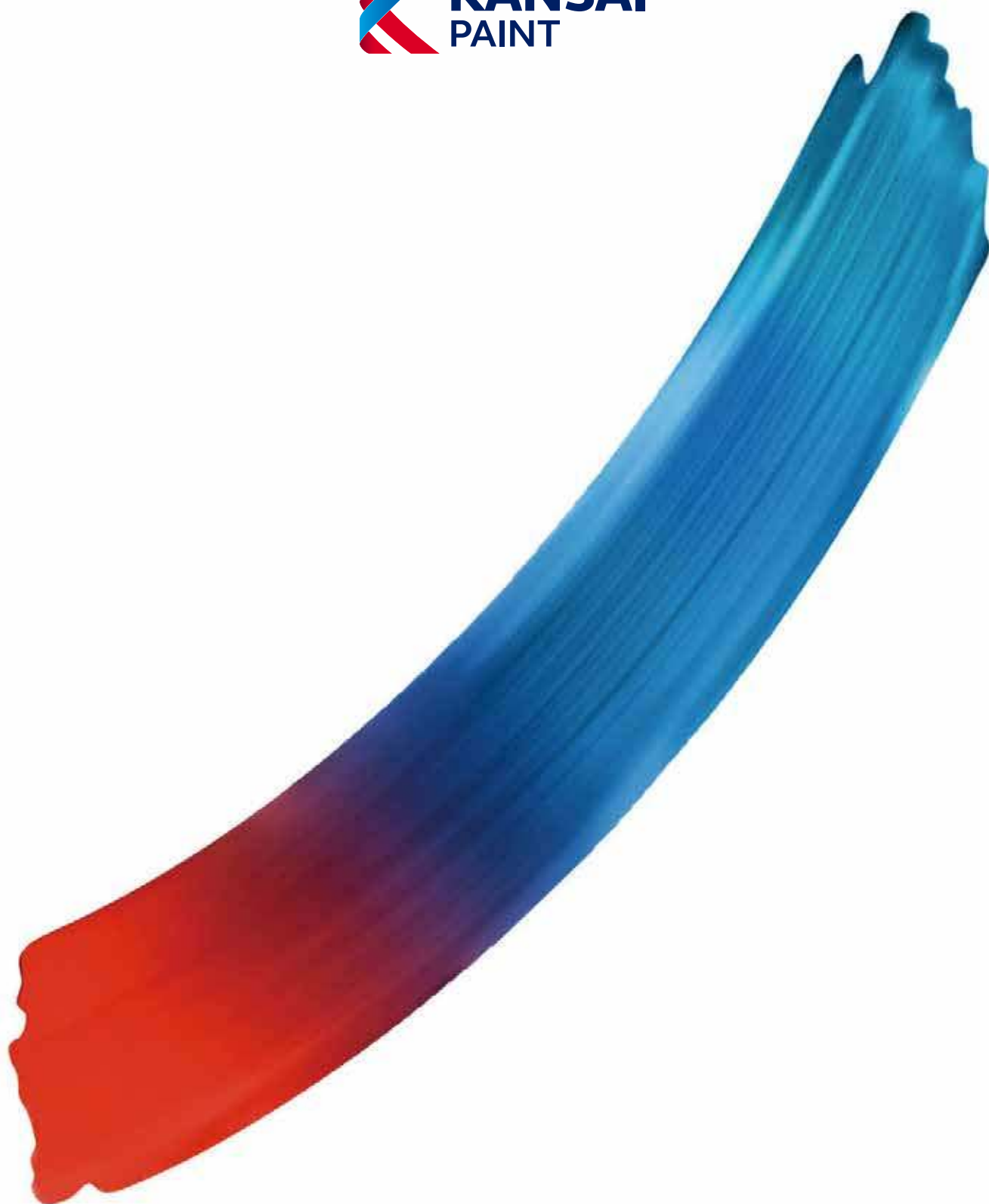




INTEGRATED REPORT

Coating Our Life

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.

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.

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 the Society.

Customer Focus

We continuously strive to understand and exceed Customer expectations.

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.

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.

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.

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.

Original Value of Paints and Coatings

We contribute to sustainability by making paints and coatings that help structures and objects last longer, thereby adding value to everyday life.

Protection

Paints and coatings help protect materials from rain, wind, sea water, ultraviolet radiation, and other environmental stressors.



Beautification

Paints and coatings bring to life a diverse range of colors, textures like luster and smoothness, and other appealing finishes.



Functionality

Paints and coatings add value by imparting various functions, whether energy conservation, heat resistance, antibacterial surfaces, or odor prevention.



Architectural

Paints and coatings applied to the interiors and exteriors of homes, commercial buildings, public facilities, and other structures provide a wide range of functions, and help preserve the attractiveness and longevity of the landscape and the buildings.

Automotive

A layer measuring no more than 0.1 mm in thickness provides long-term protection for vehicle bodies in various environments around the world and preserve vehicle quality, and visual appeal.

Marine and Protective

Paints and coatings can prevent the adhesion of marine life or rust on ship hulls, conserving fuel and protecting ecosystems. We support infrastructures by providing products that protect bridges, power facilities, plants, and various other structures from harsh environmental conditions.

Industrial

Meeting a wide range of performance requirements, our products are used across a broad range of fields, ranging from excavators and other construction machinery to agricultural machinery, the inner linings of cans, and furniture and home appliances.

Auto Refinish

Dents and other blemishes on vehicles can be removed to restore vehicles to an as-new condition simply by repainting in the original body color following repairs (body work and paints). Refinished surfaces have the same color and performance as on new vehicles and promote safe and comfortable driving.



Contents, Editorial Policy

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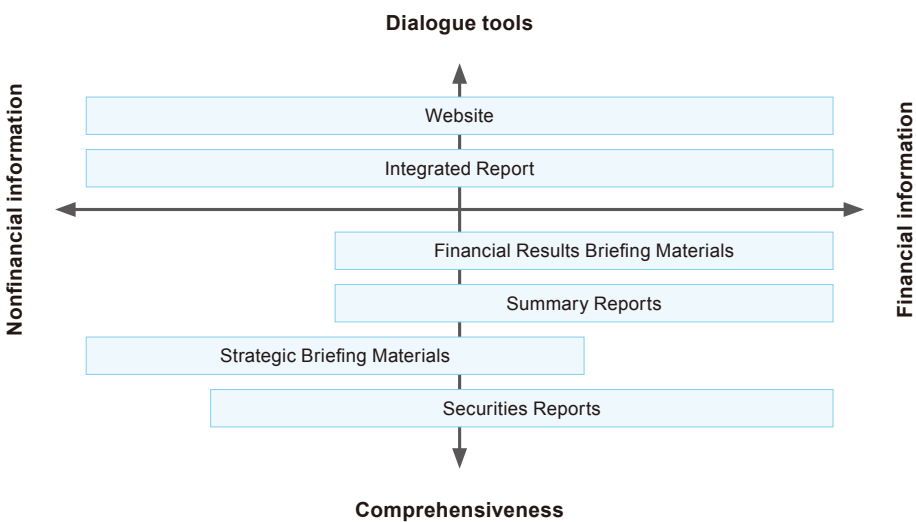
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Editorial Policy

The overall structure of Integrated Report 2024 reflects the International Integrated Reporting Framework of the International Financial Reporting Standards (IFRS) Foundation with regard to the Group's value creation model, which calls for progress from Good to Great as a company group. It also describes the Kansai Paint Group's efforts, chiefly under the 17th Medium-term Management Plan announced in FY2022, to achieve sustained growth in corporate value. The report seeks to help establish virtuous cycles whereby communication and dialogue with all stakeholders, including shareholders and investors, fosters mutual understanding and contributes to business growth.

Disclosure structure



Improvements from Integrated Report 2023

- Enhanced disclosure through stronger global integration
- Overview of KPI2030 goals and disclosure of progress in FY2023
- Enhanced disclosure of progress on human capital measures
- Enhanced messaging through dialogue with Outside Directors

Key initiatives referenced

- IFRS Foundation, International Integrated Reporting Framework
- Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- Global Reporting Initiative, GRI Standards
- IFRS Foundation, SASB Standards

More information: See our GRI Standards matrix and SASB matrix.

<https://www.kansai.co.jp/sustainability/library/>



Period and scope covered by this Report

This Report covers FY2023 (April 1, 2023 – March 31, 2024) and includes some information on FY2024. Scope of Report: Kansai Paint Co., Ltd. and the Kansai Paint Group (consolidated subsidiaries). Items for which the scope of reporting differs are clearly indicated.

Disclaimer

This Report contains forward-looking statements based on plans, forecasts, management plans, and policies as of the time of publication. Forward-looking statements represent judgments made at the time indicated and may differ from the results of business activities and other future conditions due to changing circumstances.

Message from the President



MORI Kunishi
Representative Director of the Board
President



▶ Introduction

As we enter the final year of the 17th Medium-term Management Plan, which describes our transition to a sustainable growth cycle, we have reached a point that can be likened to the fourth corner of a track-and-field meet. We have also reached the fourth year of our “Good to Great” five-year growth strategy, announced on November 16, 2020. In last year’s Integrated Report, I reviewed my term in office since being appointed President and discussed my aspirations from a relatively inward-looking perspective.

On this occasion, I would like to discuss the company’s potential and future prospects from a more outward looking and wide-ranging perspective, based on our interactions with society and the issues and opportunities we face.

