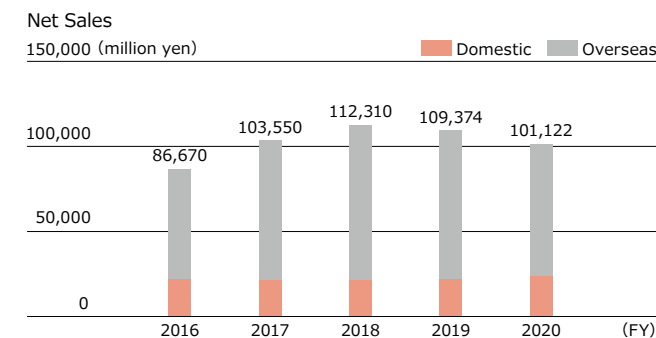
In Japan, in the first half of the year, we experienced a significant slump in demand in a wide range of fields (including coatings for automotive parts and industrial machinery) due to the effects of COVID-19. Demand recovered in the second half of the year, but sales declined from the previous year.

Overseas, overall sales decreased, although sales in China, which recovered quickly from the effects of COVID-19, increased.

Market Forecast and Outlook

We expect sales to increase in Japan, India, Europe and Asia, as we anticipate a significant recovery from the decline in demand caused by COVID-19 in the previous fiscal year. Demand in the industrial sector is extensive and there are still many fields and regions that we have not yet entered. In addition, new demand is expected in these fields, especially in the area of ESG, and we will proactively invest to expand the scale and scope of our business.

Architectural Coatings



- Presence in emerging markets and regions with high expectations for growth, such as India and Africa
- Diverse lineup of global products
- Possession of diverse business models
- Delays in expanding markets in the US, China, etc.
- Low public image of paint compared to wallpaper in the Japanese interior market
- Newcomers have difficulty capturing and expanding market share
- Increase in demand due to expansion of middle class population, especially in emerging markets
- Increased focus on functional products, including antiviral products
- Changing sales channels, such as e-commerce
- Appearance of competitive products and services other than paint due to economic growth
- Price pass-throughs are difficult in some regions when there is a surge in raw material prices
- Potential for changes to the nature of competition due to the arrival of global manufacturers through M&A



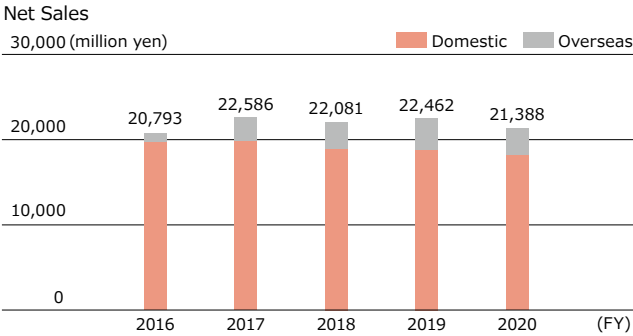
Market Trends and Operating Results for This Fiscal Year

In Japan, sales increased from the previous year due to exceptionally high demand for DIY paints resulting from more people staying at home coupled with an improved product lineup, among other factors. Overseas, sales in Europe increased, but sales in India, Africa and Asia decreased from the previous year due to the impact of a decline in demand caused by lockdowns in the first half of the year.

Market Forecast and Outlook

Overseas, the impact of COVID-19 is expected to continue into the first half of FY2021, especially in Asia, but sales in the second half of the year are projected to be robust, based on increased market demand. In Japan, we expect that the demand resulting from more people staying at home will disappear, but we will aim to increase sales by expanding sales of functional paints and increasing our market share.

Marine and Protective Coatings



- Ability to propose process-reducing/energy-saving products etc. to users
- Long-selling products (protective products, products reducing fuel costs for ships)
- Global alliance with JOTUN

- Delay in lineup of products meeting global specifications
- Delay in developing the next generation of antifouling paint
- Yet to establish a unified brand as a global network



- Increased demand for maintenance work stemming from aging infrastructures in the oil and gas industries, etc.
- Growing demand from the clean energy industry
- Increased demand for products which help reduce fuel costs in line with environmental regulations

- Maintenance cost constraints due to a worsening of client businesses
- Pressure on profitability due to soaring market prices for raw materials, such as zinc and cuprous oxide
- Market incursion on the specifications of global manufacturers (clients and suppliers)

Market Trends and Operating Results for This Fiscal Year

In Japan, sales in the field of protective coatings decreased due to a decline in demand caused by the postponement or cancellation of construction projects as a result of COVID-19. In the field of marine coatings, sales decreased due to delays in the docking of ocean-going vessels and the sluggish shipbuilding market caused by COVID-19. Total sales in both fields were also lower than the previous year. Overseas, sales of protective coatings increased due to growth in Asia.

Market Forecast and Outlook

Although it is difficult to foresee a recovery in demand in the field of marine coatings, we will aim to acquire new customers by taking advantage of our global alliance with JOTUN. In the field of protective coatings, we will aim to expand sales by capturing needs for solutions to social issues such as process saving, energy saving, fire resistance, and environmental friendliness.



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TOPICS

01

Development policy



Strategic concentrated investment



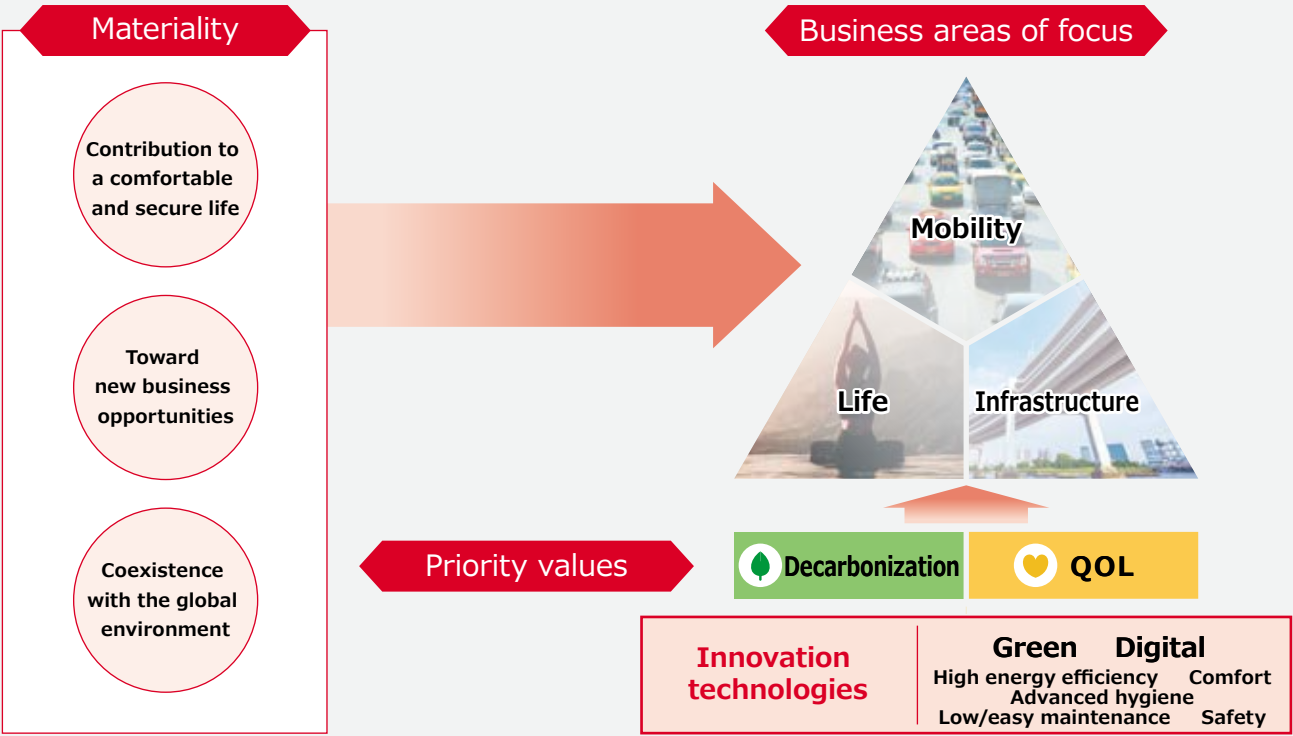
Expansion of partnerships



Continuous profitable growth



We will make strategic concentrated investments in R&D as an engine for continuous growth.



In formulating our development policy, we will focus on the three materialities of "contribution to a comfortable and secure life," "coexisting with the global environment," and "toward new business opportunities." From the perspective of "contribution to a comfortable and secure life" and "coexisting with the global environment," we will provide added value in the form of quality of life (QOL) and decarbonization through our products and services. In terms of "toward new business opportunities," we have narrowed down our focus to three fields: rapidly growing transportation and mobility-related fields, such as EVs and automated driving; energy infrastructure-related fields in

which social infrastructure requires maintenance and high durability, and where new construction is underway; and life-related fields that protect health with advanced hygiene materials or enrich people's lives with advanced designs. In these target markets, we will expand our business and take on the challenge of exploring untapped business opportunities. In addition, we will create products that contribute to QOL and decarbonization by integrating advanced green (environmentally friendly) and digital (AI, MI) technologies into paint development. To promote innovation, we will actively collaborate with universities, research institutions and companies in different industries.



Examples of advanced design colour designs for the mobility field

Metal-rich silver
(Developed product)



Conventional silver



Relevant materiality

Materiality	Relevant SDGs								
Contribution to a comfortable and secure life	3 GOOD HEALTH AND WELL-BEING	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION						
Toward new business opportunities	7 AFFORDABLE AND CLEAN ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	13 CLIMATE ACTION						
Coexistence with the global environment	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION			

TOPICS

02

Performance Improvement Committee



Strategic concentrated investment



Talent development



Thorough improvement of profitability



Strengthening infrastructure

Bottom-up activities to enhance competitiveness and maximize profits

The launch of the Performance Improvement Committee in April 2020, with about 80 members, is the first bottom-up activity in our company's history. This is a new attempt to utilize the 6,912 requests for improvement solicited from all over the company to resolve issues, by setting themes, planning, budgeting, and executing everything autonomously and independently. The members come from a wide range of age groups and departments, and the one and only rule is that they can freely express their opinions regardless of rank within the company.



Five measures to solve problems

The Performance Improvement Committee functions as the first stage in reforms required to be undertaken by all employees in order to change the working style and operational efficiency of all employees working on the site, and improve our company's competitiveness. In response to the requests for improvement collected from the entire company, the Performance Improvement Committee has formulated the following five measures that it will take the initiative in addressing with the cooperation of all employees: "Use digital technology to quickly solve employee problems," "Contribute to company profits by improving the efficiency of technological development," "Free employees from cumbersome work and improve customer responsiveness through digitization," and "Build systems and frameworks to enable employees to better demonstrate their abilities."












Improvement of business performance and human resource development

Around the time we launched the Performance Improvement Committee, COVID-19 was already spreading around the world. Therefore, the committee activities were carried out using web conferencing and chat functions without ever meeting in person. Despite this unfamiliar environment, everyone communicated positively and proactively in order to move the activities forward. By maintaining an attitude of constructive discussion and never rejecting different opinions, and by thinking through the entire process from planning to execution as a team, the members have been able to create a sense of satisfaction and accomplishment, which has led to improved business performance, and are continuing to pursue dynamic activities as a new form of talent development.




Relevant materiality

Materiality	Relevant SDGs		
Contribution to a comfortable and secure life			
Toward new business opportunities			
Measures for diversity			


TOPICS

03

Social contributions



Strategic concentrated investment



Continuous profitable growth

Founding spirit extending throughout our group companies

Our company's founder, Iwai Katsujiro, was truly a manager with an ESG perspective, someone who emphasized manufacturing and trustworthy relationships, as well as long-term outlooks and social contributions. Our activities to solve global issues based on this founding spirit have spread throughout our group companies. In Slovenia, we donate disinfectant solutions and environmentally friendly paints to educational facilities, and hold painting and drawing events for local children. In Turkey, we have been donating books to libraries and supporting the painting of school walls, while in Tanzania, we are continuing our educational support activities for girls.



An event in Slovenia for local children

Initiatives in production

In India, we are proactively utilizing renewable energy and reusing water. Meanwhile, in Africa, we are striving to improve resource efficiency by actively using rainwater for cleaning and washing.



Proactive reuse of water in Africa



Use of renewable energy in India















Contributing to society through our products

In Japan, our antiviral tapes and sheets have been a big hit in the fight against COVID-19, and are used not only by the general public, but also by medical institutions, educational institutions, and many other places. In Turkey, we are developing paint for blades used in wind power generation, a type of renewable energy, while in Uganda, we donated anti-mosquito paint and masks to the Ministry of Education and Sports. Through these among other initiatives, our group is engaged in a wide range of activities around the world that contribute to the environment and benefit society through our products.



Advertising on the Osaka Metro Midosuji Line featuring a famous celebrity promoting our antiviral tape

Relevant materiality

Materiality	Relevant SDGs		
Contribution to a comfortable and secure life			
Contribution to local community and industrial development			
Toward new business opportunities			
Measures for diversity			
Coexistence with the global environment			

Coexistence with the Global Environment

(The information contained on pages 27-34 refers specifically to Japan.)

Policies and system on environmental conservation

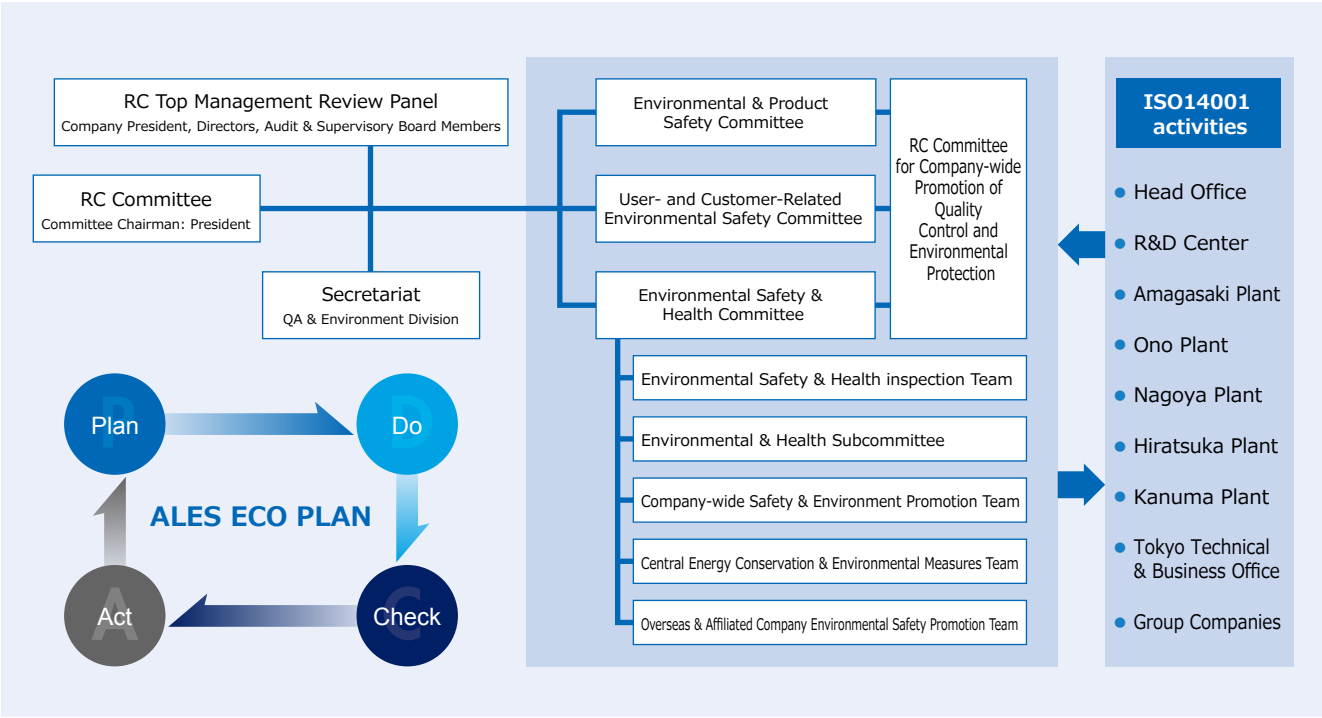
Kansai Paint has formulated Corporate Policies on Environmental Conservation as the framework for its Responsible Care activities. Those policies reflect our commitments in a number of areas, including protection of the safety and health of the customers who use our products and the employees who use the chemical substances from which our products are made, as well as the reduction of environmental loads caused by the use of our products and our business operations.

- Corporate policies on environmental conservation
- 1. To supply products after full consideration of their potential impacts on people and the environment.
 - 2. To undertake proactive countermeasures to cope with the potential effects of products on people and the environment.
 - 3. To contribute to society while raising awareness about the environment, safety and health.
 - 4. To disclose and provide information related to the environment, safety and health.

Organizational structure of Responsible Care

Based on the above Corporate Policies on Environmental Conservation, Kansai Paint sets goals and formulates plans relating to responsible care, and monitors their progress. This includes efforts to reduce product-related environmental loads and promote the uptake of environmentally-friendly products, ensure product safety, disclose information to customers, ensure employee safety and health, and minimize environmental loads generated by our business operations. This work is

carried out by the Environmental & Product Safety Committee, the User- and Customer-Related Environmental Safety Committee, and the Environmental Safety & Health Committee. The activity goals and plans of these three committees are approved and reviewed and progress monitored by the RC Committee and the RC Top Management Review Panel, which are the top-level organizations for responsible care.



Top Management audit of Responsible Care

In February 2021, the three committees submitted reports on the progress of the ALES ECO PLAN 2021, drawn up in 2018, together with trends in environmental regulations in Japan and overseas to top management, including the President, who also chairs the Responsible Care Committee. Management discussed ways to enhance the effectiveness and efficiency of future initiatives. Top management gave a number of instructions, such as to enhance RC activities with a greater awareness of the SDGs and ESG management, and to review RC activities in line with our growth strategy. We will further expand our RC activities in line with these directives from management to achieve the ALES ECO PLAN.



Thorough infection countermeasures and online meetings have been implemented

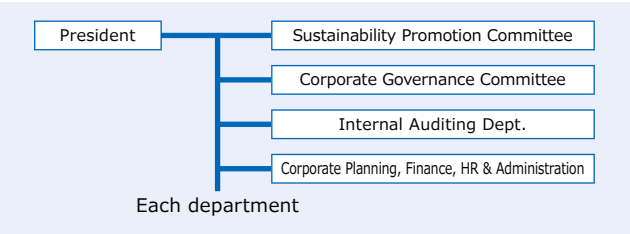
ALES ECO PLAN 2021 (Evaluation of FY2020 targets and results)

	Activities and Targeted Areas		FY2020 Targets	FY2020 Results	Evaluation
Environmental & Product Safety	Reduction of Hazardous Substances in Products	1. Amount of lead in products sold*1)	Use prohibited except for special applications Elimination by 2020, including special application	Kept use prohibited except for special applications. Elimination completed, including for special applications in FY2019.	Target achieved
		2. Amount of hexavalent chromium in products sold*2)	87% reduction from the FY2003 level	87.7% reduction from the FY2003 level	Target achieved
		3. Amount of T, X, EB*3) in products sold*4)	Keep below FY2015 results	Kept below FY2015 results	Target achieved
		4. Reduction of nonylphenols*5)	Limit usage to 0.3 t Conduct enquiry into elimination by 2022	Usage: 0.64 t Conducting efforts into elimination	Target not achieved
Environmental Safety and Health	Environmental Conservation Activities	1. ISO 14001 activities	Continued implementation	Continued implementation	Target achieved
		2. Preparation of environmental accounting information	Continued publication	Continued publication	Target achieved
		3. Prevention of environmental pollution	1) Within standard values	Within standard values	Target achieved
		1) Environmental measured values 2) Security and disaster prevention	2) Leakage outside plant premises/fires: 0 incidents	Leakage outside plant premises/fires: 0 incidents	Target achieved
	Health and Safety Assurance	1. Number of occupational accidents	Accidents involving loss of at least one workday: 0 cases	Accidents involving loss of workday: 2 cases	Target not achieved
		2. Safety assurance at affiliated companies overseas	Provision of safety education to local employees simultaneously with safety diagnosis at affiliated companies overseas	Due to COVID-19, we temporarily suspended on-site diagnosis, but remotely confirmed the safety activities of affiliated companies overseas, and conducted safety training (7 companies in ASEAN region and 7 in China).	Target achieved
	Reduction of Operational Environmental Impacts	1. Energy consumption (per unit of production)	2.0% reduction from the FY2018 level Target: 2,349 kJ/kg	7.3% increase from the FY2018 level	Target not achieved
		2-1. CO ₂ emissions (per unit of production: Production division including incinerators)	2-1 Maintenance of the FY2018 results per unit of production FY2018 result: 119 kg-CO ₂ /t	9.1% increase from the FY2018 level	Target not achieved
		2-2. CO ₂ emissions (total: Production Division, Technology Division, Head Office and so on including incinerators)	2-2 16.4% reduction from the FY2013 level Target: 36,493-CO ₂	21.2% reduction from the FY2013 level	Target achieved
		3. Waste generated (per unit of production)	2.0% reduction from the FY2018 level Target: 133 kg/t	5.7% reduction from the FY2018 level	Target achieved
		4. Waste recycling ratio	Maintenance of 99% or higher	Full-year average: 100%	Target achieved
User- and Customer-Related Environmental Safety	Market and Environmental Safety Activities	1. Compliance with environmental laws and regulations in Japan and overseas	•Entrenchment of a system for complying with environmental regulations in Japan •Consideration and development of a system for complying with environmental regulations overseas in accordance with market developments	Compliance with revisions to related governmental and ministerial ordinances such as the Industrial Safety and Health Act and the Ordinance on Prevention of Hazards Due to Specified Chemical Substances, the Export Trade Control Order, and Poisonous and Deleterious Substances Control Act, etc.	Implementation continuing for each item
		2. Environment management system enhancement	Development of required systems	Revision of labelling/SDS system	
		3. Product liability complaints: 0 claims	0 claims related to the Product Liability Law	Kansai Paint, Kansai Paint Sales, Kansai Paint Marine, Kanpe Hapio: 0 claims	
Environmental Information Disclosure		1. Publication of CSR Report 2. Publication of Corporate Report	Continued publication	Publication of Integrated Report (September)	Target achieved

*1) Amount of lead (Pb): amount of elemental lead content
*2) Amount of hexavalent chromium (Cr VI): amount of elemental hexavalent chromium content
*3) Finished products: includes thinners sold
*4) "T, X, and EB": abbreviations for "toluene, xylene, and ethylbenzene"
*5) Nonylphenols: Poly (oxyethylene) octylphenyl ether, Poly (oxyethylene) nonylphenyl ether

Future activities

Following resolutions by the Management Committee and the Board of Directors, the Sustainability Promotion Committee was established on July 1, 2021. As an advisory body for promoting ESG management, the Sustainability Promotion Committee will work with external experts to analyze the company's issues, formulate mid- to long-term goals, update materiality, and take the lead in collaborating with business divisions and so on. It will also take on the role of integrating company-wide strategies from conventional individual initiatives such as RC and CSR activities.



Responding to global warming

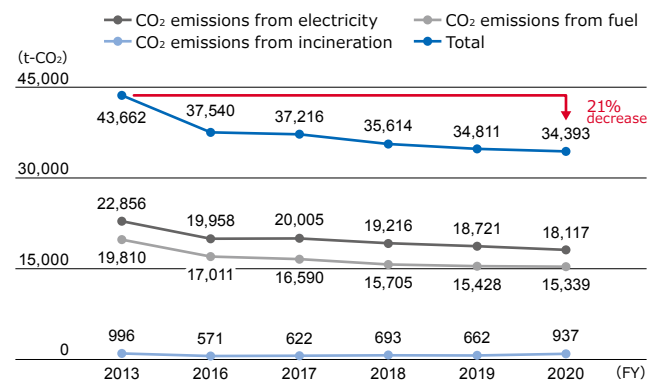
In order to conduct business activities such as production and technological research, we use energy sources including electricity, heavy oil, and gas. We believe that CO₂ and other greenhouse gases (GHG) emitted from energy consumption play no small part in contributing to global warming.

In order to reduce our impact on global warming, we are promoting the conservation and effective use of energy in the production processes that use the most energy in

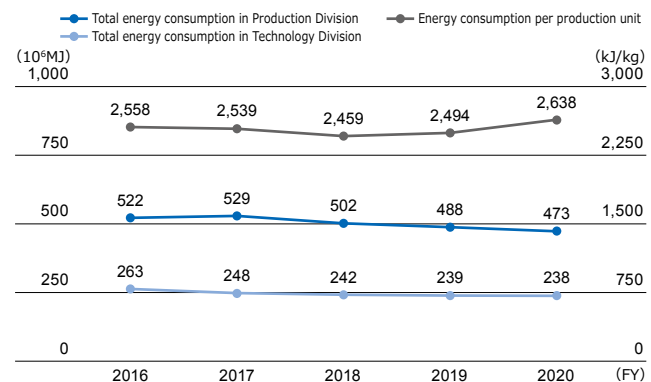
our business activities, and have set targets to this end in the ALES ECO PLAN 2021. Our CO₂ emissions in FY2020 decreased by 21.2% from the FY2013 level. In addition, we have installed monitoring equipment in our production facilities to monitor the amount of electricity used in the production process, and use this information to review more efficient production methods.

In addition, we have confirmed that our production activities cause no GHG emissions other than CO₂.

Change in CO₂ emissions by factor



Change in energy consumption



Reduction of hazardous chemical substances

Chemical substances with a particularly high toxicity or substances which are discharged in large volumes from manufacturing plants pose a risk to paint users and manufacturers, as well as the environment.

Change in the amount of hexavalent chromium contained in products sold

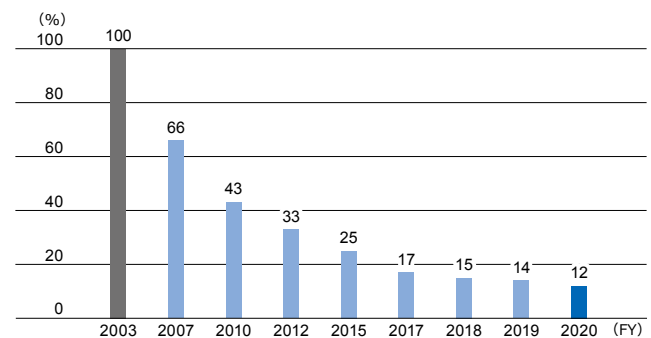
(relative amount with FY2003 taken as 100%)

Anticorrosive pigments that contain hexavalent chromium are mainly used for applications that require long-term durability, protecting steel materials from rust and maintaining the aesthetic qualities of coated materials.

We are working to reduce hexavalent chromium by switching to less harmful alternatives.

In FY2020, we achieved a reduction of 87.7% compared with FY2003.

Change in the amount of hexavalent chromium in products sold



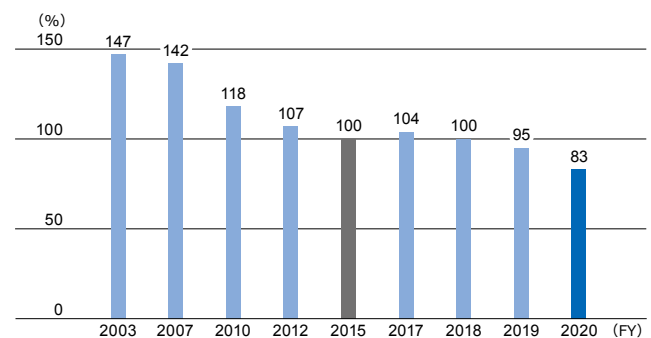
Change in the amount of toluene, xylene and ethylbenzene contained in products sold

(relative amount with FY2015 taken as 100%)

Toluene, xylene and ethylbenzene have long been used in coatings due to outstanding properties such as excellent coating film finish and rapid drying time. As these three substances are emitted in large quantities into the atmosphere, even as components in coatings, we are controlling the amounts contained in the products we sell as a way of limiting emissions into the atmosphere.

The amount in FY2020 fell below that of FY2015.

Change in the amount of toluene, xylene, and ethylbenzene in coating and thinner products sold



Reduction of nonylphenyl ether

Polyoxyethylene octylphenyl ether and polyoxyethylene nonylphenyl ether have long been used as key materials in water-based coatings. However, since it came to light that these substances are harmful to aquatic environments, we have been working to go greener by reducing their use in new products, or by switching to less harmful alternatives.

By replacing raw materials that contain these substances, we reduced the total amount of both substances shipped as products from 1.2 tons in FY2019 to 0.64 tons. We will continue working to switch to less harmful alternatives with the goal of abolishing the use of raw materials that contain these substances in 2022.

Biodiversity

We consider the conservation of biodiversity to be an important issue for our customers and business activities. For this reason, we have banned the use of nonylphenol, octylphenol, and other harmful substances in new products since they were first suspected of being endocrine disruptors, and are working to replace them

with other substances.

We will continue to control the use of substances that have significant adverse effects on the natural environment.

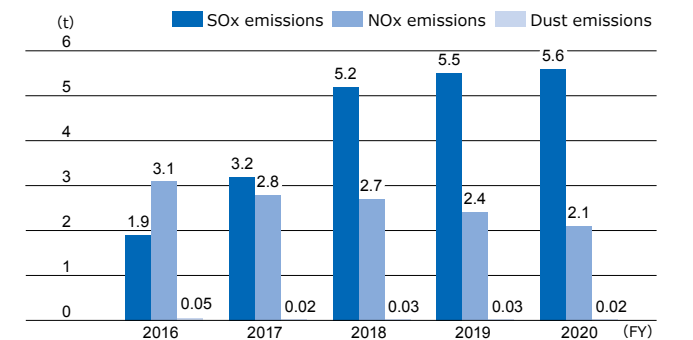
Efforts to prevent air pollution

We have been promoting activities to reduce SO_x, NO_x, and dust emissions by switching boiler fuel from heavy oil to city gas and promoting cleaner exhaust gas.

To ensure the safety and health of nearby residents and to prevent air pollution, each business site has set voluntary control standards that are stricter than the standard values set by laws and ordinances, and monitors emissions. In FY2020, none of our business sites exceeded the regulatory values set by laws and regulations, ordinances, agreements with local governments, and other restrictions.

We will continue to monitor emissions and maintain our efforts to reduce air pollutants.