▶ Our relationships to the environment and society

At the time of this writing—July 2024—we are in the midst of a fierce heatwave. This has impressed on all of us the urgent need to combat global warming. Under these conditions, the Kansai Paint Group continues to consider what role it can and should play and how it can contribute to environmental protection and to social progress.

For this fiscal year, the Group targets annual net sales of ¥610 billion, a figure that assumes steady growth from year to year. The paints and coatings that represent our main line of business are used with numerous essential products around the world, extending the lives of those products through extremely thin protective coats. They also provide various functions and features that make products more convenient and

help products play a vital role in making life more colorful and enjoyable. The origins of our business can be traced back even tens of thousands of years to cave art, which implies that paints have been an essential facet of human life since prehistoric times. I’m confident this role and mission will grow even larger and more important as we work to enhance sustainability for humanity.

Our Group plays a vital role in improving human prosperity and quality of life around the world. As we strive to fulfill this mission, we understand that merely continuing to do things as we have to date will be insufficient to counter global warming and environmental degradation. I have sought to promote reforms since taking office as President because I want us to make clear contributions to environmental protection and to human progress and thereby serve as a powerful accelerating force in moving the world in a better direction.

One wonderful aspect of business lies in raising our own funds and taking risks in investing them. By doing what is right, we can raise still more funds for future investments. By running through and growing this cycle, we can contribute still more to the world. To contribute to society, we need to make steady progress on the value creation process, growing earnings and investing them actively as capital inputs to generate increased value in the form of outputs. These outcomes, in turn, have a positive impact on society.

The 17th Medium-term Management Plan describes the essential strategies underlying the efforts currently underway to create value for society.

⇒Pages 04–05
Coating Our Life

⇒Pages 24–25
Value Creation Process

⇒Pages 36–37
Risks and Opportunities

⇒Pages 02–03
The Essential Value of
Paints and Coatings

⇒Pages 38–39
17th Medium-term
Management Plan

⇒Pages 16–17
Financial and Nonfinancial
Highlights

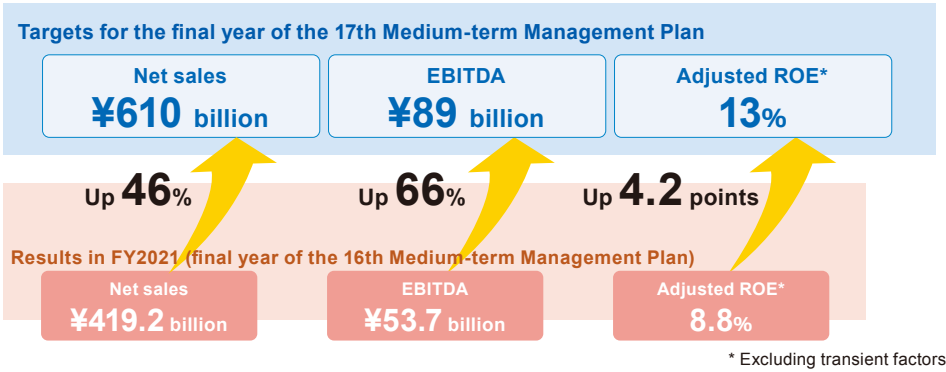
⇒Pages 44–49
International Business Unit
Automotive and Industrial
Businesses Unit
Japan Business Unit

⇒Pages 56–59
IT Strategy

▶ The 17th Medium-term Management Plan links financial and nonfinancial factors

In FY2023, the second year of the 17th Medium-term Management Plan, our results surpassed initial plans. Both sales and profits at all levels reached record highs. A look at our businesses shows steadily improving profitability in Japan, which boosts our centripetal force. Strong growth in overseas businesses centered on India and Europe resulted in a ratio of more than 70% of sales from overseas. Having learned our lessons, in place of an overreliance on business growth, we are also strengthening the foundations that support our businesses. We are making significant progress on reforms of the financial structure, reducing cross-shareholdings, streamlining assets through sales of real estate in Japan and India, and launching CCC improvements. We have established a cycle whereby we invest the funds generated by such activities, in addition to business earnings, into growth areas. We are also working to make our management foundations more robust. For example, IT in Japan, which has lagged behind other markets, has now managed to catch up and is now making significant improvements to the point where we can certainly overcome the so-called 2025 ‘digital cliff’ issue in Japan. The Global Digital Platform, developed to encourage the use of nonfinancial information, has also been established and is running in certain sectors. In addition, as discussed in detail below, we’re making full-scale investments in our human capital, the most important management foundation. I believe these multidirectional reforms are generating tangible results in the sustainable growth cycle. In terms of business performance, we plan to set new record highs once again this fiscal year as we bring the 17th Medium-term Management Plan to full completion and move ahead to the next Medium-term Management Plan.

Final targets of the 17th Medium-term Management Plan



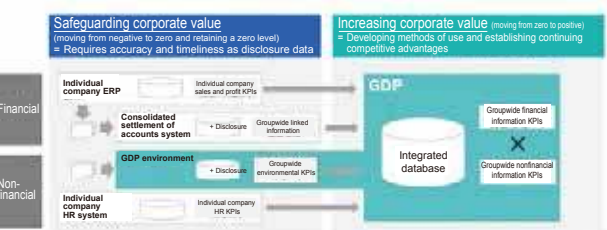
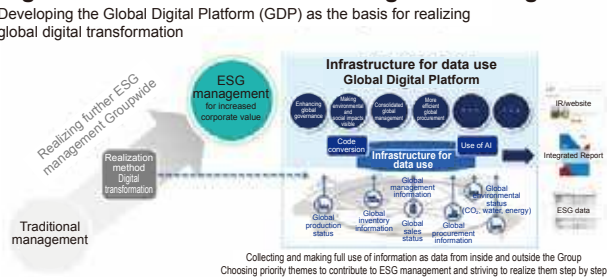
Final targets of the 17th Medium-term Management Plan

	Start of 17th Medium-term Management Plan	FY2022	FY2023	Change	FY2024 (planned)
Net sales (billion yen)	419.2	509.1	562.3	+34%	610.0
EBITDA (billion yen)	53.7	57.8	82.2	+53%	89.0
EBITDA margin (%)	12.8%	11.3%	14.6%	+1.8pt	14.6%
Adjusted ROE (%)*	8.8%	8.8%	12.9%	+4.1pt	13.0%
CCC (days)	116	100	90	-26 days	
EPS (yen)*	89.20	94.69	150.44	+66%	
PER (times)*	22.12	18.88	14.66	—	

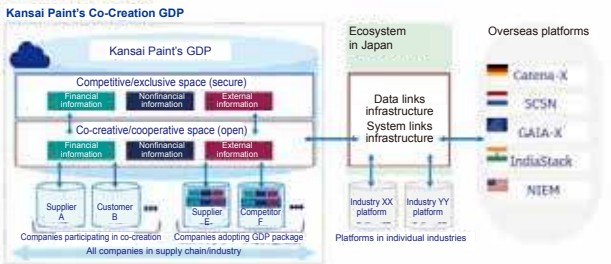
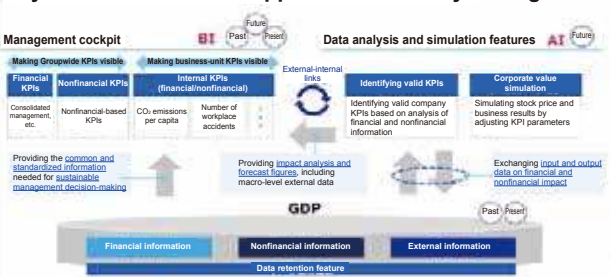
* Excluding transient factors

Launching Global Digital Platform

Digital transformation for executing ESG management



Key GDP features that support sustainability management



▶ Beyond financial structural reforms

I have promoted financial structural reforms energetically since taking office as President. (I refer you to the message from CFO Takahara and to the pages in this Integrated Report on changes in our financial activities for more information.) Here I would like to discuss our efforts to go beyond these financial structural reforms. Our goal is to become a partner in value creation to all stakeholders, including customers, shareholders, and employees, based on shared perspectives on growth in corporate value.

In May 2024, we announced our policies on optimal capital structures and shareholder returns. These policies will play a major role in strengthening corporate value centered on our growth businesses.

Specifically, through our businesses, we will generate products and services that increase value for customers, then use the earnings as resources for further growth. We will boldly invest the funds earned into internal businesses, facilities, and human resources. Under the new shareholder returns policy, we will form “One Team” with all stakeholders as business growth generates enhanced returns to shareholders, which underscores the importance of holding our shares.

It's important to note that these policies were developed through repeated dialogue with numerous shareholders. The ongoing dialogue with shareholders and investors I have maintained since taking office as President has strengthened mutual trust. It's impossible to make substantial progress overnight. This policy was discussed on the basis of the strong mutual understanding created by such dialogue. It also represents the results of overcoming conflicts of interest through repeated dialogue, and I believe this process, too, will serve as a key foundation for future growth.

⇒Pages 32–35
Message from the CFO

⇒Pages 52–53
R&D/Procurement Unit

⇒Pages 62–67
Society

⇒Pages 76–83
Corporate Governance



▶ Talent development and global talent management

Earlier, I touched on the topic of talent development. Now I would like to discuss our plans for global talent management. The 17th Medium-term Management Plan identifies developing human resources and establishing related structures as top priorities. Over the past two years, we have appointed two international human talents as company executive officers. While this alone represents a major step, it's essential to broaden such efforts across the organization. One pressing issue facing the Group is the slow progress of HR systems in Japan. Under the 17th Medium-term Management Plan, we are adopting a job-based system for managerial posts and reforming systems and operations to make this system more effective. In particular, in FY2024, we're implementing assessments of all managerial personnel in Japan as we make progress on preparing for optimal assignments under the 18th Medium-term Management Plan set to take effect next year. For general staff as well, we have updated the HR system based on a results-oriented approach. We have thoroughly revised our training systems for both managerial and general staff personnel. Through such efforts, we will support skills development for a highly capable and motivated talents and establish a system whereby outstanding talents can rapidly begin to thrive in key positions.

These systemic reforms in Japan are just the start. We are striving to make the company a truly global enterprise, a company in which employees from diverse countries and with diverse attributes can thrive worldwide. We plan to establish a global HR system under the next Medium-term Management Plan. By expanding the scope of our activities beyond Japan, which have tended to be more inward-looking, we will bring Group companies around the world on board and transform the Group into an organization that is more attractive to competitive, highly growth-oriented talents around the world. Toward this goal, designing a global HR system and fostering the required organizational culture will be the next challenges.

In the past, this aspect of talent development has clearly not been among our strengths. To address this issue, in addition to drawing on outside experts and mid-career hires, we will also solicit advice from our Outside Directors, who are highly experienced in diverse fields, to develop attractive global HR management strategies that suit the company.

Future plans include stimulating exchange of human resources on a global scale. We believe expanding opportunities for success for outstanding human resources from around the world will be a key contributor to accelerated Group growth.

▶ Governance

As described in last year's Integrated Report, we have learned painful lessons about weakening governance and profitability. The recovery and new growth achieved since represent the results of stronger governance and profitability.

It is impossible to envision a brighter future without continuously improving and strengthening governance. In the 160th Annual General Meeting of Shareholders, we migrated to the formal status of a company with an audit and supervisory committee. Henceforth, we will clearly differentiate the responsibilities and scope of authority of business execution between the Board of Directors and execution of businesses, with the former specializing in broad courses of action related to strategy, human resources, governance, and monitoring of business execution.

The purpose of migrating to the status of a company with an audit and supervisory committee is to strengthen centripetal forces within the Board while adding mobility and flexibility in business execution.

In addition, based on the results of last year's assessment of the Board's efficacy, we have launched improvements that seek to enhance the Board's functions and clarify the roles and responsibilities of individual committees. In particular, the company has a remarkable team of Outside Directors of diverse backgrounds and areas of expertise. Expanding and increasing the quality of their interactions with the executive side offers the potential for substantial improvements in company management. To realize this potential, in addition to roundtables with unit heads and external discussions, we will provide various opportunities, including dialogue between Outside Directors and the Representative Directors, discussions among Outside Directors alone, and engagement with company employees. As with any new initiative like this, this Integrated Report features a roundtable discussion among Outside Directors. I encourage you to read it.

Governance has improved to a degree that would have seemed impossible a few years ago. Nevertheless, there is still room for further improvementss that will make the company a truly global enterprise.

We will continue to pursue steady improvements in governance to better recognize the company's unique characteristics and culture and to ensure the company can continue to meet society's needs well into the future.

▶ Kansai Paint's future

The company has made clear progress toward becoming a better company through various reforms implemented under the 16th and 17th Medium-term Management Plans. I'm confident these reforms embody the spirit of the "Good to Great" vision. But we can't stop there. The more progress we make with our reforms, the clearer our vision for the future becomes on a series of other issues that we must address. In fact, it has become clear that there are numerous topics the company must resolve to become a truly global enterprise.

We have yet to fully capitalize on the company's many advantages. To accelerate business growth while demonstrating our potential as One Kansai, it is of the utmost importance to clarify and clearly indicate the roles and responsibilities of individual Group companies. We'll also take on the challenges posed by new opportunities in various ways, including reforming the domains of development, production, and supply chains through digital transformation (DX) and leveraging AI in our development and nonfinancial activities.

We plan to announce our subsequent strategies in November 2024. Not all of the issues we must address can be resolved within three years; some involve long-term themes. Nevertheless, we're firmly committed to gradually pursuing the objectives we must accomplish to become a truly global enterprise.

The upcoming 18th Medium-term Management Plan currently being formulated, will cover the three-year period for implementing key strategies in the runup to 2030. We plan to approach challenges with an even more dynamic approach as we move toward that goal. We hope you will continue to look forward to seeing what we achieve.

Lastly, I'd like to note that this Integrated Report focuses on describing the topics I've discussed above clearly and in greater detail. I hope this Integrated Report will help strengthen transparency and build constructive dialogue with all our stakeholders into the future.