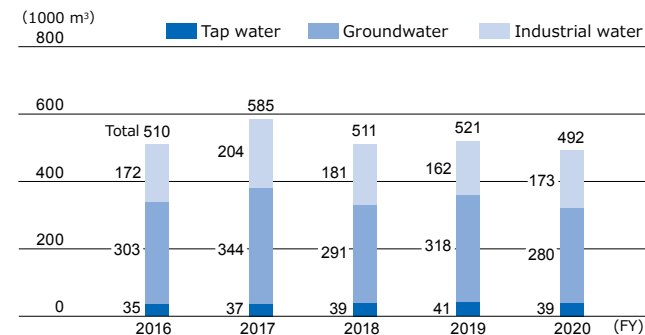
Change in SO_x, NO_x, and dust emissions



Water usage

We use a large amount of water in our Production Division, including (1) water as a raw material for water-based paints, etc.; (2) rinse water for cleaning facilities, etc. where water-based paints are manufactured; and (3) process water used for heating steam in boilers and cooling synthetic resin manufacturing facilities, etc. Depending on the nature of the application, we use tap water, industrial water, and groundwater efficiently. We measure the amount of tap water, industrial water,

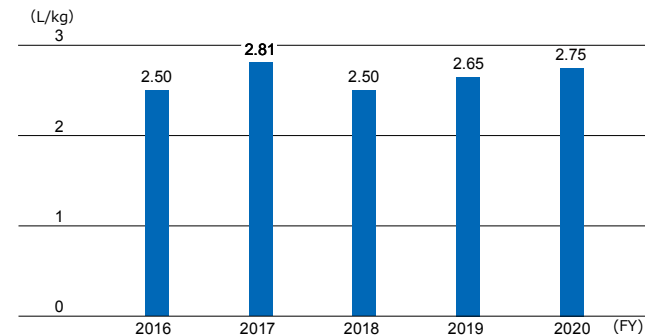
Change in water usage



and groundwater used, and calculate the water consumption per production unit with production volume as the denominator, to observe whether water resources are being used efficiently.

In the future, we will continue to promote water-saving activities by, among other things, improving cleaning methods for facilities where water-based paints are manufactured.

Change in water consumption per production unit (Production Division)



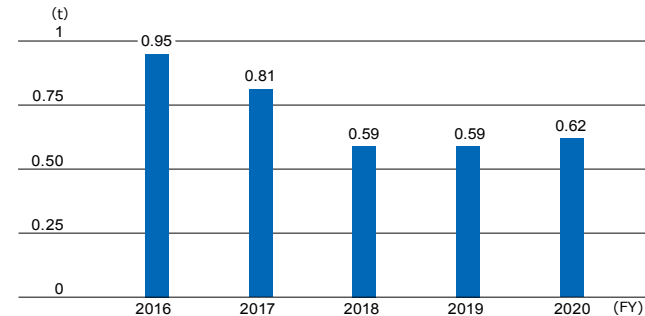
Monitoring of wastewater quality

A large number of chemical substances are contained in the rinse water used in facilities, etc., where water-based paints are manufactured, and are largely responsible for the quality of the wastewater.

We are monitoring COD to prevent contamination of the water system by these chemical substances.

We will continue to improve cleaning methods at our facilities to reduce water consumption as well as the discharge of chemical substances.

Change in COD volumes



Risk management at manufacturing plants for leaks, etc.

Paints, coatings, and their raw materials are made up of chemical substances, and leaks from manufacturing and storage facilities can have a significant impact on the surrounding environment. In addition, as some paints, coatings, and raw materials are highly flammable, we are working to prevent fires from occurring.

Possible risks

- Contamination of soil, groundwater, and rivers due to leaks from manufacturing facilities
- Contamination of soil, groundwater, and rivers due to leaks from storage tanks
- Fires due to static discharge from manufacturing facilities
- Fires due to static discharge from workers

Countermeasures

- Periodic inspection of manufacturing facilities and storage tanks (general safety inspections, environmental safety and health inspections by management, etc.)
- Preparation of manuals, education and training on emergency measures in case of leakage
- Installation and maintenance of emergency response equipment in case of leakage
- Preparation of manuals and training for dealing with static electricity
- Selection and provision of appropriate work clothes, work shoes, and protective gloves
- Controls on lighters and other items brought into the workplace

Training and comprehension tests on static electricity countermeasures are conducted periodically for divisions that use flammable liquids and solids.

In order to constantly monitor leakage of raw materials and paints from storage tanks, we are in the process of updating our liquid level sensors and systems. As of FY2020, 20% of all storage tanks had been updated.

Waste

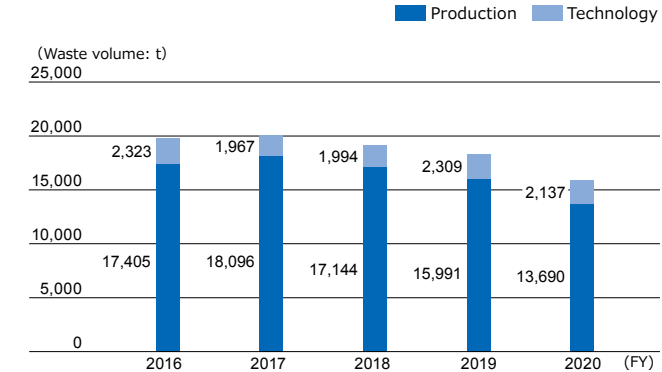
We generate various types of waste in the course of our production and technological research activities, including containers for raw materials, liquid from cleaning manufacturing facilities, and solvents.

In addition to activities to reduce the amount of waste we generate, we have been working since 1999 to reuse and recycle waste. In FY2020, all waste generated from

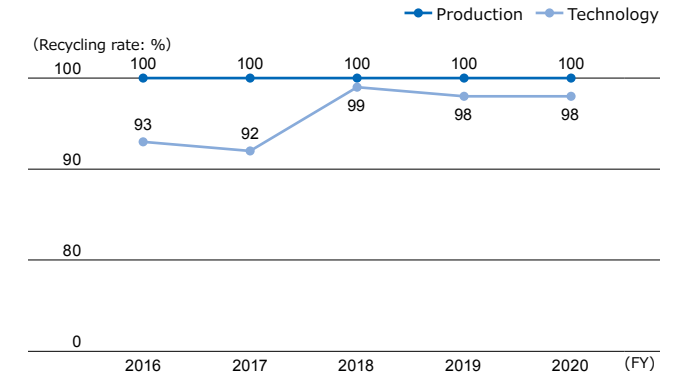
production activities and 99% of waste generated from technical research activities was either reused or recycled.

We will continue to reuse and recycle the waste we generate in the belief that limited resources must be used effectively for a sustainable society.

Change in waste volumes



Change in recycling rate



Approaches to the management of chemical substances of concern

In order to ensure the safety and health of our customers and employees who use our products and raw materials, as well as to reduce the environmental impact of our products, we take into consideration the hazards and harmfulness of chemical substances, and designate as chemical substances of concern those substances whose use in our products is prohibited, and those substances whose use in the products we sell must be controlled. In order to prevent the accidental use of raw materials containing prohibited

substances in our products, we: (1) do not register them as raw materials, and (2) substitute raw materials for those currently in use in order to eliminate them. At present, we use no raw materials that are subject to this ban. With regard to substances for which the amount of the substance in sold products is to be controlled, we control shipment volumes by (1) identifying and reducing the volume of shipment of such substances, and (2) prohibiting their use in new products.

List of substances of concern

Restricted-use substances

Law Concerning the Examination and Regulation of Manufacture of Chemical Substances, Class I Specified Chemical Substances

Lead compounds

Specified poisonous substances under the Poisonous and Deleterious Substances Control Law, etc.

Controlled-amount substances

Act on the Prohibition of Chemical Weapons and Control, of Specific Chemicals Class I Designated Substances (raw material substances)

Hexavalent chromium compounds

Polyoxyethylene octylphenyl ether

Polyoxyethylene nonylphenyl ether

Substances subject to REACH approval, etc.

Fire at our Indonesian subsidiary PT. KANSAI PRAKARSA COATINGS and its aftermath

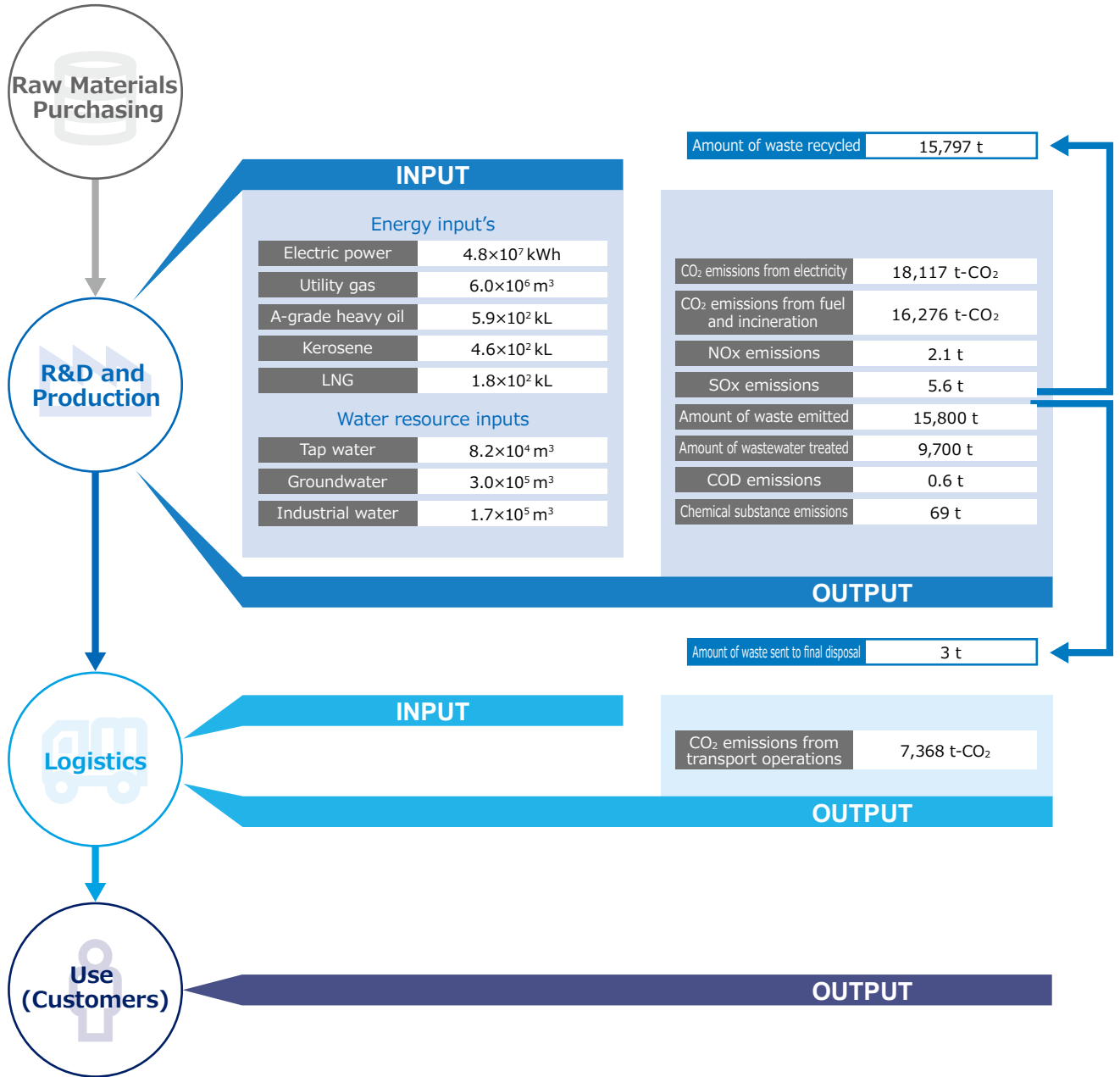
On June 17, 2020, at around 1:00 a.m. (local time), a fire broke out at the factory of PT. KANSAI PRAKARSA COATINGS, an Indonesian subsidiary of our company, in a warehouse where paint materials were stored.

The cause of the fire was the spontaneous ignition of raw materials, but because there was no fire alarm at the site and flammable raw materials were stored near the ignition source, the fire spread on a large scale, but fortunately there were no casualties.

As safety measures after the accident and measures to

prevent a recurrence, we reviewed the rules for handling raw materials, re-enforced raw material storage standards and strengthened fire prevention measures. In addition, we formulated standards for fire prevention and safety assurance for the entire group and implemented measures to improve the level of safety within the group. We will continue to step up our efforts to prevent similar accidents from occurring.

Materials balance

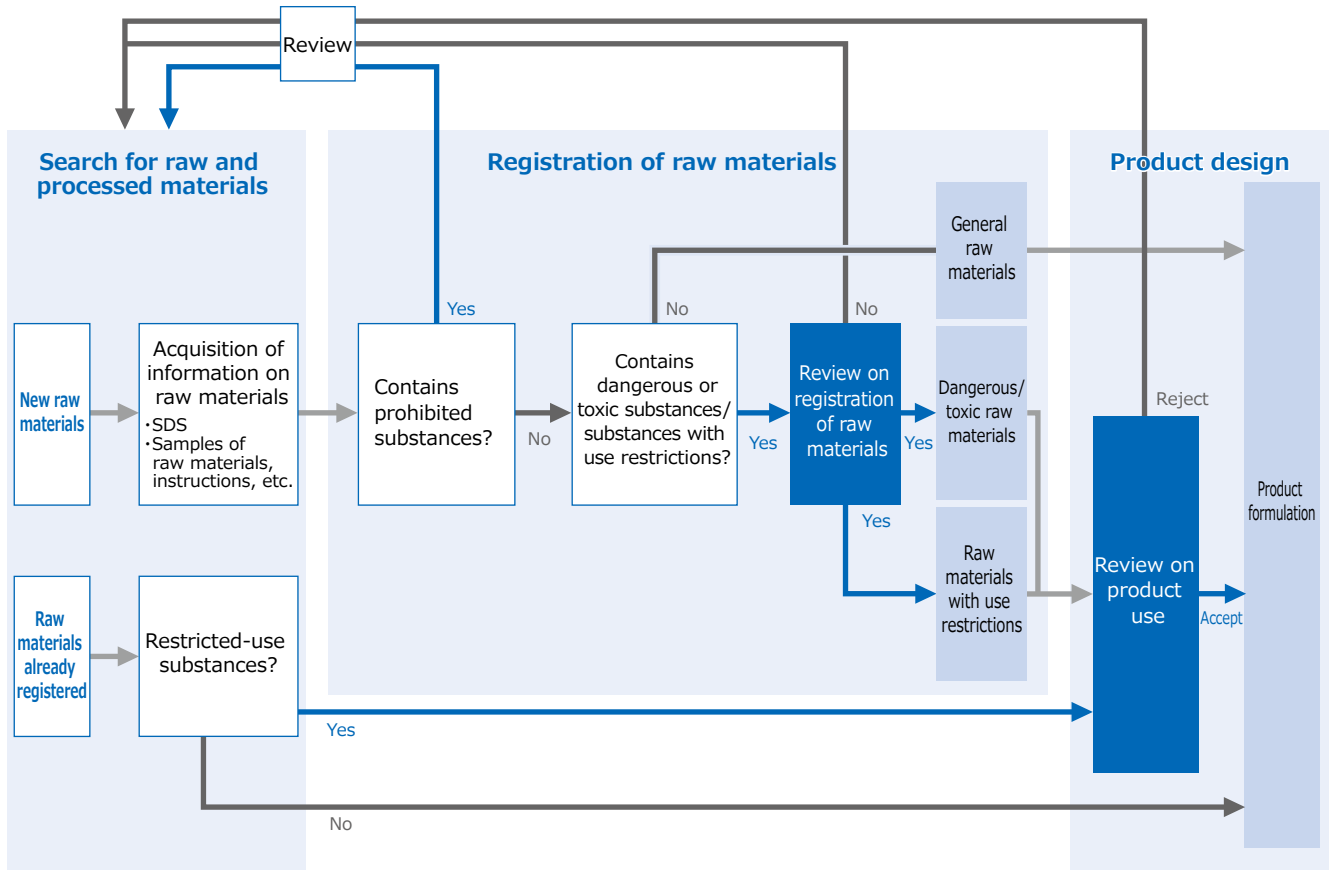


Energy inputs	Amount of energy used in business activities (production + technology + head office)
Water resource inputs	Amount of water used in business activities (production + technology)
CO ₂ emissions from electricity	CO ₂ emitted from electricity used in business activities (production + technology + head office)
CO ₂ emissions from fuel and incineration	CO ₂ emitted from fuel and incineration from business activities (production + technology + head office)
NOx emissions	Amount of NOx emitted from business activities (production + technology)
SOx emissions	Amount of SOx emitted from business activities (production + technology)
Amount of waste emitted	Amount of waste (excluding office waste and wastewater) generated by business activities (production + technology)
Amount of waste recycled	Amount of waste generated by business activities (production + technology) that is recycled
Amount of waste sent to final disposal	Amount of waste generated by business activities (production + technology) that has been subject to external intermediate disposal and external final disposal
Amount of wastewater treated	Amount of water discharged from business activities (production + technology) (amount disposed + amount incinerated)
COD emissions	Amount calculated by multiplying the COD concentration in wastewater by the amount of wastewater
Chemical substance emissions	Amount of substances subject to notification under the PRTR system in the Law Concerning the Examination and Regulation of Manufacture of Chemical Substances emitted into the atmosphere from business activities (production + technology)
CO ₂ emissions from transport operations	Amount calculated from the amount of fuel used for truck transportation