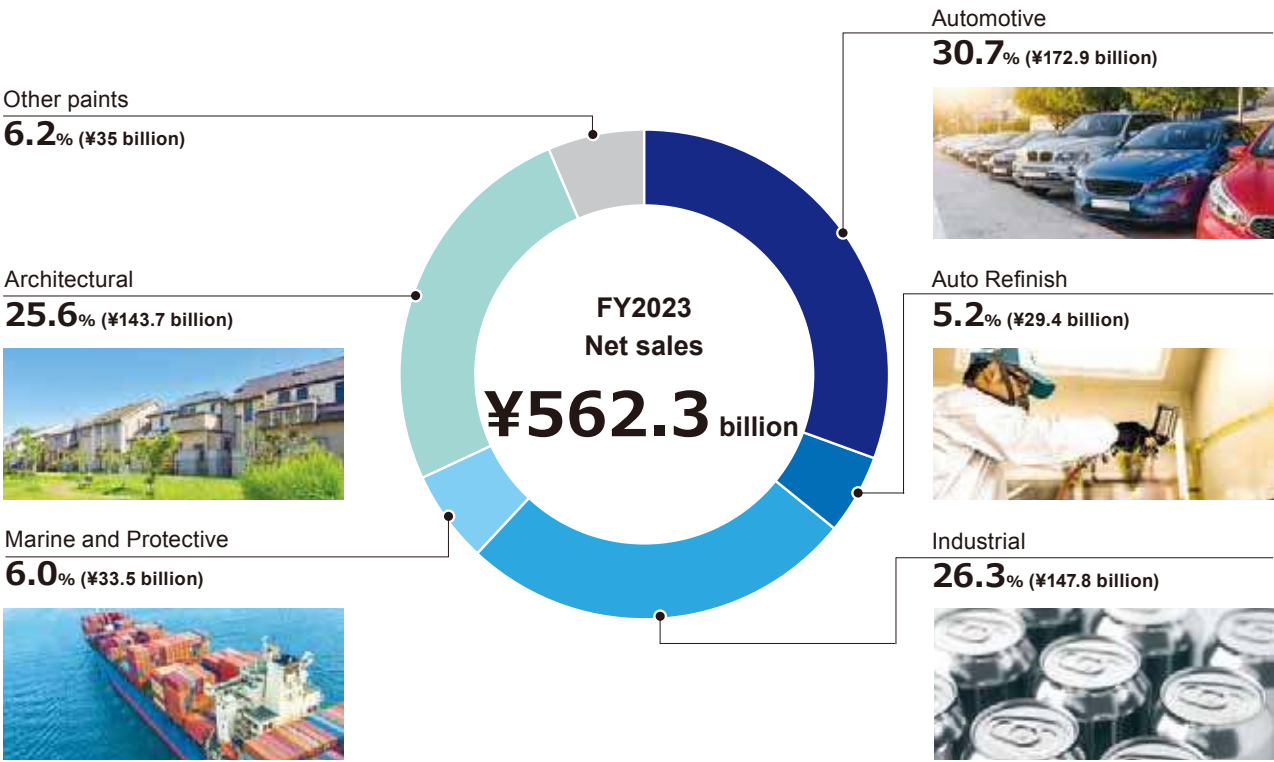
⇒Pages 18–23
Outside Directors Dialogue

⇒Pages 50–51
Supply Chain Unit

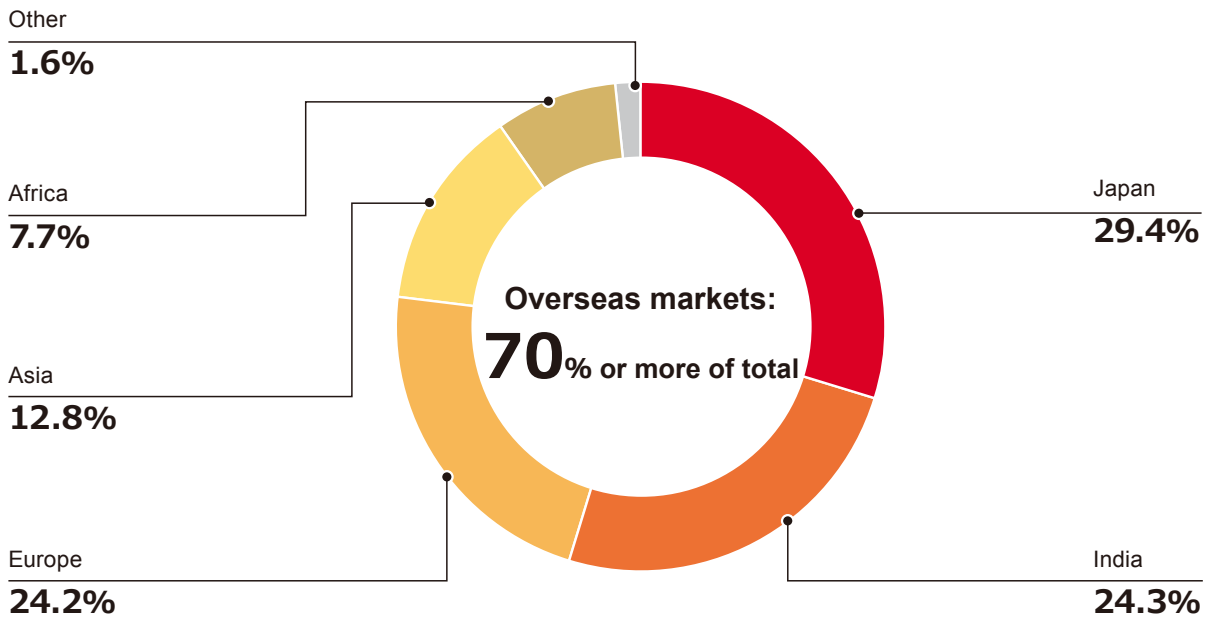
⇒Pages 68–75
Environment

At a Glance

A diverse, balanced business portfolio



Structural optimization between developed and growth markets



History

106 years

Employees

16,844

Approx. 80% outside Japan

Affiliates

136 companies

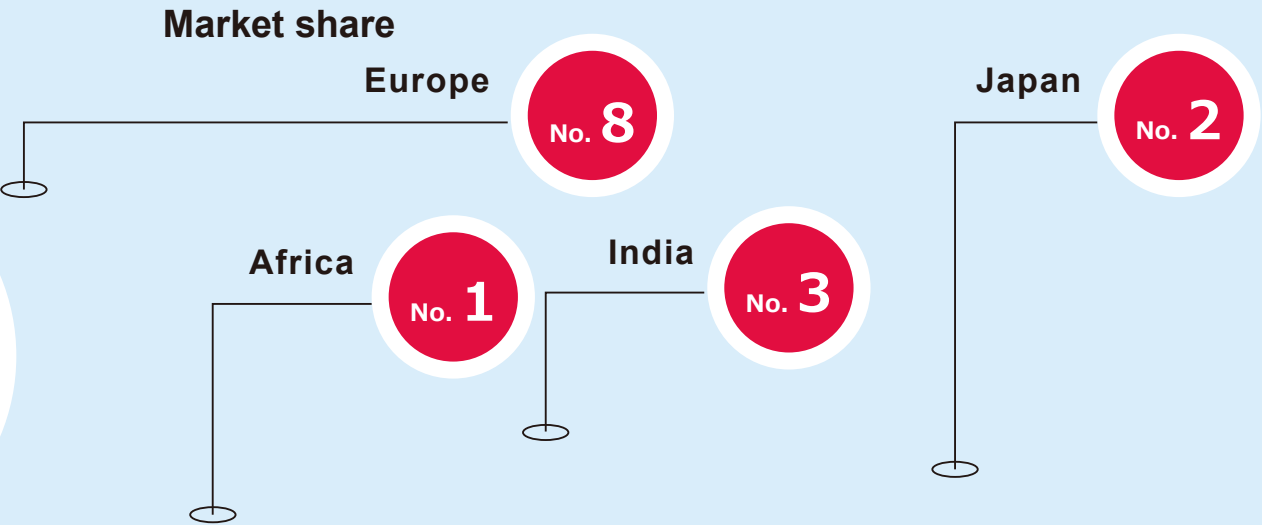
Manufacturing facilities

89 bases

R&D expenses

9.1 billion yen

Global market share (by region and business)

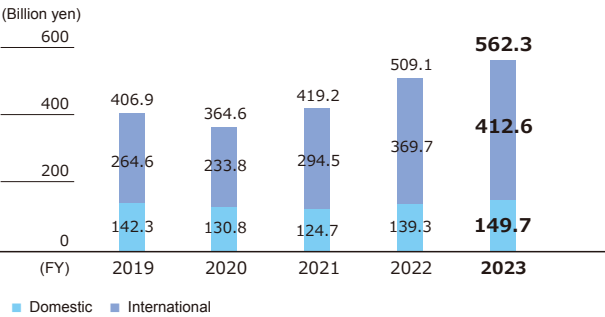


Financial and Nonfinancial Highlights

Consolidated Net Sales

¥562.3 billion ↑ 10.5% increase

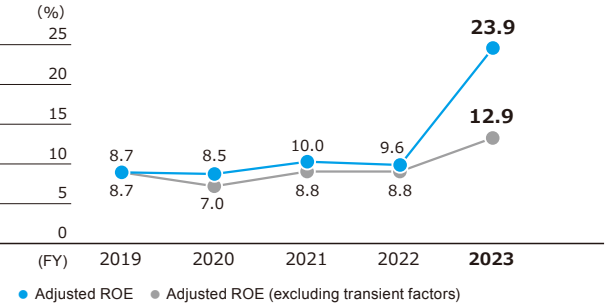
Net sales reached new record highs making double-digit growth from last year, powered by the results of adding a European subsidiary to the scope of consolidation, expanding sales volumes in the Automotive field, and further progress in passing on cost to selling prices.



Adjusted ROE/Adjusted ROE (excluding transient factors)

Adjusted ROE: 23.9% Adjusted ROE (excluding transient factors): 12.9%

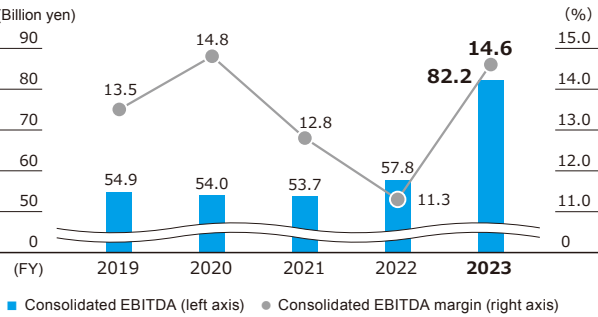
Adjusted ROE increased by 14.3 pts. to 23.9%. Contributing factors included significant growth in net income attributable to owners of the parent, despite the increase in equity capital.
* Adjusted ROE = (Net income attributable to owners of the parent + amortization of goodwill)/Equity (average at the beginning and end of the period)



Consolidated EBITDA/Consolidated EBITDA Margin

14.6% ↑ 3.3 pts increase

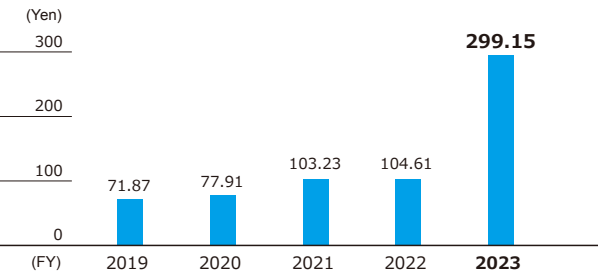
EBITDA increased sharply, while the EBITDA margin rose by 3.3 pts. to 14.6% and reduction of raw material costs and productivity improvement offset a portion of fixed costs.



EPS

¥299.15 ↑ ¥194.54 increase

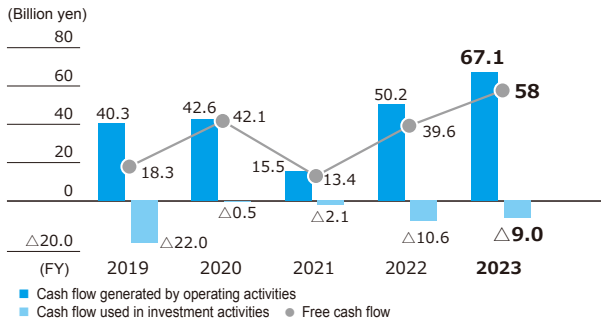
EPS increased by ¥194.54 to ¥299.15. Contributing factors included ongoing purchases of treasury stock, extraordinary profits recorded from reducing cross-shareholdings and low-profitability assets, including dormant assets, in addition to record-setting operating income.



Free cash flow

¥58 billion yen ↑ ¥18.5 billion yen increase

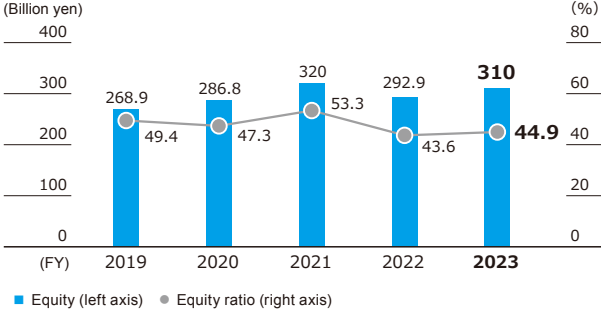
Despite higher tax payments, cash flow generated by operating activities increased by ¥16.9 billion from last year. Contributing factors included efforts to control working capital and the effects of higher earnings. Cash flow used in investment activities declined by ¥1.6 billion due to various factors, including revenues from sale of investment securities and property, plant, and equipment, despite expenditures to purchase subsidiaries affecting scope of consolidation and to acquire property, plant, and equipment. The free cash flow resulted in revenues of ¥58.0 billion.



Equity/equity ratio

Equity: ¥310 billion Equity ratio: 44.9%

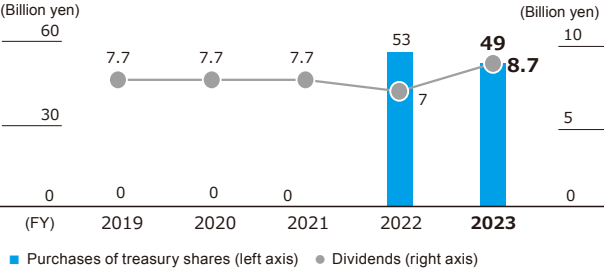
Equity increased thanks to the net income attributable to owners of the parent. The equity ratio increased to 44.9% representing strengths in our financial foundations.



Purchases of treasury shares/dividends

Purchases of treasury shares: ¥49 billion Total dividends: ¥8.7 billion

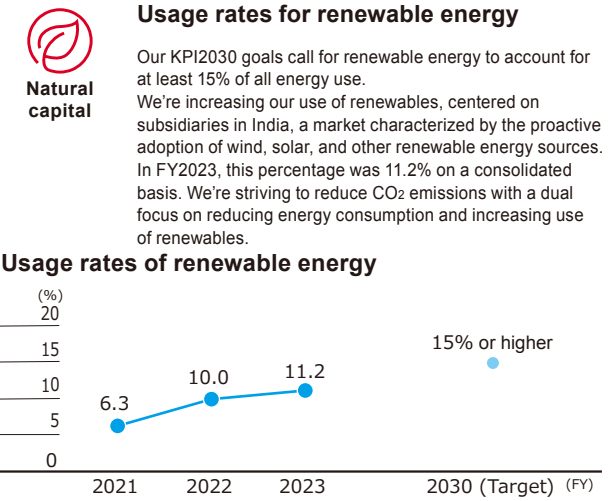
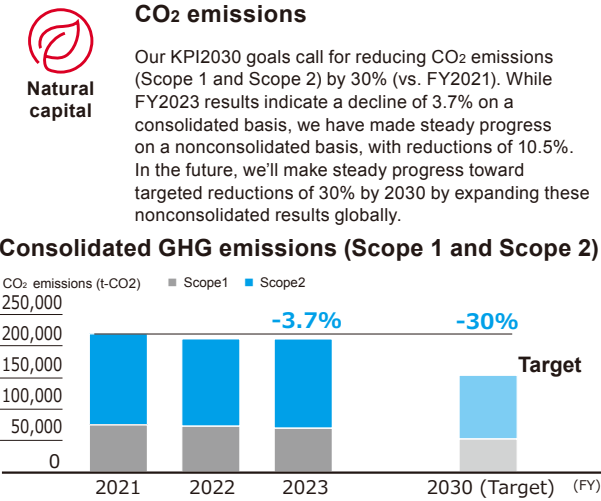
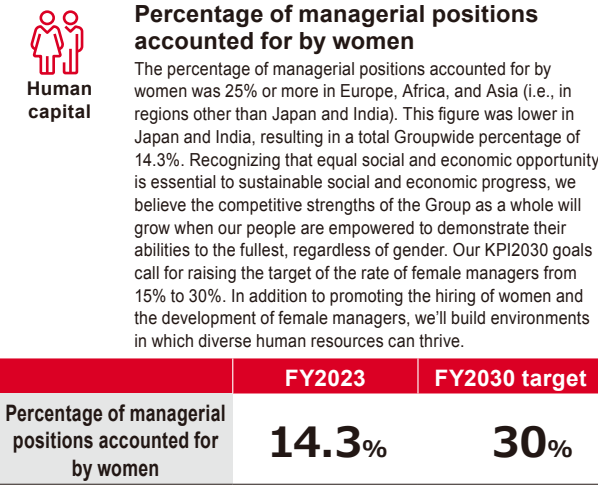
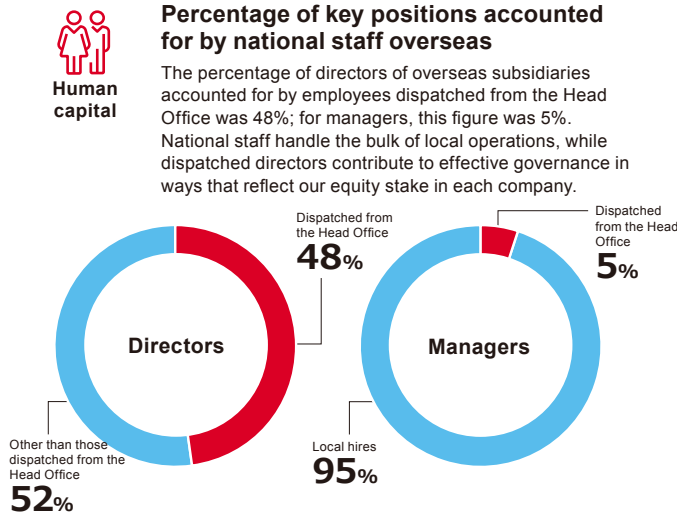
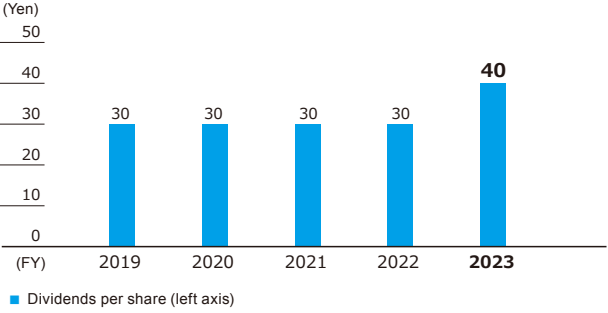
In addition to executing dynamic capital policies and striving to increase capital efficiency, we acquired ¥49.0 billion in treasury stock to enhance shareholder returns. Following record-high profits, we increased annual dividends per share by ¥10 to ¥40, paying total dividends of ¥8.7 billion.



Dividends per share

Dividends per share: ¥40 Dividend payout ratio: 30% (excluding transient factors)

Thanks to record-high profits, we increased paid dividends per share by ¥10 to ¥40. While the consolidated dividend payout ratio declined, excluding transient factors associated with the sale of cross-shareholdings and dormant assets, we maintained a consolidated payout ratio of 30%. We have adopted a policy of steady dividend growth and will continue to increase or maintain dividend levels from the FY2023 baseline of ¥40/share.



Toward our vision for society

YOMO Yukari
Outside Director

Asli M. Colpan
Outside Director

OMORI Shinichiro
Outside Director

Steady progress on the 17th Medium-term Management Plan

Executing PMI is key to future growth in profitability

What are your thoughts on the second year of the company’s 17th Medium-term Management Plan?

Omori: In FY2023, the second year of the 17th Medium-term Management Plan, we recorded record-high sales and profits and reached the Plan’s final targets ahead of schedule. For cash flow, we reduced CCC by 10 days and declared a goal to reduce it still further. Progress on improving profitability included cutting costs and improving supply chain efficiency. Our efforts to date have had positive results in profitability, cash flow, and the Balance Sheet.

We have also commenced investing in human resources and revising the HR system along with appointing global human resources to the management level. We have done

what we need to do.

Nakai: It’s impressive how no issues were put off. It’s remarkable how the IT section, which had been a weak point, has stabilized.

Yamamoto: We made the decision to continue doing business in Africa. I believe this will present some new issues to address during the final year of the 17th Medium-term Management Plan or in the 18th Medium-term Management Plan. Overall, while we need to make some course corrections, we’ve achieved significant results and laid the groundwork for future measures. I think the second year of the Plan was especially meaningful.

Colpan: It’s often hard for Japanese firms to resolve to sell property when necessary. But the 17th Medium-term Management Plan initially included the sale of the Africa business. The company made the decision to sell the Head Office and idle land in India. I think these decisions are

-Responsibilities of Outside Directors

NAKAI Hiroe
Outside Audit and Supervisory Committee Member

YAMAMOTO Tokuo
Outside Audit and Supervisory Committee Member

sound and worthy of respect.

Omori: The issues we need to address include quickly turning mergers and acquisitions into strategic assets and building a structure capable of achieving further growth and greater profitability. Knowing what kinds of companies you’re dealing with is key to successful post-merger integration (PMI). In the past, the company faced various challenges due to overly hasty M&A decisions. That experience helped us make the steady progress we’re making today.

Colpan: Post-acquisition PMI inevitably entails unknowns: Will the employees of the acquisition be able to work as members of the Kansai Paint Group? Are the organizations truly capable of functioning effectively after the integration? Issues can arise in various areas, like culture and communication. So we plan to closely monitor future developments.

Nakai: In pursuit of a higher-level organization, I hope we’ll get a clearer idea of topics like merging the Kansai Paint outlook and culture with local patterns related to the paints and coatings business, thereby growing the Kansai Paint Group as an integrated organization. Joint efforts between the Head Office and overseas facilities are gradually taking shape in individual sections, with national staff playing central roles in business execution, complemented by staff dispatched from Japan.

Yomo: If our goal is to become a truly global enterprise, we may need to welcome human resources from abroad at the officer level and transform how we work, rather than just dispatching Japanese personnel abroad. I think communications will be vital in engaging them as direct participants in the organization, including sharing information with employees freely and openly on what measures are underway, where we’ve made achievements, and where we have room to grow.

Omori: The company is advancing reforms in all areas as it seeks to increase corporate value, centered on profitable growth. These efforts have generated results. We can expect to see these efforts accelerate in the future. I think it will also be important to communicate information on the changes underway to all our stakeholders, including markets and employees, to help them better understand these issues.

Making the Board of Directors even more effective
Enhancing the foundations of discussion for a more diverse exchange of opinions

Efforts toward improvements have begun, based on the evaluations of the efficacy of the Board of Directors. What roles do you expect the Board to play under the proposed reforms? What issues do you expect to emerge in the future?