Management of chemical substances

Kansai Paint has considered the hazards and harmful effects of chemical substances and designated as “prohibited substances” those whose use in products is prohibited and as “restricted-use substances” those whose use in new designs and applications are restricted. We strive to secure the health and safety of product users and Kansai Paint technical and production personnel and conserve the environment by confirming before the materials registration and product formulation stages whether or not these prohibited

substances and restricted-use substances are contained in raw materials blended into products, based on information in SDS and raw materials samples and instructions submitted by raw materials manufacturers. When handling new raw materials or when the method of handling an existing raw material is changed, technical and production personnel conduct risk assessments required under the Industrial Safety and Health Act and devise measures for safer handling of these raw materials.



Fair Governance

Basic approach to corporate governance

The Kansai Paint Group's mission statement within our corporate philosophy is "we leverage superior technology to contribute to our Customers and Society, in a sustainable manner, with innovative Products and Services, through a competent workforce, built on a culture of Customer Focus, Integrity and Respect to our Stakeholders."

We believe that increasing the satisfaction of our customers through the coatings business, which is the core business of the group, is the foundation and reason for the group's existence, and that our commitment to contributing to society at large by enhancing the corporate value through the realization of customer satisfaction enables the group to contribute to its stakeholders including the shareholders, business partners, employees and local community.

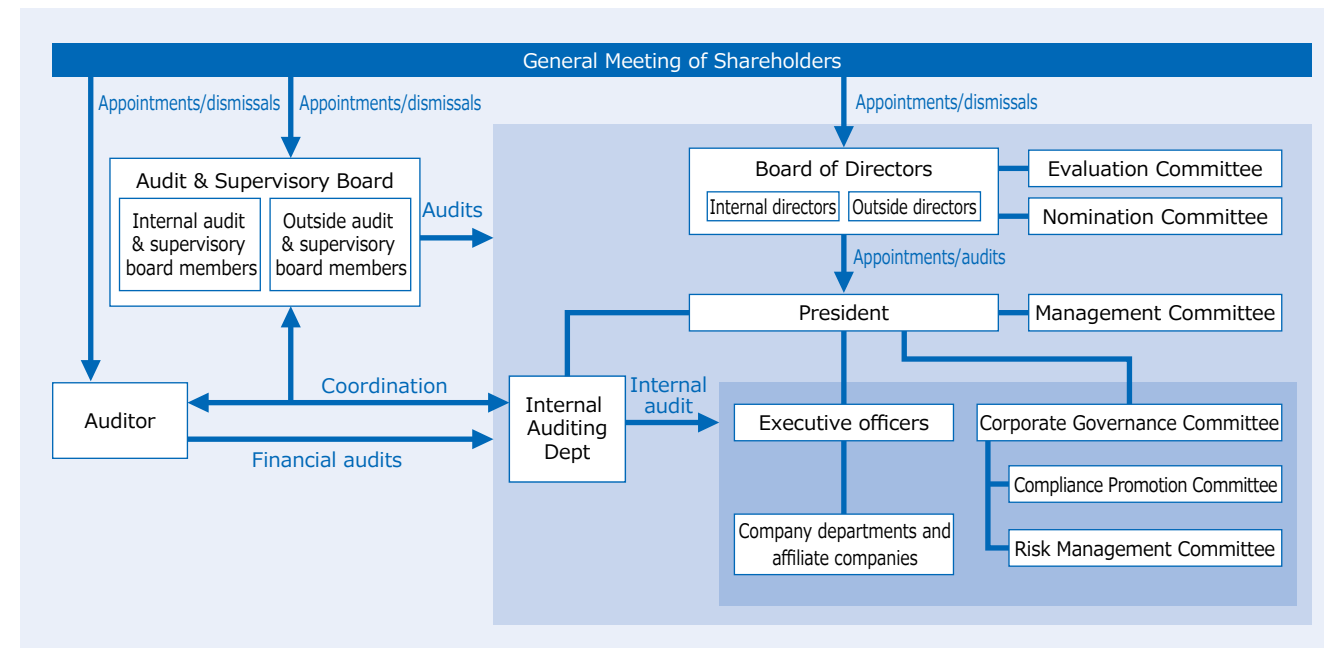
Corporate governance is regarded as an important management task in order to realize continuous improvement of corporate value. In order to ensure that the concept of "profit and fairness," the cornerstone of our corporate activities, is understood and acted upon by group officers and employees, we will work toward improved awareness through putting into effect various measures.

We disclose our initiatives concerning all of the principles set out in the corporate governance code as prescribed by the stock exchange. For more details, please visit our website at the following link:

Policies and initiatives concerning the corporate governance code
<https://www.kansai.co.jp/ir/governance/>

Corporate governance organization

The corporate governance organization shown below ensures management transparency and soundness. (As of July 2021)



System and initiatives for group governance

•We have appointed a person to be in charge of each subsidiary (hereinafter, "the person in charge") in accordance with our internal rules, and ensure appropriate management is in place at each subsidiary. Under this system, for issues that require reporting as stipulated in the regulations, information is gathered by the Board of Directors and appropriate actions are taken. For issues which may have a significant impact on the management of subsidiaries, the person in charge reports to the Board of Directors. If necessary, the Board of Directors decides on policies through resolutions.

•We have a system in place to ensure the efficiency of the execution of duties by the directors of subsidiaries by dispatching executives and staff to serve as directors of subsidiaries if necessary, and by ensuring that subsidiaries are fully informed of our policies and other matters in cooperation with the person in charge.

•In order to ensure that the execution of duties by executives and staff at subsidiaries complies with laws and regulations and our articles of association, we strive to share and foster the corporate philosophy of the group to encourage executives and staff at subsidiaries to act with high ethical standards and strive to establish a trustworthy management system.

•In order to ensure the legality, appropriateness, and efficiency of the operations of subsidiaries and to support the establishment of internal controls, the Internal Auditing Department conducts regular internal audits of subsidiaries in cooperation with the relevant departments, and reports the results to the President and Representative Director, auditors, and Board of Directors of the Company as needed.

•The auditors conduct regular audits of consolidated subsidiaries, and cooperate with auditors at each subsidiary if present. In addition, for major related companies, we dispatch executives and employees as necessary to serve as directors or auditors of the subsidiaries to ensure the appropriateness of their operations.

Systems and initiatives related to risk management

We established the Crisis Management Committee under the supervision of the Corporate Governance Committee, and have put in place a system for cross-organizational crisis management by preparing various regulations and manuals in order to properly respond to crises and prevent potential business continuity risks. In the current environment caused by the COVID-19 pandemic, we established the Committee for COVID-19 countermeasures based on this committee structure. In cooperation with our subsidiaries, we formulated and implemented a response manual based on expert knowledge, and promoted improvements to working

•The auditors monitor and verify the status of the establishment and operation of internal control systems with respect to systems for ensuring the appropriateness of the operations of subsidiaries.

environments and other initiatives in order to continue our business activities, with the safety of our employees and their families and the maintenance of customer trust as our top priorities. In addition, in order to implement our growth strategy and continue to increase our corporate value in an increasingly uncertain business environment, we are improving the accuracy of our prediction and forecasting of possible management risks, and are developing a system to enhance our resilience to constantly respond to changes.

Efforts to ensure compliance

In order to fulfill our social responsibility as a company as well as to comply with laws and regulations, we have established the Kansai Paint Corporate Behavioral Drivers and the Kansai Paint Corporate Code of Behavior as the guiding principles for our corporate activities based on the principle of "profit and fairness." Through various systems and initiatives, we are working to promote awareness of compliance and foster a sound corporate culture.

Internal reporting system

We have established hotlines for internal reporting as a function for the prevention and early detection of misconduct, violations of laws and regulations, and other inappropriate incidents. In addition to an internal hotline, we have also set up an external hotline. This hotline enables employees to make reports directly to the Compliance Promotion Committee, guaranteeing the anonymity of whistleblowers and protecting them from disadvantageous treatment. With regard to overseas subsidiaries, we are developing systems to ensure optimal and effective group governance, while taking into account the laws, regulations, and the business environment of the country/region concerned.

Distribution of a corporate ethics handbook

We distribute a corporate ethics handbook and continuously provide compliance education to improve employee awareness.

Compliance training

During training for new employees and managers, we conduct a series of training sessions on overall compliance, as well as other training covering such things as competition laws and the prevention of corruption for members of the Business Division or those being posted overseas. In regard to insider trading in particular, we hold drives four times a year through our intranet to raise awareness and to deepen understanding.

Prevention of dealings with antisocial forces

We clearly state in the Kansai Paint Corporate Behavioral Drivers and Kansai Paint Corporate Code of Behavior that we will not form any kind of relationship with antisocial forces. We inform our employees of the need to be resolute in refusing to accept unreasonable demands, as well as our internal hotline and contact points where they will help you deal with the problems systematically.

Prevention of corruption/bribery

We have established the following items in our Corporate Code of Behavior. Note that we have experienced no cases of bribery or other legal violations in the past.

Code of behavior concerning compliance with the Anti-monopoly Law

This code of behavior prohibits acts of all kinds which conflict with the Anti-monopoly Law. It also states that we shall comply with not only this law in Japan but also the equivalent laws of other countries.

Code of behavior concerning dealings with business partners and other related parties

This code of behavior contains stipulations on how we conduct ourselves in line with commonly-accepted norms and social practices, declaring that we shall not engage in acts which are in conflict with laws and regulations on bribery, etc., such as refraining from giving gifts or entertaining staff from government offices or similar public organizations. It also states how we shall conduct ourselves in the same manner overseas, acting with an understanding of local customs, laws, regulations, etc.

Policy and status of cross-shareholdings

As to whether or not we acquire and hold cross-shareholdings, we are examining the economic rationality of such shareholdings on an annual basis, taking into account both quantitative and qualitative perspectives, including whether or not such shareholdings will contribute to improving corporate value not only in the short term but also in the mid- to long-term. As a result, we are working to reduce cross-shareholdings based on appropriate decisions from the perspective of capital efficiency.

	As of March 31, 2021		As of March 31, 2020		Sales amount of FY2020	
	Number of stocks	The carrying amount on the balance sheets (million yen)	Number of stocks	The carrying amount on the balance sheets (million yen)	Number of stocks	Sales amount (million yen)
Unlisted shares	44	2,402	45	2,402	1	0
Shares other than unlisted shares	60	51,581	73	44,118	19	8,609

Composition of Kansai Paint Group's Board of Directors and Audit & Supervisory Board

Skill map of directors and auditors

(As of July 2021)					Business management	Marketing business strategy	Development product management SCM	Financial accounting M&A	Global	Human resources Human resource training	Compliance Governance
Representative Director of the Board, President	MORI Kunishi	Internal	Male		●	●					
Representative Director of the Board, Senior Managing Executive Officer	FURUKAWA Hidenori	Internal	Male		●		●				
Director of the Board, Senior Managing Executive Officer	TAKAHARA Shigeki	Internal	Male		●			●	●		●
Director of the Board, Managing Executive Officer	TERAOKA Naoto	Internal	Male		●	●					
Director of the Board, Managing Executive Officer	NISHIBAYASHI Hitoshi	Internal	Male		●	●			●		
Outside Director of the Board	YOSHIKAWA Keiji	Outside Independent	Male		●	●	●				
Outside Director of the Board	ANDO Tomoko	Outside Independent	Female		●	●				●	
Outside Director of the Board	John P. DURKIN	Outside Independent Foreign	Male		●			●	●		
Audit & Supervisory Board Member (Full time)	YOSHIDA Kazuhiro	Internal	Male		●	●				●	●
Audit & Supervisory Board Member (Full time)	HASEBE Hideshi	Internal	Male					●			
Outside Audit & Supervisory Board Member	Colin P. A. JONES	Outside Independent Foreign	Male						●		●
Outside Audit & Supervisory Board Member	YAMAMOTO Tokuo	Outside Independent	Male					●	●		●

Board of Directors

•The Board of Directors consists of eight members, three of whom are outside directors, including one female and one non-Japanese (male) member. The composition of the Board of Directors is well-balanced in terms of diversity, including gender and international perspectives, and its members possess the knowledge and abilities necessary to effectively fulfill their responsibilities. The term of office of directors is one year, and they are elected at the annual General Meeting of Shareholders.

•In principle, the Board of Directors meets once a month, and monitors the business performance, status of execution, and progress of the Medium-term Business Plan on a quarterly basis, as well as to deliberate on management policies and important matters stipulated in laws and regulations, the articles of association, and the Articles of incorporation and Board of Directors regulations.

Executive officer system

•We have introduced an executive officer system. Under this system, in order to further ensure the separation of supervisory and executive functions, issues related to management strategies and decisions on important executive matters and policies are made by the Board of Directors after deliberation by the Management Committee, which is led by the President and Representative Director and other executive officers.

•In particular, the Board of Directors holds sufficient prior consultations with the executive officers as necessary for resolutions on executive matters that require a mid- to long-term perspective and management strategies. This allows deliberations to be managed by separating functions appropriately, taking into account the objective and expert opinions of outside auditors and outside directors.

Discretionary advisory committees

Evaluation Committee

This committee consists of two representative directors, three outside directors and two outside Audit & Supervisory Board members (chairman: outside director). The committee works to improve the effectiveness of the Board of Directors by conducting self-evaluations of the operation of the Board of Directors, performance evaluations of directors and executive officers, and deliberations on issues such as the appropriate compensation for directors and executive officers.

Nomination Committee

This committee consists of three outside directors and two outside Audit & Supervisory Board members (chairman: outside director). In submitting candidate directors to the annual General Meeting of Shareholders, the Board of Directors decides whether to submit candidates following deliberations by the committee.