Yamamoto: The efficacy of the Board of Directors is evaluated annually. I think the results show that the Board’s methods have improved to where we can see some clear improvements in efficacy. At the same time, over the past two or three years, the pace of improvement appears to have slowed. In FY2024, the executive side proposed certain improvement measures to help make the Board more effective. While it might be hard to implement all the proposals right away, I’d like to see some results based on steadily pursuing what’s feasible at this point in time. While inside Directors will naturally be better versed and better able to make decisions in areas like company business strategies and policies, relying on internal discussion alone may lead to overlooking certain points and perspectives. I think the ideal process for Board of Directors discussions would be one in which matters are submitted to the Board after thorough discussion by the Exco meeting to formulate improvements based on the perspectives of the Outside Directors. I hope we as Outside Directors will do all we can to enable even better results by formulating company strategies and policies based on extensive deliberations.

Yomo: I joined the organization in June 2024, so I’m unfamiliar with developments before that. In what areas do you feel the Board has improved the most to date?

Yamamoto: Before, the individual roles of the Exco meeting and the Board of Directors weren’t always clear. That led to the inadequate separation of oversight and execution. My understanding is that in some urgent cases, appropriate decision-making did not occur. We’ve made significant progress in this area because the Board and other bodies function better. Newly proposed improvements include introducing advance discussions and briefings. Once these measures are fully in place, we can expect the Board’s efficacy to improve still further.

Nakai: In cases like large-scale M&A activities, which require a strong sense of urgency, the bad habits of the past could still make themselves felt. We need to implement thorough monitoring and oversight on this point. Today’s Board is more diverse than ever before. As a result, as each individual member takes an active role, I think the discussions have become more effective. To ensure the talents of this remarkable membership don’t go to waste, we need to take steps like increasing the Board’s grasp of issues through advance briefings to strengthen the foundations for thorough deliberations.

Colpan: The Board of Directors I attended the other day had a very constructive atmosphere. Both inside and outside Directors exchanged opinions actively and without reserve.

Omori: The atmosphere of the meetings of the Board of Directors is really important. The Board meetings and the deliberations that take place before the discussions at the Board will be even more dynamic if we accept as well as encourage diversity in the opinions presented. I hope these changes will generate the transparency and objectivity outsiders demand, in turn strengthening trust in the Board. We need to proceed with various efforts to achieve these goals.

Evolution of corporate governance based on changing institutional design
Fulfillment of roles and responsibilities by both Directors and the executive side

In June 2024, the company changed from a company with board of company auditors to

one with an audit and supervisory committee. What kind of management do you think the company needs to continue growing as a global enterprise?

Colpan: The switch to a company with an audit and supervisory committee involves two major changes: First, it means Auditors can participate in decision-making as Directors. Second, it strengthens the oversight functions of the Board of Directors. This means the functions of the executive side and the Board of Directors are distinct. Delegation of authority to the executive side means that side makes decisions on important matters, while the Board discusses these decisions, choosing to support or reject them. I look forward to seeing the Board operate with an understanding of this role.

Yamamoto: My understanding is that rather than a case in which substantial changes were essential to avoid major difficulties, these changes reflect changes in the institutional design intended to stimulate Group governance through the Board and other institutions. My gaining

decision-making authority as an Auditor is a major formal change, but I don’t see my effective standpoint as having changed all that much. Even before, Auditors, although they lacked decision-making authority, were permitted to express objections and other opinions at Board meetings. And these opinions could lead to abrupt changes in the course of the discussions.

Colpan: I’ve heard from overseas shareholders that the roles of Auditors with no decision-making authority were unclear in a company with board of company auditors. Don’t you think an institutional design in which Auditors can participate in decision-making makes it easier for overseas shareholders to understand the roles of Auditors?

Omori: I think unless both the executive side and Directors have a shared understanding of the meaning of the Board of Directors, the Outside Directors won’t be able to fulfill their expected roles.

Yomo: I think it would be great if the decisions made by the Board truly reflected certain basic principles, like making





sure the current realities and proposals are consistent with the company’s philosophy and future vision. I hope we’ll be able to close any gaps in awareness by adding a perspective that’s more objective than the perspective of the executive side.

Omori: An important part of this change in institutional design is that the executive side is also expected to exercise autonomous governance. The Board serves an oversight function, so it leaves a number of matters to the discretion of the executive side. This means the executive side needs to have its own system of checks and balances. Another important point is the need to decide on what oversight functions are appropriate from the perspective of strengthening relationships. I think we will gradually achieve these aims as we move forward.

Nakai: Over the coming year, I think the Audit and Supervisory Committee members will need to strive to demonstrate our roles in a company with an audit and

supervisory committee. There are several kinds of audits—our audits, internal audits, and audits by the audit firm. I want us to link these organically and share the resulting findings with the Directors, avoiding duplication as much as possible. We’ll proceed while seeking if ways of doing things can be improved—for example by excluding certain subjects from our own practical audits.

Providing society with values worthy of Kansai Paint
Leveraging objective knowledge to contribute to the continuing growth of the Group

What are your hopes and expectations for Kansai Paint? What roles do you want to play as Outside Directors?

Omori: I think it’s important to return to the question of the company’s reason for being and to develop a clear

narrative of contributing to society through paints and coatings. For example, aging infrastructures constitute a pressing social issue around the world. Paint can slow infrastructure deterioration. We need to better communicate the value we provide to society. Building a narrative that resonates with stakeholders involves all aspects of our business, including our reason for being, Kansai Paint’s vision of profitable growth, shareholder returns and other cash allocations including investments in growth, HR systems, institutional design, and establishing appropriate governance systems. The responsibility of Outside Directors is to discuss these from an objective point of view and to support the President and other executives so that they can take bold and confident action.

Yomo: Every company strives to achieve sustained growth. But that requires a clear vision of how we contribute to society and measures that make that vision real. Different measures will lead to varying results. As an Outside Director, I try to remain aware at all times of the views of various stakeholders, including shareholders and employees. I want to emphasize the kind of company they expect us to be and how we can ensure that they take pride in what they do.

Colpan: Diversity is another important issue. The KPI2030 goals call for women to make up 30% of those in managerial positions. That bold statement is worthy of respect. It’s also essential to set KPIs for individual positions to ensure decision-making that incorporates diverse viewpoints. In addition, there’s a need for continually increasing the numbers of women in managerial positions, particularly in Japan. The roles of Outside Directors in sharing knowledge based on their diverse experiences are also important for this reason.

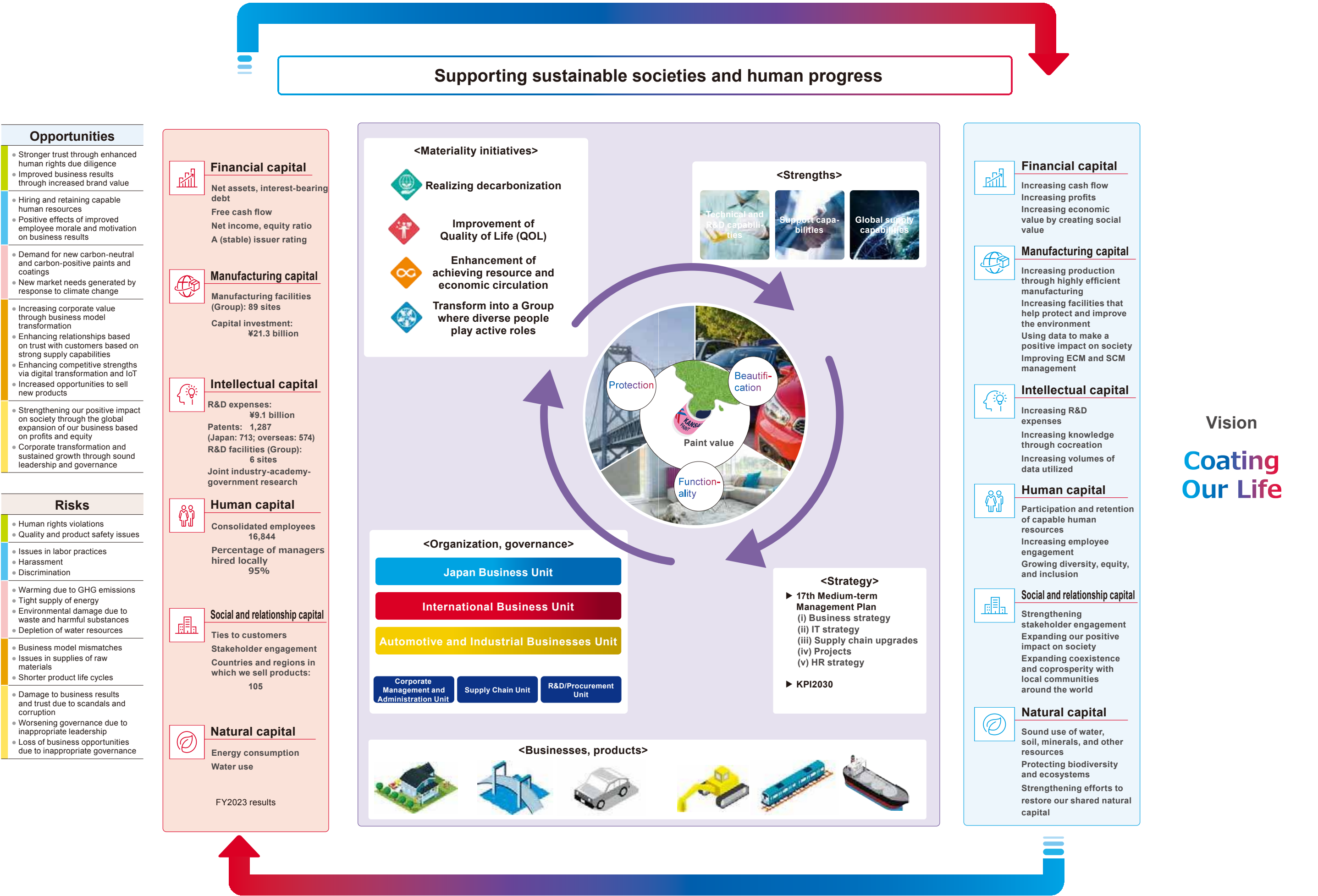
Yamamoto: The hard work done by our employees plays a key role. Also praiseworthy is how the Group has been able to secure cash flow and generate stable profits without being unduly influenced by the dramatic changes in the external environment. To grow our corporate value still further based on these foundations, we need to reaffirm the importance not just of financial results, but nonfinancial aspects, including addressing the Sustainable Development Goals. We need to generate progress in



these aspects as well. I believe the Group has sufficient potential for this, so I have high expectations for the Group. My own role has changed with this change in institutional design. In addition to my role as a member of the Audit and Supervisory Committee based on my experience as an Auditor in a company with board of company auditors, I will fulfill other roles, including monitoring business execution as a Director and providing backup support for company decision-making.