Standards to ensure the independence of outside directors and outside auditors

•When appointing outside directors and outside auditors, we have established criteria for maintaining their independence and work to confirm that there are no circumstances that would cause conflicts of interest in accordance with the regulations. In addition, we stipulate that outside directors and outside auditors should strive to maintain their independence and promptly report any case in which they may not be able to maintain their independence.

Activities of outside directors and outside auditors

Position	Name	Main activities
Outside director	YOSHIKAWA Keiji	Attendance rate: 18/18 Board of Directors meetings (100%) Mr. YOSHIKAWA Keiji has a wealth of experience in corporate management and comments on the company's overall management from a variety of perspectives. As an outside director of the company, he plays an appropriate role in supervising the execution of business and providing advice on management strategies and other matters. In addition, as Chairman of the Nomination Committee and Chairman of the Evaluation Committee, he attends and leads the proceedings of these committees and contributes to the vitalization of the Board of Directors.
	ANDO Tomoko	Attendance rate: 18/18 Board of Directors meetings (100%) Ms. ANDO Tomoko has played a valuable role as an outside director by making proposals on the company's mid- to long-term strategies based on her extensive experience in corporate management and expert perspectives, particularly in the areas of human resource strategy and personnel policies. In addition, as a member of the Nomination Committee and the Evaluation Committee, she actively expresses her opinions at the meetings of these committees.
	John P. DURKIN	Attendance rate: 17/18 Board of Directors meetings (94%) Mr. John P. Durkin has a wealth of experience in corporate management and has made comments on various measures to promote the company's management, especially from the perspective of financial strategy. As an outside director of the company, he has played an appropriate role in supervising and advising on the execution of business. In addition, as a member of the Nomination Committee and the Evaluation Committee, he actively expresses his opinions at the meetings of these committees.
Outside auditor	AZUMA Seiichiro	Attendance rate: 18/18 Board of Directors meetings (100%), 18/18 Audit & Supervisory Board meetings (100%) As an outside auditor, Mr. AZUMA Seiichiro plays an appropriate role in the monitoring and auditing of the company's management, mainly by providing accurate comments and suggestions on the appropriateness of the company's accounting from his professional perspective as a chartered accountant, and on corporate governance and group management from various perspectives. In addition, as a member of the Nomination Committee and the Evaluation Committee, he actively expresses his opinions at the meetings of these committees.
	Colin P. A. JONES	Attendance rate: 18/18 Board of Directors meetings (100%), 18/18 Audit & Supervisory Board meetings (100%) Based mainly on his knowledge as a lawyer, Mr. Colin P. A. Jones has made highly specialized and valuable comments and suggestions on legal affairs and compliance, as well as on the management and governance of the company's global business, and has played an appropriate role in monitoring and auditing the company's management as an outside auditor. In addition, as a member of the Nomination Committee and the Evaluation Committee, he actively expresses his opinions at the meetings of these committees.

Audit & Supervisory Board members

1. Representative directors and the Audit & Supervisory Board meet regularly to exchange opinions.
2. Audit & Supervisory Board members meet regularly with auditors to exchange opinions and information, and request reports from auditors as necessary.
3. In order to ensure the effectiveness and efficiency of audits carried out by the Audit & Supervisory Board members, the Internal Auditing Department maintains close contact with the Audit & Supervisory Board members and cooperates in investigations at the request of the Audit & Supervisory Board members as stipulated in the internal regulations.
4. In order to monitor the company's management from a fair and neutral standpoint, we appoint outside auditors who meet the independence standards established by the company.

Executive compensation

Kansai Paint has established a policy for making decisions regarding the content of compensation, etc., for individual directors. Following consultation with the Board of Directors, the Evaluation Committee deliberates on the following matters, and the Board of Directors makes a final decision giving the utmost respect to the opinions of the Evaluation Committee.

- Policies related to the evaluation of the individual performance of directors and details of their compensation, etc.
- Degree of achievement of performance targets related to performance-linked compensation and performance-linked, stock-based compensation
- Evaluation of compensation levels, etc., due to social conditions, etc.
- Other matters deemed necessary in relation to director compensation, etc.

Basic compensation

A fixed amount of monetary compensation determined according to each director's position (representative director or director) and job description (president, senior managing executive officer, managing executive officer, executive officer) shall be paid on a monthly basis.

Performance-linked compensation

The amount of performance-linked compensation shall be paid on a monthly basis as monetary compensation by adding or subtracting the amount of performance-linked compensation for the previous year, taking into account the company's performance and the performance and achievements, etc. of the directors in a comprehensive manner. The evaluation coefficients for the performance and achievements, etc., of directors shall be determined through the discretionary deliberations of the Evaluation Committee based on the results of the evaluation and calculation by the Representative Director of the target values and degree of achievement for the relevant fiscal year in accordance with the company's system.

Performance-linked, stock-based compensation

Performance-linked, stock-based compensation is implemented at the time of resignation of directors, etc. Under this system, directors are awarded points according to their position and level of achievement, etc., of our targets for each fiscal year (EBITDA, etc.). These points are then exchanged for stocks in our company, etc., equivalent to the accumulated value of the issued points (or, “issuance of stocks in our company and payment of money or an amount equivalent to the conversion of these stocks into cash”).

(Breakdown and purpose of points)
Fixed portion: A certain number of points will be granted each fiscal year for the purpose of further enhancing management awareness of the importance of shareholders.
Performance-linked portion: To provide incentives to directors and others to increase their awareness of the need to contribute to the improvement of the company's mid-to long-term performance and increase its corporate value, points will be granted in accordance with factors such as the degree of achievement of performance targets for each fiscal year during the period covered by the Medium-term Business Plan.
The ratio of the fixed portion to the performance-linked portion is 1/2 of the standard amount of stock-based compensation determined for each position.

Auditors

We have entered into an audit contract with KPMG AZSA LLC for audits related to the Companies Act and the Financial Instruments and Exchange Act, including internal control audits based on the Financial Instruments and Exchange Act. The three chartered accountants who perform auditing duties on our behalf are TAKEHISA Yoshihide, MOMOHARA Kazuya, and SHIGETA Shoichiro, and their years of continuous auditing are two years, one year, and five years, respectively. The lead audit engagement partner has not been involved in auditing work for more than five consecutive accounting periods, and the other audit engagement partners have not been involved in auditing work for more than seven consecutive accounting periods.

Composition of compensation

Compensation for internal directors

Compensation for internal directors consists of a fixed amount of basic compensation, performance-linked compensation and performance-linked, stock-based compensation. In terms of the composition ratio, the weight of performance-linked, stock-based compensation is emphasized, and the ratio is set so that the higher the position, the larger the ratio.

Compensation for outside directors

Compensation for outside directors is determined taking into consideration the job content, and consists mainly of a fixed amount of basic compensation. Outside directors are ineligible for performance-linked compensation and performance-linked, stock-based compensation.

Compensation for audit & supervisory board members

Compensation for audit & supervisory board members is determined taking into consideration the job content according to whether the audit & supervisory board member is an internal or an outside audit & supervisory board member, and consists mainly of a fixed amount of basic compensation.

Stakeholder engagement

In order to remain a group that contributes to society, the Kansai Paint Group communicates with its stakeholders through a variety of ways on a daily basis, and utilizes their opinions in its management. Our major stakeholders include customers to whom we provide products and services; people who have a direct

impact on our business (such as shareholders, investors, business partners, and employees), local communities, and research institutes. All of these stakeholders are indispensable to our business activities.

We use the following kinds of methods to communicate with our stakeholders.

Main Stakeholders	Main means of communication	Objective
Shareholders	General Meeting of Shareholders (once a year) Financial results briefings and growth strategy briefings for institutional investors (2 to 4 times a year) Business reports, interim reports, Financial summaries, securities reports, quarterly reports Dissemination of information through corporate governance reports and integrated reports Individual meetings with shareholders and institutional investors (as needed)	To share the goal of continual corporate value enhancement over the mid- to long-term and improve the quality of management through constructive communication
Customers	Daily sales activities, participation in tradeshow, support through website, customer service, Reform Summit, commercials (as needed)	To provide better products and services, disclose appropriate product and service information, and respond to complaints
Business partners	Procurement activities in accordance with the Green Procurement Guidelines Supplier briefings, daily transaction activities, quality audits (as needed) New Year's party (once a year)	To create fair and better partnerships
Employees	Engagement surveys, labor-management negotiations, various global meetings Management policy briefings, internal portal sites and newsletters, internal training Responsible Care activities, individual interviews (as needed)	To share company policies and initiatives, ensure appropriate treatment, improve motivation and teamwork, and promote occupational safety and health
Local communities NGO/NPO Government	Contribution to the community through business, donations, participation in local activities, holding of various events, participation in collaborative activities (as needed)	To build relationships of trust with local communities, and contribute to regional development
Research institutions/ academic organizations Paint industry organizations	Exchange of information, joint research (as needed)	To comply with laws and regulations and promote innovation

Toward New Business Opportunities

Paint has infinite possibilities and can be applied to a variety of materials and used in a wide range of applications. With a history of more than 100 years, Kansai Paint is a global company that is pursuing business through its group companies around the world, taking on the challenge of creating new business opportunities that capitalize on the characteristics of paint.

Region	Company	Customer needs & social and environmental values as new business opportunities	Contents
Japan	Kansai Paint	Customer needs (safety and security) Social values (improvement of QOL)	HydroFresh is an interior paint containing Hydro silver titanium®(Hyd[AgTiO ₂]). It decomposes proteins such as pollen, house dust and mold, and unhygienic proteins such as sweat and odors to create comfortable and safe spaces.
Europe	Helios	Customer needs (productivity improvement) Environmental values (circular economy)	Insulating paint used for solar panels and electric vehicle motors. By adding insulating properties, performance is greatly improved.
		Customer needs (productivity improvement, environmental friendliness) Environmental values (circular economy)	Digital printing using Sol-gel ink for coil coating. The ability to use digital printing technology contributes to cost reduction and a significant reduction in waste.
		Customer needs (productivity improvement, environmental friendliness) Environmental value (decarbonization, GHG reduction, eco-efficient systems)	Anti-corrosive coatings to protect the outer surface of pipes that are cured using UV light, reducing CO ₂ and organic solvent emissions and simplifying the manufacturing process for customers.
	Kansai Altan	Customer needs (productivity improvement)	Provide industrial paint formulations using online digital tools. With the ability to obtain necessary information from anywhere, efficiency and customer satisfaction are greatly improved.
		Customer needs (high quality, safety and security, environmental friendliness)	Solvent-free epoxy coatings that meet drinking water plumbing standards; safe and reliable coatings that clear WRAS (Water Regulations Advisory Scheme) and AWWA (American Water Works Association) standards.
		Economic values (high competitiveness)	Expand sales of electrodeposition coatings for industrial use through collaboration between sister companies Helios and Kansai Altan. Leverage the strengths of both companies to enter new, previously untapped fields and win business.
Africa	Kansai Plascon	Customer needs (safety and security) Social values (improvement of QOL)	By adding new functions to interior paints in the architectural field, such as air-purifying paints, paints that inhibit the growth of mold and bacteria, and paints that absorb odors, we are taking on the challenge of making life more comfortable, a new purpose for paints.
India	Kansai Nerolac	Global changes (innovation)	We are expanding the possibilities of paints and creating new demand by adding functions that were not possible with conventional powder paints, such as anti-graffiti powder paints, insulating powder paints, and heat-resistant powder paints.
		Economic values (continual performance improvement)	Expand into businesses related to paints (adhesive materials, chemicals, woodworking, etc.) through M&A. Enable package sales to customers, creating new customers and markets.

Contribution to a Comfortable and Secure Life

Improving the value of products and services

Customer relations

In March 2020, the new Daido University campus in Nagoya, Aichi Prefecture, adopted TAIKA TECT, the group's new fire-resistant covering material, for a corridor connecting campus buildings over a road, as well as for the external round columns that support the buildings. TAIKA TECT is water-resistant, making it possible to use fireproof coating material on the exterior, which was

previously difficult. In addition, the use of a highly weather-resistant fluoropolymer resin coating for the top coat maintains the beauty and soundness of the building over the long term. Even in the event of a fire, the fireproof coating will provide more than one hour of evacuation time, allowing students to enjoy campus life with peace of mind.



Photo:FUMITO SUZUKI

Safety of products and services

Provision of product safety information to logistics providers and customers

Paint becomes a coating film when it is applied by the user, and only then can it demonstrate its functions. Even safe products can lead to accidents if they are not used properly and in the correct manner. Therefore, we provide information on hazards and precautions for the safe handling of our products through SDS (Safety Data Sheets) and labels.

We prepare SDS and labels in accordance with relevant laws and regulations, JIS standards, and the guidebook published by the Japan Paint Manufacturers Association, an industry organization, and add any other necessary information to ensure that customers can use our products safely.

Technology development and product development

Classification of development theme content

48 out of 107 medium-term themes and 18 out of 18 long-term themes are development themes that lead to added value for the environment and society.

We emphasize efforts to both reduce our environmental footprint and create new values. As part of our drive to become more environmentally friendly, we are working together with our customers to promote future themes. For example, we are developing and promoting paints that reduce the energy used for air conditioning in automobile paint booths, a source of CO₂ emissions, as well as paints that reduce the number of times a coating film needs to be baked. In addition, we are searching for new values and businesses, such as the development of materials to improve the efficiency of batteries, which are indispensable for EVs and hybrid vehicles in the future. We are also developing and marketing various products that contribute to health as a new value creation.

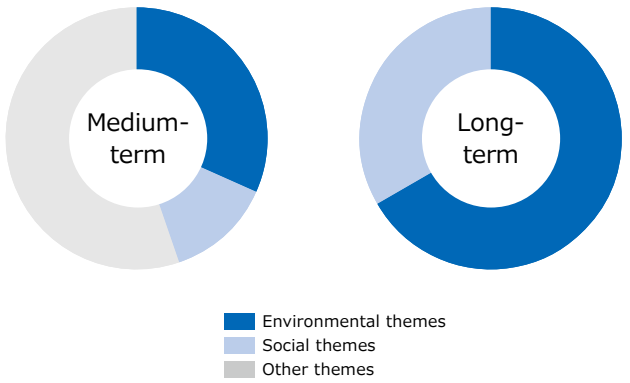


Image of solar panels coated with insulating paint



Image of solar panels on automobile roofs



Air-purifying interior paint



Africa's first roofing paint that does not contain toxic substances



Screenshot of online industrial paint formulation



Electrodeposition coating applied parts acquired through collaborations between Helios and Kansai Altan

Promoting Supply Chain Management

In all stages of our business activities, from research and development, procurement of materials, production, distribution, and sales of products, to their use and disposal, we will undertake our procurement activities with due consideration for the health and safety of our employees, local residents, customers, and others. Kansai Paint has formulated the following Green Procurement Guidelines, and is promoting procurement activities based on these.

Green Procurement Guidelines

In accordance with its Company Policy for Global Environmental Issues, Kansai Paint procures materials with the smallest possible environmental impact from suppliers with excellent environmental practices. Giving priority to sustainable global environmental conservation, we will practice sustainable procurement with due consideration for the global environment.

Sustainable procurement: Procurement that has the most positive environmental, social, and economic impact over its entire life cycle. It covers products, materials (raw materials and auxiliary materials) and parts (purchased parts and subcontracted parts) procured by Kansai Paint in its production activities.

We will implement the following.