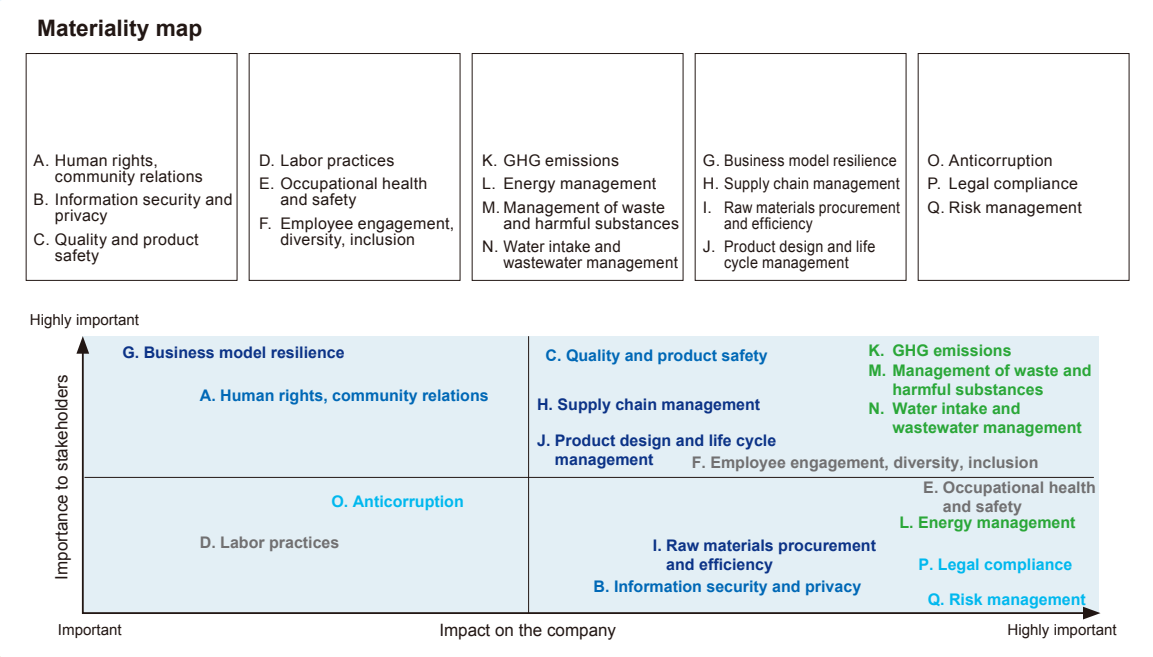
Nakai: The paint industry is a stable industry with strong roots in individual regions. I believe Kansai Paint is a strong organization with global traits that will help it grow around the world. I look forward to its growth as a global enterprise. I’m sure various challenges will emerge in the course of such growth, but I would like to create a premise for everyone s discussion by conducting a proper audit and presenting information to the Board of Directors from an objective third-party perspective. As an attorney, I plan to continue to approach my responsibilities in ways that reflect the importance of compliance.

Value Creation Process Chart



Materiality

The Group updated its materiality issues in October 2021, following reconfirmation of the importance of related initiatives at a management-level workshop in which outside experts participated. The Sustainability Promotion Committee, established by a resolution of the Board of Directors, worked with management to identify issues for the Group and consider courses of action to address these materiality issues based on dialogue with external advisors, shareholders, investors, and sustainability rating agencies. In FY2022, we identified KPIs for addressing these material issues. Through continuing monitoring and careful consideration of strategies Groupwide, we plan to fulfill our social responsibilities through Group activities while moving closer to a sustainable society.



Materiality



Realizing decarbonization

Commitment (To-be society and our role)

Achieve carbon-neutral as a whole Group by 2050

- ▶ Based on the long-term vision, change the energy type used from a decarbonization point of view (non-fossil fuel, renewable energy, next generation energy, etc.)
- ▶ Drastically reduce the energy used by optimizing the business activities from a medium-term perspective
- ▶ Reduce CO2 emission throughout the whole product lifecycle, in collaboration with our customers and suppliers
- ▶ Transform energy usage, taking into account capital investment opportunities

We plan to achieve carbon neutrality by 2050 through the initiatives specified above



Improvement of Quality of Life (QOL)

Commitment (To-be society and our role)

Improve QOL of all stakeholders (society, users, suppliers, employees, etc.)

- ▶ Improve people's QOL by making the whole of society beautiful and strong with painting/coating
- ▶ Improve users' QOL by providing the paints that contribute to health and hygiene.
- ▶ Improve the safety of users, suppliers and employees, by establishing an appropriate occupational safety and health environment and working environment.
- ▶ Contribute to reducing negative health effects (high temperature damage, deterioration of hygiene, etc.) related to climate change



Enhancement of achieving resource and economic circulation

Commitment (To-be society and our role)

Review the whole lifecycle of paint, effectively utilize resources, and sophisticate the circular economy

- ▶ Sophisticate the quality of resource circulation in the whole of society by reviewing all phases, including raw material procurement, production, usage, and the painted finished goods
- ▶ Aim for a "Breakthrough" in the balance of resource circulation and economic circulation
- ▶ Take on the challenge of improving the recycle rate of painted material and the paint itself
- ▶ Promote thorough and effective resource utilization and recycle within the Group



Transform into a Group where diverse people play active roles

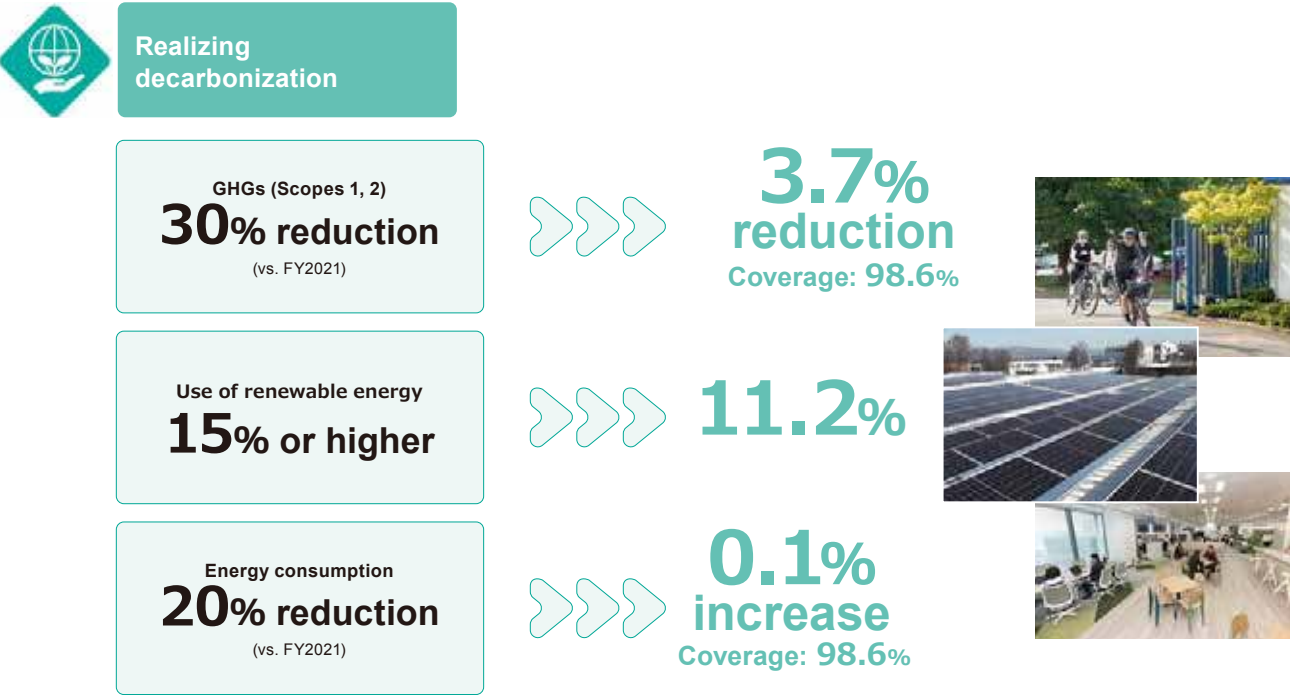
Commitment (To-be society and our role)

Accept any difference (gender, nationality, race, religion, background, age, disability, sexual orientation), and promote the diversity of people

- ▶ Share the philosophy globally, develop human resources, and promote the localization of operations
- ▶ Aim to achieve a 20% ratio of women among global employees and a 15% ratio of women among global managers (by 2030), through fair human resource development and promotion
- ▶ Aim to achieve a 25% ratio of women among BoD members (by 2030) through the promotion of women's career development
- ▶ Promote diverse people to play an active role through the realization of diverse ways of working
- ▶ Maintain customers' trust in Kansai Paint Group by passing down technologies and know-how over the ages

Progress on KPI2030

In FY2022, the Group identified as KPI2030 the key performance indicators that it should achieve by the milestone year of 2030 in order to address the materiality issues it has identified. To make steady progress on addressing the materiality issues, the entire Group is carrying out the plan-do-check-act (PDCA) cycle by collecting and analyzing data and activity information Groupwide, and planning and implementing any required corrective actions.