(1) Procurement from responsible (CSR-fulfilling) suppliers

- We procure from suppliers who practice the following:
- Compliance with laws related to chemical substance regulations in Japan and overseas, such as RoHS, ELV, REACH, and the Law Concerning the Examination and Regulation of Manufacture of Chemical Substances
 - Cooperation with our survey on chemical substances, etc., contained in products
 - Establishment, maintenance, and improvement of environmental managements system by acquiring ISO 14001 certification, etc.
 - Preservation of soil/water sources/biodiversity
 - Development and manufacture of products with reduced environmental impact

(2) Procurement of sustainable materials (products, raw materials, auxiliary materials, parts, etc.)

- We will procure the following kinds of materials:
1. Materials that do not contain or reduce the use of hazardous substances
 2. Materials that take into consideration the conservation of sustainable resources and biodiversity related to the procurement of those resources
 - Materials made from reused, reduced, or recycled materials
 - Materials made from non-edible biomass
 - Materials that reduce the emission of greenhouse gases (GHG) such as CO₂ in manufacturing, distribution, and use
 3. Materials that improve the living standards of producers and the local environment
 4. Materials that take into consideration the working environment and human rights of the workers involved
 5. Materials that do not infringe on the rights of local residents around the production site, etc.
 6. Materials that do not contain conflict minerals mined in the Democratic Republic of the Congo and neighboring countries

Legal compliance

(1) Compliance with laws, regulations, and social norms

In addition to complying with the relevant domestic and foreign laws and regulations, including the Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors, social norms, and our own internal rules, we will also set fair and appropriate trading conditions in good faith, and will not engage in acts that deviate from sound business practices, such as abuse of a superior position.

(2) Respect for intellectual property rights, etc., and management of information

We will maintain the confidentiality of trade secrets, personal information, and other confidential information obtained in the course of business, and will not infringe on the intellectual property rights of other companies. We will only collect the internal information and personal information of business partners to the extent necessary to carry out our procurement activities, and will not collect such information with any other intention.

Support for business continuity

We conducted a questionnaire on business continuity management (BCM) for the top 50 suppliers (business sites) that were found to be at high risk as a result of our assessment of natural disaster risks, and conducted a more detailed questionnaire for the 23 business sites that had issues. In addition, we also conducted a questionnaire on 95 business sites that supply us with raw materials in large quantities. Having ascertained the BCM measures of suppliers with high disaster risks or large purchase volumes, we will consult with suppliers with inadequate BCM measures in place and ask them to take action to address the situation. At the same time, we will promote the stable procurement of materials by strengthening our measures to deal with material supply problems, taking into account the business conditions of suppliers and the survey of overseas suppliers on each occasion. Also, we are promoting the use of multiple companies for raw materials at a high risk from natural disasters and which are single source materials.

Contribution to Local Community and Industrial Development

Contribution to local community and industrial development: Our approaches

Customer relations

Our approach to regional and social development is summed up in Article 1 of our Corporate Mission, which is, “To further build company credibility with the public and to contribute to society by providing products and services that achieve customer satisfaction.” In keeping with this spirit, our CSR is founded on the following two principles: 1. Continuing to provide customers with stable-quality products and services while maintaining safe and eco-friendly operations; 2. Continuing to provide people with fulfilling and comfortable lives and enriched minds through the things we make.

We in this group, along with everyone involved with us, will continue working to support the growth of people and society based on striving to foster a spirit of harmony, respect and cooperation in all we do.

Basic policies for contributing to regional and industrial development

Based on the above ideas, we have drawn up basic policies covering all stages of our work, from R&D and the procurement of materials to the production, sales and distribution of products. And we have put in place regulations, tenets, systems, and other initiatives based on these, which form the core of our business activities.

Stage	Policies, etc.	Systems and initiatives
General	<ul style="list-style-type: none">• To supply products after full consideration of their potential impacts on people and the environment.• To undertake proactive countermeasures to cope with the potential effects of products on people and the environment.• To contribute to society while raising awareness about the environment, safety, and health.• To disclose and provide information related to the environment, safety and health.	RC Committee RC Top Management Review Panel BCP-related meetings Environmental & Product Safety Committee Environmental Safety and Health Committee User- and Customer-related Environmental Safety Committee
Development	<ul style="list-style-type: none">• To manage critical items at each step, i.e., product planning, basic design, applied design, commercialization, production, sales, and market assessment.	To undertake design reviews, etc. Thematic councils Technology transfer activities
Procurement	<ul style="list-style-type: none">• To promise to conduct fair and impartial business transactions with its partners.• To ensure proper quality and a stable supply.• To comply with all laws and regulations, and respect social norms.• To give consideration to the global environment and safety (promotion of green procurement).• To respect intellectual property rights etc. and manages information.• To respect human rights and working environments.	Green Procurement Guidelines GPC (Global Procurement Center) Review before registration of new restricted raw materials Review for permission to use restricted raw materials
Production	<ul style="list-style-type: none">• To ensure the safety and health of employees, and to make working environments more comfortable.• To prevent disasters caused by dangerous substances, etc.• To conserve the environment in surrounding areas.	General safety inspections Environmental safety and health inspections by management
Sales	<ul style="list-style-type: none">• Policy formulation based on Corporate Mission—to further build company credibility with the public and to contribute to society by providing products and services that achieve customer satisfaction.• To generate awareness throughout the organization of our declared commitment to conform with requirements and make ongoing improvements to the effectiveness of our quality management systems.	Promotion of Quality Control and Environmental Protection meets four times a year, etc. QA Committee Quality Management Sub-committee
Distribution	<ul style="list-style-type: none">• To provide safe products through the implementation of safety screenings when cultivating markets for new products and using new raw materials.• To create and provide information allowing customers to use our products safely based on applicable laws and regulations, JIS standards, guidelines, etc.	To provide safety information through SDS (safety data sheets), labels, etc. REACH Compliance WG, China Export WG, etc. Compliance Promotion Committee Export Control Sub-committee

Measures for Diversity

Our HR system (basic principles)

In order to develop new human resources capable of responding flexibly to changes in the times, Kansai Paint has established an HR system based on the principle of “invigoration of individuals and organizations.” We work to put in place environments enabling employees to give full play to their abilities, providing a substantial pool of power that will help invigorate the organization as a whole. In addition, we also aim to achieve a proactive corporate

climate which nurtures “independence and autonomy” by encouraging all employees to think and act on their own initiative, and to take responsibility for their own actions, and in which everyone receives a fair evaluation of their efforts. These two points form the basic principles of our HR system, which we established in the hope of becoming an attractive and competitive corporation centered on people.

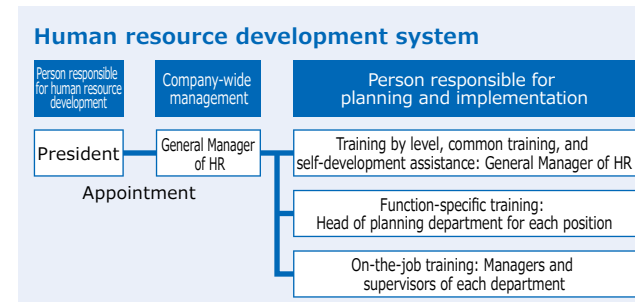
Human resource development concept and structure

We conduct human resource development in a systematic and planned manner with the following objectives:

1. To achieve our management goals by continuously developing the human resources needed for future business operations and those who can adapt to various changes in the corporate environment.
2. To create an organizational culture that allows individuals to develop their abilities and achieve self-fulfillment autonomously, and to match the life goals of individuals with the goals of the company.
3. To ensure the development of human resources and the placement of the right people in the right positions through the early detection of aptitude and the appropriate evaluation of individual careers, etc., and to revitalize the organization.

Systematically organized training system

The President assumes ultimate responsibility for the development of human resources, and the General Manager of the Human Resources Department oversees human resource development for the entire company under the direction of the President. As shown in the diagram below, the person in charge of carrying out human resource development is placed under the direction of the General Manager of the Human Resources Department.



Promotion of motivation/sense of achievement among employees

Coping in the age of the new normal

Flexible worker-friendly environments prevent employees from having to work long hours and allow for diverse workstyles, enabling employees to strike a balance between work and childcare/caregiving. This, we believe, helps increase motivation among employees and gives them a fuller sense of achievement.

We are working to create an environment where employees with diverse backgrounds can work in good health and with peace of mind by offering a range of perks. These include flextime systems, teleworking, incentives for early return to work after childcare leave, counseling before and after maternity leave, contracts with company-led childcare facilities, and the possibility of introducing intervals between work hours through cooperation between labor and management.

In response to the COVID-19 pandemic, we have expanded the scope of our teleworking system, switching over to mobile computers and providing communication devices to create a healthy and safe work environment.

U.S. subsidiary selected for the Top Workplaces 2020 award

Our subsidiary, U.S. Paint Corporation (Missouri, U.S.A.), was selected for the Top Workplaces 2020 award based on the results of a survey conducted by a newspaper in Missouri.



Selected as a DC Excellent Company

The Institute for DC Pension Plan Investment Education of Japan, a non-profit organization, annually recognizes companies for their diligent efforts in managing defined contribution pension plans.

At the 10th Japan DC Forum held by the institute in July 2021, our company was selected as a DC Excellent Company 2021 (Governance Category) and received an award.

Since the introduction of our defined contribution pension plan in April 2017, we have been holding the DC Management Review Committee twice a year, which consists of both labor and management members, to confirm and review the status of the plan's fundamentals, such as monitoring trends among subscribers and products. In fact, we have added products in response to requests from the labor union, and we received this award in recognition of our management of our pension plan from the perspective of subscribers.



Promotion of diversity

We respect people's diverse cultures and individuality, and aim to provide an environment and opportunities for each employee to learn from one another in mutual respect, and lead a fulfilling life where they are free to be themselves. We believe that if any employee can maximize his or her abilities, it will lead to innovation and value creation. In other words, promoting diversity is one of the key elements of a company's growth strategy.

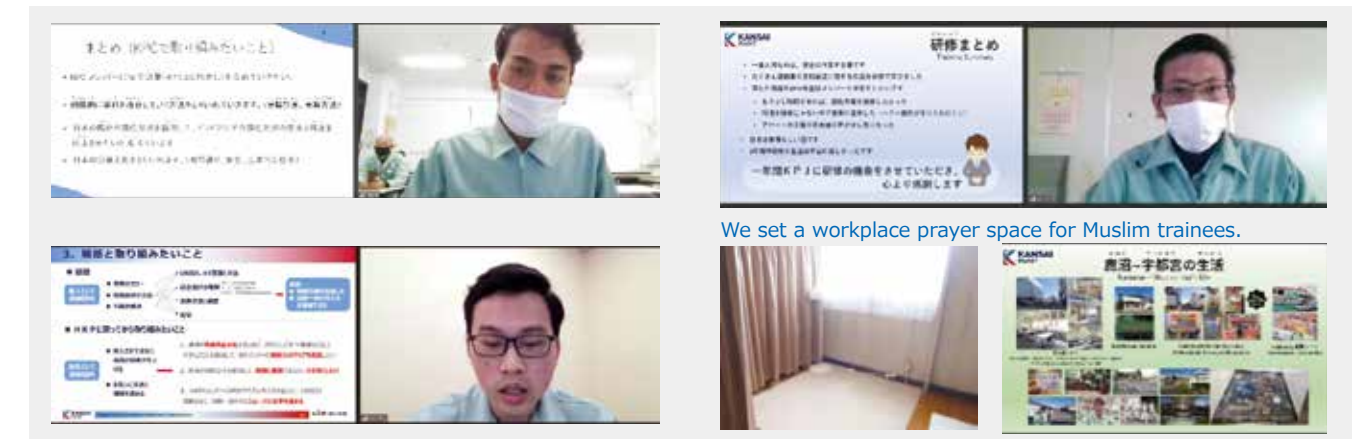
Our global group aims to promote diversity and develop global human resources. To this end, we launched the KPJ Training Program in 2015 to receive trainees from overseas group companies in Japan, and the Oversea Training Program in 2017 to dispatch young employees in Japan to overseas group companies.

In FY2020, both programs were cancelled due to the global spread of COVID-19. However, three trainees who came to Japan in the autumn of 2019 under the KPJ Training Program for a year of training have successfully completed their scheduled training period while giving top priority to their health and safety. All trainees were united in their strong desire to see their training through to the end,

despite the pandemic. Before returning home, a presentation session was held to showcase their achievements.

In light of the pandemic, the session was held online for the first time, connecting the three domestic offices and three overseas group companies to which the trainees belong. In their presentations, they not only provided an overview of what they learned during training and how they would like to put this to use in their own countries, but also shared their experiences of the living environments for Muslims in Japan and information on Japanese language schools, so that staff at overseas group companies who wish to come to Japan as trainees in the future can get a better picture of life in Japan. The presentations were also attended by personnel from the human resources department and staff from overseas group companies, as well as Kansai Paint's staff in charge of trainees, making it an opportunity to build relationships between Japan and overseas.

We will continue to facilitate human resource exchanges with the aim of promoting diversity and developing global human resources.



We set a workplace prayer space for Muslim trainees.

Equal opportunities for women in the workplace

We have positioned equal opportunities for women in the workplace as the first step in the promotion of diversity. This begins with the provision of support to aspiring female employees who wish to strike a balance between career advancement and raising children, meaning that they do not have to abandon their careers due to life events. In FY2020, we implemented the following measures to help ensure that women do not have to abandon their careers due to childbirth.

1) Counselling before maternity leave and before returning to work

With a career consultant from the Human Resources Department, female employees are asked to review their career and clarify their vision for the future before going on maternity leave. Before returning to work, they have another meeting, during which their supervisor is also present, to see if there are any changes in their vision and to discuss a flexible working style necessary to balance work and child-rearing. Recently, many of our employees have been using teleworking as a way to return to work, making for a smooth transition back into the workplace.

2) Incentives for early return to work after childcare leave

In the Tokyo metropolitan area, it continues to be difficult to enroll children in daycare facilities, and for this reason, more and more employees are returning to work before April, when the new academic year for daycare facilities begins. For those employees who return to work before their children turn one year old, we have started to provide support money as a measure to help them cope with various challenges, such as child illness. This benefit is already being paid out to employees returning to work in 2020.

3) Contracts with company-led daycare centers

We have introduced a company-led daycare center service to prevent women from being unable to return to work if they have difficulty enrolling their children in a licensed daycare center. Employees can search for available company-led daycare centers in the area where they want to leave their child, and are given priority for admission. Some employees immediately took advantage of this service and returned to work after leaving their children at a company-led daycare center.

In the future, we will go beyond simply creating a comfortable working environment for female employees, and will take steps to systematically promote initiatives to nurture female managers.

We are also beginning to create an environment where it is easy for men to take childcare leave.

Creating an environment that supports work-life balance

We help employees to balance work with childcare. Systems designed to support employees with childcare responsibilities include childcare leave, and the reduction of working hours until children graduate from elementary school.

VOICE 01

Voice from an employee who has used the childcare leave system

Architectural Coatings Division No. 2,
General Coatings Department
OTA Remi

I took childcare leave during the COVID-19 pandemic, so things turned out quite differently to what I had imagined. Still, I am very grateful for the various new systems that the company is introducing. My childcare leave went by very quickly, but I was able to watch my daughter grow up day by day and also reflect on myself. As for enrolling her in a daycare center, I was able to use the childcare support service Life Care Partners to enroll her in a company-led daycare center. Furthermore, since I was able to return to work when my child was less than one year old, I received incentives for my early return to work after childcare leave, which I am using toward childcare. Since returning to work, I have been making good use of teleworking, and am enjoying a fulfilling life while balancing work and childcare.

VOICE 02

Voice from an employee who has used the childcare leave system

Division Manager, Strategy Planning
Group, Corporate Planning Division
TANAKA Yoshihiro

With the birth of my third child, my first son, I took about two weeks of childcare leave. As this was my first time to take childcare leave, I was worried that I might cause trouble for my supervisors and colleagues at work, but I received their full support, and was able to concentrate on childcare with peace of mind. I thought I was doing a good amount of housework and childcare on a daily basis, but actually taking care of children and doing housework all day long was a lot of work, which made me appreciate again that my daily life is only possible with the support of my family and the people around me. Although the number of male employees in the company who take childcare leave is still small, it is essential to increase the number of male employees who take childcare leave in order to improve people's work-life balance and promote work style reforms. I would like to contribute to the creation of a workplace where men can take childcare leave as a matter of course.

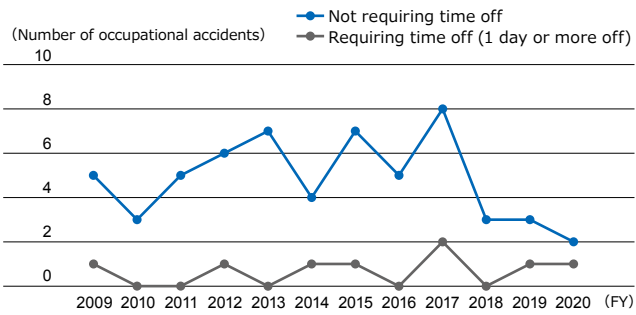
Ensuring health and safety

Occupational safety and health activities

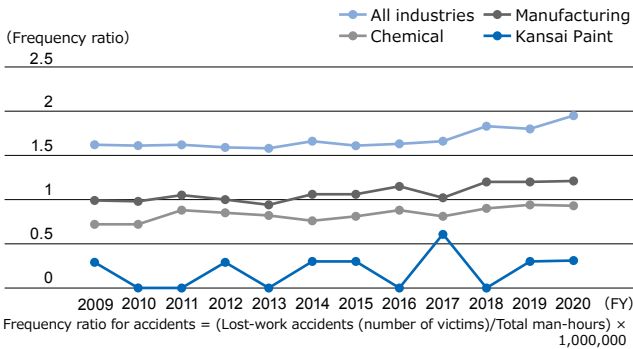
In order to ensure that each and every one of our employees, Kansai Paint's treasured assets, can work safely and in good health, Furukawa Hidenori, Representative Director and Senior Managing Executive Officer, is in overall charge of various occupational health and safety activities, including environmental safety and health inspections conducted by a central HSE manager (General Manager of the Production Division) and a team of experts. In the case of COVID-19, we have implemented countermeasures against infectious diseases and continued

various safety activities while avoiding the 3Cs (Closed spaces, Crowded places, and Close-contact settings). As in the previous year, one accident occurred that required an employee to take time off work. We will continue working to eradicate accidents from the group by making ongoing improvements to our safety activities, and fostering the kind of workplace culture in which all employees are aware of the dangers and are able to warn their colleagues about them.

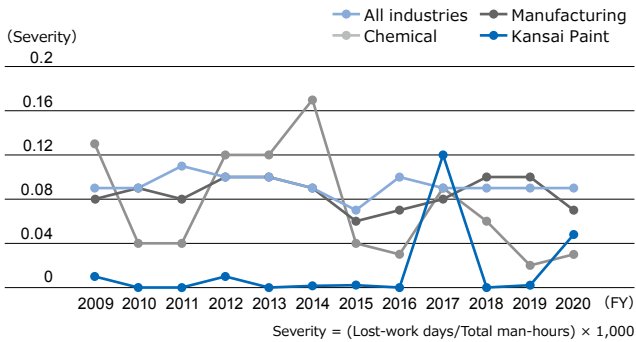
Change in the number of occupational accidents (Japan)



Change in the frequency of occupational accidents (Japan)



Change in the severity of occupational accidents (Japan)



Health management

The Environmental and Health Subcommittee was established within the Environmental Safety and Health Committee as a dedicated organization that engages in health management for employees of Kansai Paint Group. It works to improve mental health care for employees, mainly through Employee Assistance Program (EAP) services, in accordance with the Mental Health Promotion Plan. We have also instituted a system for following up on employees diagnosed with medical conditions after periodic health examinations and are striving to maintain and promote the health of employees.

We conduct the following mental health training:

Trainees	Training content
New employees	Self-care
Newly appointed supervisors	Line care and self-care
Employees newly transferred overseas	Self-care
Serving supervisors	Line care and harassment

Respect for human rights and harmony with the community

Corporate Code of Behavior: Policy

Based on the fundamental principle that a company exists for the happiness of society and human beings, the Kansai Paint Group will maintain a healthy work environment free from harassment or discrimination on the basis of race, nationality, age, gender, religion, family background, physical handicaps, etc., which have no direct bearing on the execution of business activities.

Respect for basic labor rights

We recognize the right of labor union members to organize, bargain collectively and take other collective actions, and strive to resolve various issues by promoting dialogue between labor and management.

Activities to promote human rights awareness

We carry out internal activities to raise employees' awareness of human rights by providing opportunities to bring issues to their attention through various case studies at training sessions for new employees and managers, as well as through our internal portal site. We respect the UN's Universal Declaration of Human Rights. During Human Rights Week, which runs from December 4 to 10 every year as set out in the declaration, we solicit human rights slogans from within the company, for which we receive about 1,000 submissions every year. We select and award the best entries from among these, and display them within the company.

Broad-based Black Economic Empowerment (B-BBEE)

Our subsidiary in the Republic of South Africa respects and complies with the Broad-based Black Economic Empowerment (B-BBEE) program, and is committed to assisting local communities through educational support for the children of local employees and other initiatives.

Approaches to human rights issues from a corporate perspective

As a member of the Corporate Federation for Dowa and Human Rights Issue, Osaka; the Industrial Federation for Human Rights, Tokyo; and the Osaka City Businessman Right Promotion Conference,* we are actively participating in the projects of each of these organizations and in training sessions held by the government.

*In FY2021, our company was commended by this council as a company of merit.



Review and Analysis of Major Consolidated Business Results

| Business environment

The following is a breakdown of net sales and percentage changes from the previous fiscal year for each business segment.

Segment	Automotive Coatings		Industrial Coatings		Architectural Coatings		Marine and Protective Coatings		Others		Total	
	Amount	Rate of change	Amount	Rate of change	Amount	Rate of change	Amount	Rate of change	Amount	Rate of change	Amount	Rate of change
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
Japan	53,334	(10.5)	37,229	(9.8)	23,730	7.5	18,136	(3.5)	10,568	(20.5)	142,999	(7.8)
India	18,898	(13.5)	9,731	(13.1)	43,959	(8.9)	-	-	495	15.4	73,084	(10.5)
Europe	10,950	(10.3)	31,836	(4.4)	5,555	3.9	1,889	20.8	15,770	0.2	66,002	(3.2)
Asia	22,591	(19.3)	15,988	(17.0)	7,862	(10.3)	1,059	(36.8)	2,002	(19.8)	49,504	(17.7)
Africa	2,507	(43.2)	2,894	(33.8)	20,014	(19.8)	302	(27.6)	2,197	38.3	27,917	(21.9)
Others	506	(23.4)	4,605	(14.1)	-	-	-	-	-	-	5,112	(15.1)
Total	108,788	(14.1)	102,285	(10.9)	101,122	(7.5)	21,388	(4.8)	31,034	(7.5)	364,620	(10.4)

1) Net sales and operating income

Net sales for the fiscal year under review decreased by 10.4%, or 42,265 million yen, from the previous fiscal year to 364,620 million yen, and operating income decreased by 0.9%, or 282 million yen, from the previous fiscal year to 31,228 million yen. During the fiscal year under review, we were affected by the stagnation of economic activities due to the spread of COVID-19 in India, Africa and many other regions, mainly from April to June. Sales gradually recovered from July onwards, and for the full year, we were able to limit the decline to a 10% decrease from the previous consolidated fiscal year. In terms of profits, the structural reforms implemented under the 16th Medium-term Business Plan have made significant progress, especially in India, Europe and Africa, and have contributed greatly to the improvement of profits. Specifically, while net sales in India decreased by 10% from the previous fiscal year, operating income was almost the same as the previous fiscal year, showing the success of the structural reforms. In Europe and Africa, operating income was significantly higher than the previous fiscal year. Other factors are as follows.
Effect of exchange rate changes due to the strong yen : Net sales decreased by 13,721 million yen and operating income decreased by 1,293 million yen.

2) Non-operating income/expenses and ordinary income

Non-operating income/expenses for the fiscal year under review increased by 1,288 million yen over the previous fiscal year to a positive 4,652 million yen. The main reasons for the increase were a rise inequity in earnings of unconsolidated subsidiaries and affiliates and a decrease in foreign currency exchange loss. The main reason for the decrease was an increase in provision for doubtful receivables. As a result, ordinary income for the fiscal year under review increased by 2.9%, or 1,006 million yen, from the previous fiscal year to 35,880 million yen.

3) Extraordinary income/losses and income before income taxes and non-controlling interests

Extraordinary income/losses for the fiscal year under review increased by 5,329 million yen from the previous fiscal year to a positive 4,945 million yen. The main reason for the increase was a rise in gain on sales of investment securities due to the sale of cross-shareholdings. The main reason for the decrease was the loss on disaster and impairment loss on fixed assets incurred in Asia. As a result, income before income taxes and non-controlling interests for the fiscal year under review increased by 18.4%, or 6,336 million yen, to 40,826 million yen.

4) Income taxes (including deferred income taxes) and net income attributable to owners of the parent

Income taxes for the fiscal year under review increased by 5,948 million yen from the previous fiscal year to 17,259 million yen. The main reason for the increase was an increase in tax expenses due to an increase in income before income taxes at the company. As a result, net income attributable to owners of the parent increased by 8.4%, or 1,550 million yen, from the previous fiscal year to 20,027 million yen.

| Analysis of financial conditions

1) Current assets

Total current assets at the end of the fiscal year under review were 300,471 million yen, (up 59,532 million yen from the end of the previous fiscal year). The increase in current assets was mainly due to an increase in cash and deposits resulting from the borrowing of funds.

2) Non-current assets

Total non-current assets at the end of the fiscal year under review were 306,108 million yen (up 2,923 million yen from the end of the previous fiscal year). The increase in non-current assets was due to an increase in investment securities, etc., despite a decrease in goodwill and deferred tax assets, etc.

3) Current liabilities

Total current liabilities at the end of the fiscal year under review were 156,357 million yen (up 44,244 million yen from the end of the previous fiscal year). The increase in current liabilities was due to an increase in trade notes and accounts payable, and short-term borrowings from unconsolidated subsidiaries and affiliates, etc., despite a decrease in short-term borrowings.

4) Non-current liabilities

Total non-current liabilities at the end of the fiscal year under review were 111,363 million yen (up 49 million yen from the end of the previous fiscal year). The increase in non-current liabilities was due to an increase in deferred tax liabilities, etc., despite a decrease in long-term debt.

5) Net assets

Total net assets at the end of the fiscal year under review were 338,859 million yen (up 18,162 million yen from the end of the previous fiscal year).

| Business risks

The Kansai Paint Group manufactures and sells paints for a wide range of applications, including automotive, industrial, architectural, marine, and anticorrosion. While domestic demand for paints has remained almost flat, we have been actively developing our overseas businesses, and the proportion of our sales that come from overseas sales have exceeded our domestic sales. In the future, the scale of our overseas business activities is expected to continue to expand, and the laws, regulations, political factors, etc., of the regions and countries in which we operate will have an impact on the group's business activities and performance. Under these circumstances, in order to survive and grow amid fierce global competition, we will create synergies throughout the group and enhance our corporate governance system. The group has established manufacturing bases in various countries to conduct its business activities. However, when procuring products and raw materials from other locations, fluctuations in foreign exchange rates can affect the group's business activities and performance. In addition to promoting the transfer of product manufacturing and local procurement of raw materials, we will hedge risks through the implementation of forward exchange contracts and other measures. The group's raw materials are mainly affected by fluctuations in the prices of crude oil and naphtha. Therefore, the group's business activities and business

performance will be affected if sudden changes in raw material prices are not adequately reflected in sales prices. We will strive to reduce costs through global procurement, efforts to integrate products, etc., and strengthen relationships with raw material suppliers so that we can respond quickly. In terms of the group's response to the COVID-19 pandemic, Committee for COVID-19 Countermeasures, chaired by Furukawa Hidenori, Representative Director and Senior Managing Executive Officer, was established to consolidate and share information both in Japan and overseas in accordance with the company-wide policy of "safety first for employees and their families" and "maintaining company functions and business continuity." To this end, we are taking the following actions.
•Continue business while ensuring safety
•Promote teleworking and group shift systems
•Establish a business continuity system based on the premise of a COVID-19 outbreak
•Establish a business system that ensures social distancing, even in sales and manufacturing
•In the event of a COVID-19 outbreak, cooperate with the government and administrative agencies, close down offices, thoroughly disinfect them, and resume business as soon as possible

10-year Summary of Consolidated Financial Indicators

*Percentages are truncated beyond the first decimal point.

Consolidated Financial Indicators	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net sales (million yen)	256,590	294,053	320,453	349,333	328,118	330,235	401,977	427,425	406,886	364,620
Sales by business segment (million yen)										
Automotive	78,604	89,338	100,871	111,015	103,256	103,431	111,235	112,985	104,981	90,036
Auto Refinish	17,239	20,020	20,601	21,054	19,640	19,372	23,262	24,097	21,735	18,751
Industrial	67,137	75,031	81,944	87,309	81,888	83,448	111,887	122,193	114,782	102,285
Architectural	61,151	77,103	83,232	93,532	83,221	86,670	103,550	112,310	109,374	101,122
Marine and Protective	18,801	19,097	18,999	19,893	22,440	20,793	22,586	22,081	22,462	21,388
Others	13,657	13,461	14,804	16,528	17,670	16,519	29,455	33,758	33,550	31,034
Sales by region (million yen)										
Japan	145,223	146,900	154,287	154,004	155,367	151,416	155,552	159,339	155,078	142,999
India	42,091	50,075	54,956	69,521	65,800	74,694	83,432	86,922	81,697	73,084
Europe	-	-	-	-	17,772	16,830	59,098	71,934	68,168	66,002
Asia	36,623	50,100	59,548	66,232	58,897	56,623	63,300	63,828	60,176	49,504
Africa	21,718	32,105	34,801	39,543	29,251	28,026	35,132	39,446	35,742	27,917
Others	10,933	14,870	16,860	20,031	1,029	2,643	5,461	5,954	6,021	5,112
Ratio of overseas net sales (%)	47.2%	53.4%	55.6%	59.6%	57.6%	58.9%	65.3%	66.1%	65.0%	64.1%
Operating income (million yen)	19,315	24,171	29,636	31,580	34,772	35,310	35,802	32,306	31,510	31,228
Operating income to net sales ratio (%)	7.5%	8.2%	9.2%	9.0%	10.6%	10.7%	8.9%	7.6%	7.7%	8.6%
Ordinary income (million yen)	21,446	28,353	35,471	37,725	39,714	40,025	33,241	34,838	34,874	35,880
Ordinary income by region (million yen)										
Japan	12,903	15,562	18,347	17,760	21,469	23,535	19,051	19,552	18,153	15,532
India	4,888	5,423	5,392	7,799	9,195	11,622	13,366	11,051	10,268	10,198
Europe	-	-	-	-	703	1,024	4,395	2,360	2,719	5,220
Asia	3,204	5,703	8,363	8,293	7,651	6,569	431	5,398	5,456	4,638
Africa	14	476	1,186	1,443	(594)	(3,732)	(4,965)	(4,043)	(2,967)	(858)
Others	435	1,185	2,180	2,428	1,289	1,004	963	518	1,243	1,149
Adjustment	1	1	-	-	-	-	-	-	-	-
Ordinary income to net sales ratio (%)	8.4%	9.6%	11.1%	10.8%	12.1%	12.1%	8.3%	8.2%	8.6%	9.8%
Net income attributable to owners of the parent (million yen)	13,996	17,758	21,560	20,409	28,343	24,168	17,701	17,405	18,477	20,027
EPS (Earnings per share) (yen)	52.70	66.62	80.91	76.61	106.41	93.16	68.80	67.68	71.87	77.91
ROE (Return on equity) (%)	8.3%	9.6%	10.2%	8.3%	10.9%	9.5%	6.7%	6.4%	6.9%	7.2%
Dividend payout ratio (%)	19.0%	18.0%	18.5%	19.6%	17.9%	23.6%	39.2%	44.3%	41.7%	38.5%
Dividends per share (yen)	10.00	12.00	15.00	15.00	19.00	22.00	27.00	30.00	30.00	30.00
Capital investment (million yen)	13,559	18,867	15,509	13,034	11,443	13,617	16,782	23,018	13,949	11,547
R&D expenses (million yen)	5,184	5,141	5,268	5,323	5,046	5,297	6,592	6,547	6,582	6,400
Depreciation (million yen)	7,167	6,984	8,446	10,289	9,742	10,153	13,176	13,917	14,482	14,319
Cash flows from operating activities (million yen)	10,358	25,079	25,486	31,957	31,470	29,146	33,509	35,632	40,324	42,647
Cash flows from investing activities (million yen)	(21,949)	(13,360)	(16,145)	(19,544)	(14,789)	(97,020)	(33,756)	(17,461)	(22,045)	(507)
Cash flows from financing activities (million yen)	14,684	(3,424)	(6,511)	(9,632)	(14,834)	60,264	8,059	(6,964)	(37,403)	16,828

	(million yen)	
	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	58,618	114,292
Trade notes and accounts receivables	101,512	105,129
Securities	4,705	10,154
Finished goods	35,095	35,782
Work-in-process	5,696	5,538
Raw materials and supplies	23,530	24,346
Other	14,932	8,498
Allowance for doubtful receivables	(3,152)	(3,269)
Total current assets	240,938	300,471
Non-current assets		
Property, plant and equipment		
Buildings and structures net	58,222	58,119
Machinery, equipment and vehicles net	31,067	30,024
Tools, furniture and fixtures net	8,355	6,940
Land	25,041	25,292
Construction in progress	6,732	6,844
Total property, plant and equipment	129,419	127,220
Intangible assets		
Leasehold right	3,306	3,011
Software	2,320	2,105
Software in progress	227	302
Goodwill	33,551	29,882
Other	19,000	16,033
Total intangible assets	58,406	51,335
Investments and other assets		
Investment securities	76,183	86,942
Investments in capital	17,414	17,611
Loans receivable	2,292	2,255
Net defined benefit asset	9,012	14,588
Deferred tax assets	7,470	3,637
Other	7,626	7,120
Allowance for doubtful receivables	(4,641)	(4,602)
Total investments and other assets	115,358	127,552
Total non-current assets	303,185	306,108
Total assets	544,123	606,580

	(million yen)	
	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Trade notes and accounts payables	58,694	63,808
Short-term borrowings	18,467	6,013
Short-term borrowings from unconsolidated subsidiaries and affiliates	140	110
Current portion of long-term debt	2,070	46,643
Lease obligations	1,353	669
Accrued expenses	9,631	9,601
Income and enterprise taxes payable	2,242	7,471
Provision for bonuses	5,431	4,749
Other	14,082	17,288
Total current liabilities	112,113	156,357
Non-current liabilities		
Convertible bonds with stock acquisition rights	60,110	60,060
Long-term debt	12,354	7,751
Lease obligations	1,795	1,679
Deferred tax liabilities	25,040	29,994
Net defined benefit liability	9,497	8,598
Retirement benefits for directors and corporate auditors	116	102
Provision for management board incentive plan trust	102	137
Other	2,296	3,038
Total non-current liabilities	111,313	111,363
Total liabilities	223,426	267,720
Net assets		
Shareholders' equity		
Common stock	25,658	25,658
Capital surplus	22,438	21,081
Retained earnings	248,511	260,799
Treasury stock, at cost	(25,711)	(25,844)
Total shareholders' equity	270,897	281,695
Accumulated other comprehensive income		
Net unrealized holding gains on securities	23,322	33,400
Deferred gains on derivatives under hedge accounting	1,224	(1,003)
Foreign currency translation adjustments	(25,936)	(31,130)
Remeasurements of defined benefit plans	(631)	3,838
Total accumulated other comprehensive income	(2,020)	5,104
Non-controlling interests	51,819	52,059
Total net assets	320,697	338,859
Total liabilities and net assets	544,123	606,580

Consolidated Statements of Income

	Fiscal Year ended March 31, 2020	Fiscal Year ended March 31, 2021
Net sales	406,886	364,620
Cost of sales	277,359	243,938
Gross profit	129,527	120,682
Selling, general and administrative expenses	98,016	89,454
Operating income	31,510	31,228
Non-operating income		
Interest income	653	595
Dividend income	1,687	1,559
Equity in earnings of unconsolidated subsidiaries and affiliates	3,990	4,802
Miscellaneous income	1,831	1,703
Total non-operating income	8,162	8,661
Non-operating expenses		
Interest expense	1,749	1,585
Loss on disposal of inventories	329	407
Foreign currency exchange loss	1,466	560
Miscellaneous expenses	1,253	1,455
Total non-operating expenses	4,798	4,008
Ordinary income	34,874	35,880
Extraordinary income		
Gain on sale of property, plant and equipment	49	97
Gain on sale of investment securities	152	6,298
Gain on sale of shares of subsidiaries and affiliates	1,708	374
Gain on sale of investments in capital of subsidiaries and affiliates	-	1,634
Gain on liquidation of subsidiaries	8	18
Total extraordinary income	1,919	8,423
Extraordinary losses		
Loss on sale or disposal of property, plant and equipment	1,019	419
Loss on sale of investments in capital of subsidiaries and affiliates	39	-
Impairment loss	-	755
Loss on sale of investment securities	-	36
Write-down of securities and investment securities	16	4
Loss on sale of shares of subsidiaries and affiliates	-	80
Loss on disaster	60	1,457
Loss on withdrawal from business	37	517
Early extra retirement payments	-	206
Amortization of goodwill	1,129	-
Total extraordinary losses	2,303	3,477
Income before income taxes and non-controlling interests	34,490	40,826
Income taxes - current	9,360	14,116
Income taxes - deferred	1,949	3,142
Total income taxes	11,310	17,259
Net income	23,179	23,566
Net income attributable to non-controlling interests	4,702	3,539
Net income attributable to owners of the parent	18,477	20,027

Consolidated Statements of Comprehensive Income

	Fiscal Year ended March 31, 2020	Fiscal Year ended March 31, 2021
Net income	23,179	23,566
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(5,482)	7,221
Deferred gains (losses) on derivatives under hedge accounting	601	(2,216)
Foreign currency translation adjustments	(4,497)	(4,826)
Remeasurements of defined benefit plans	(1,401)	4,469
Shares in other comprehensive income of equity method affiliates	(2,200)	1,335
Total other comprehensive income	(12,980)	5,984
Comprehensive income	10,199	29,550
Comprehensive income attributable to:		
Owners of the parent	6,625	27,152
Non-controlling interests	3,573	2,398

Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2020 (million yen)

(April 1, 2019-March 31, 2020)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	25,658	22,342	237,721	(25,537)	260,185
Cumulative effects of changes in accounting policies			(198)		(198)
Restated balance	25,658	22,342	237,523	(25,537)	259,986
Changes during the period					
Cash dividends paid			(7,488)		(7,488)
Net income attributable to owners of the parent			18,477		18,477
Purchase of treasury stock				(221)	(221)
Disposal of treasury stock		0		47	47
Purchase of shares of consolidated subsidiaries		95	(0)		95
Net changes in items other than shareholders' equity					
Total changes during the period	-	95	10,988	(173)	10,910
Balance at the end of the year	25,658	22,438	248,511	(25,711)	270,897

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized holding gains on securities	Deferred gains on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	29,876	622	(21,439)	770	9,831		50,644	320,661
Cumulative effects of changes in accounting policies							(39)	(238)
Restated balance	29,876	622	(21,439)	770	9,831		50,604	320,423
Changes during the period								
Cash dividends paid								(7,488)
Net income attributable to owners of the parent								18,477
Purchase of treasury stock								(221)
Disposal of treasury stock								47
Purchase of shares of consolidated subsidiaries								95
Net changes in items other than shareholders' equity	(6,554)	601	(4,497)	(1,401)	(11,851)	1,214		(10,636)
Total changes during the period	(6,554)	601	(4,497)	(1,401)	(11,851)	1,214		274
Balance at the end of the year	23,322	1,224	(25,936)	(631)	(2,020)	51,819		320,697

Fiscal year ended March 31, 2021 (million yen)

(April 1, 2020-March 31, 2021)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	25,658	22,438	248,511	(25,711)	270,897
Effect of hyperinflation			(2)		(2)
Restated balance	25,658	22,438	248,509	(25,711)	270,895
Changes during the period					
Cash dividends paid			(7,746)		(7,746)
Net income attributable to owners of the parent			20,027		20,027
Purchase of treasury stock				(157)	(157)
Disposal of treasury stock		0		22	22
Purchase of shares of consolidated subsidiaries		(21)	8		(13)
Change in transactions with non-controlling shareholders		(1,334)			(1,334)
Change in treasury stock arising from change in equity in entities accounted for using equity method				1	1
Net changes in items other than shareholders' equity					
Total changes during the period	-	(1,356)	12,289	(133)	10,799
Balance at the end of the year	25,658	21,081	260,799	(25,844)	281,695

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized holding gains on securities	Deferred gains on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	23,322	1,224	(25,936)	(631)	(2,020)		51,819	320,697
Effect of hyperinflation							(0)	(2)
Restated balance	23,322	1,224	(25,936)	(631)	(2,020)		51,819	320,694
Changes during the period								
Cash dividends paid								(7,746)
Net income attributable to owners of the parent								20,027
Purchase of treasury stock								(157)
Disposal of treasury stock								22
Purchase of shares of consolidated subsidiaries								(13)
Change in transactions with non-controlling shareholders								(1,334)
Change in treasury stock arising from change in equity in entities accounted for using equity method								1
Net changes in items other than shareholders' equity	10,077	(2,228)	(5,194)	4,469	7,124	240		7,365
Total changes during the period	10,077	(2,228)	(5,194)	4,469	7,124	240		18,164
Balance at the end of the year	33,400	(1,003)	(31,130)	3,838	5,104	52,059		338,859

Consolidated Statements of Cash Flows

(million yen)

	Fiscal Year ended March 31, 2020	Fiscal Year ended March 31, 2021
Cash flows from operating activities		
Income before income taxes and non-controlling interests	34,490	40,826
Depreciation and amortization	14,482	14,319
Impairment loss	-	755
Loss on withdrawal from business	-	517
Amortization of goodwill	5,796	3,501
Decrease in allowance for doubtful receivables	(2,784)	(169)
Increase in net defined benefit liability	273	108
Interest and dividend income	(2,340)	(2,155)
Interest expense	1,749	1,585
Equity in earnings of unconsolidated subsidiaries and affiliates	(3,990)	(4,802)
Gain on sale of investment securities	(152)	(6,261)
Write-down of investment securities	16	4
Gain on sale of shares of subsidiaries and affiliates	(1,708)	(294)
Loss (gain) on sale of investments in capital of subsidiaries and affiliates	39	(1,634)
Loss on sale or disposal of property, plant and equipment, net	970	322
Decrease (increase) in trade notes and accounts receivables	10,840	(5,006)
Decrease (increase) in inventories	2,887	(2,972)
Increase (decrease) in trade notes and accounts payables	(11,445)	5,943
Other, net	1,987	2,504
Subtotal	51,111	47,091
Interest and dividends received	3,474	4,726
Interest paid	(1,699)	(1,596)
Income taxes paid	(12,561)	(7,574)
Net cash provided by operating activities	40,324	42,647
Cash flows from investing activities		
Payments into time deposits	(5,417)	(3,386)
Proceeds from withdrawal of time deposits	2,078	5,055
Net increase in securities	(1,624)	(4,759)
Purchase of property, plant and equipment	(12,803)	(10,592)
Proceeds from sale of property, plant and equipment	231	124
Purchase of intangible assets	(944)	(724)
Purchase of investment securities	(41)	(202)
Proceeds from sale of investment securities	37	8,774
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,247)	-
Payments of loans receivable	(2,450)	(235)
Collection of loans receivable	399	1,101
Proceeds from settlement of derivative, net	351	2,842
Other, net	(614)	1,492
Net cash used in investing activities	(22,045)	(507)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,579	(12,116)
Proceeds from long-term debt	6,779	43,575
Repayments of long-term debt	(821)	(2,586)
Redemption of convertible bonds with stock acquisition rights	(40,000)	-
Purchase of treasury stock	(157)	(14)
Cash dividends paid	(7,488)	(7,746)
Cash dividends paid to non-controlling interests	(1,890)	(3,575)
Proceeds from share issuance to non-controlling shareholders	123	165
Other, net	(527)	(871)
Net cash provided by (used in) financing activities	(37,403)	16,828
Effect of exchange rate changes on cash and cash equivalents	(488)	(1,185)
Increase (decrease) in cash and cash equivalents	(19,612)	57,782
Cash and cash equivalents at beginning of period	70,207	50,594
Cash and cash equivalents at end of period	50,594	108,377

Epilogue

"Good to Great"

IWAI Katsujiro, Founder



Original Illustration

This illustration, which also appears in this report, is an original work that we commissioned the world-renowned illustrator Kaz Oomori to create as one of the commemorative events marking our 100th anniversary in May 2018. It depicts our founder, Iwai Katsujiro, surrounded by the employees who make up the company, who are working actively in their respective fields under a solid business strategy with an eye to the future.

In November 2020, the Kansai Paint Group announced its future growth strategy, Good to Great. The details of this strategy are described on pages 15 to 20 of this report.

We will pursue profits by promoting business based on the seven key words, contribute to society, bring about the growth of the entire group, and pursue happiness for all stakeholders, employees and their families through paints.

● Artist profile

Kaz Oomori

Graphic artist, born in Osaka in 1967. After graduating from Nara College of Arts, he worked as an in-house illustrator for an advertising company in Minneapolis, USA. After returning to Japan, he founded the graphic unit Tune Grafik and has been working on art direction and illustration since. He has worked on many designs in the field of entertainment, and is one of the world's leading illustrators, having created posters for Disney's science fiction blockbusters *Star Wars: The Force Awakens* and *Star Wars: The Last Jedi*, which sold out. In addition to his work as a graphic artist, he is currently a lecturer on the Design Course at Nara College of Arts, his alma mater, and a professor at the Design Department, Osaka University of Arts, where he provides guidance to students by teaching them how to think and create designs in ways like a professional working in a studio.





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