Value Creation History

Our founder's spirit

Our founder Katsujiro Iwai believed that it was vital to contribute to social and economic progress while pursuing profits.

Mr. Iwai was successful as one of the first to identify the possibilities of international trade. But beyond this, he believed it was essential to grow the company based on its own proprietary technologies. As such, he founded a number of companies including a chemical firm. While not all of his business endeavors went smoothly over the short term, he stuck to his principles of strengthening relations of trust by understanding counterparties, based on a spirit of integrity instead of seeking immediate gain.

This spirit survives today in a number of companies that continue to deliver attractive products to global markets, including not only Kansai Paint but also Sojitz Corporation, Daicel Corporation, and Fujifilm Holdings Corporation.



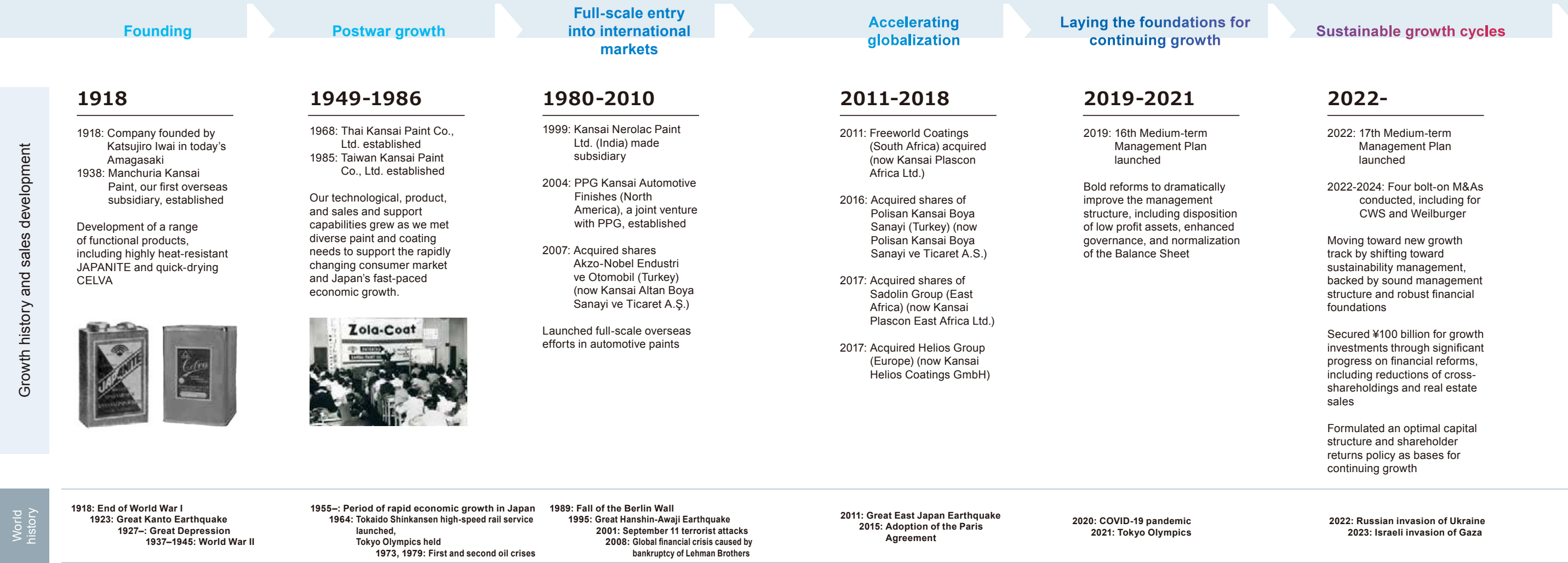
Our strengths

1. Technological and development capabilities
2. Support capabilities
3. Global supply capabilities

Our world-leading technological capabilities are focused on automotive paints, the pinnacle of the paint industry

Our unique support capabilities, burnished through diverse product application process, have earned the trust of countless customers

Our global production facilities are able to deliver stable supplies of paint products with consistent levels of quality from day to day





Maximizing corporate value by fully leveraging the outstanding potential of our businesses to balance economic value and social value

TAKAHARA Shigeki

Representative Director of the Board
Vice President Executive Officer
Chief Financial Officer (CFO)

To fully achieve the goals of the 17th Medium-term Management Plan

Under the new management structure launched on April 1 of this year, I've handed over my previous duties as Chief of Corporate Planning, Finance, HR & Administration to a highly capable younger manager. From now on, as Chief Financial Officer (CFO) both in title and actual duties, I will be tasked with driving the Group to identify solutions to Groupwide topics that span multiple Units, focusing mainly on financial topics. Rather than merely preserving corporate value as holder of the keys to the safe, I plan to continue pursuing growth in the value of the Kansai Paint Group as the engine behind its business growth. This means that in addition to formulating financial strategies and providing management with financial insights and advice, I will speak my mind proactively both inside and outside the organization based on a vision grounded in a keen sense and awareness of business conditions.

Even so, I continue to see my role as that of the head

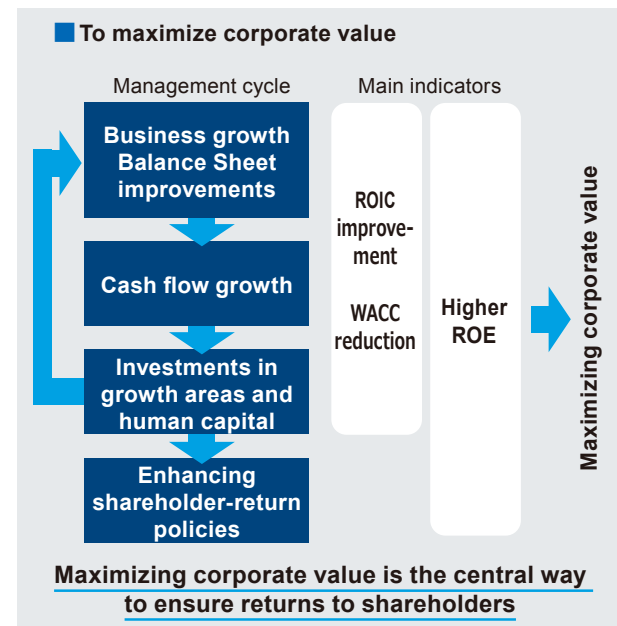
clerk of Kansai Paint. I will work with the President and others within the management team as a partner in addressing various challenges. The scope of these duties is wide-ranging. In addition to fulfilling my financial duties, I occasionally play a hands-on role in drafting and implementing the individual business strategies of business sections and affiliates. I also continue to play major roles directly related to Groupwide growth and success in areas that include strengthening human capital organization-wide, facilitating communication, and reforming and building a sound organizational culture. My commitment continues to be to ensure that the outstanding characteristics and wealth of resources within the Kansai Paint will be applied to the fullest.

Despite continuing challenges in the external environment, consolidated financial results on a Groupwide basis are steadily improving. In FY2023, we set a record high for ordinary income for the second consecutive year. Net sales and other income accounts (e.g., ordinary income, net income, and EBITDA) also reached record highs. Our plans for FY2024, the final year of the 17th Medium-term

Management Plan, are to set record highs once more, as both sales and profit continue to grow. Below, I will introduce a number of high-priority measures currently underway to achieve these goals.

Maximizing Kansai Paint's corporate value

Both qualitative and quantitative business growth are of the utmost importance to any company. From a financial perspective, it's vital to maintain the smooth turning of the cycle of generating new income by investing in growth areas as well as human capital, drawing on the cash generated from business growth. Furthermore, I believe the question of how to put this cash generated to effective and efficient use directly concerns maximizing corporate value. The keys to realizing these goals involve taking full advantage of the strengths and distinctive characteristics of Kansai Paint to improve capital efficiency still further, clarifying our policies on shareholder returns, and enhancing efforts to address nonfinancial factors.



Further improvements in capital efficiency

As you know, since President Mori took office in FY2019, we have diligently sought, as a top priority, to reform the financial structure, while also reforming the management structure to improve earnings capabilities and strengthen management foundations. Currently, we have generated a total of more than ¥100 billion in cash by reducing low profit assets in several ways: (i) reducing cross-shareholdings (approx. ¥52 billion); (ii) sales of land and the old Head Office building (approx. ¥24 billion); and (iii) improving the cash conversion cycle (approx. ¥29 billion). These measures have corrected past inefficiencies. We have used these funds to make steady investments in growth strategies and improve capital efficiency through

purchases of treasury stock.

Recently, an internal opportunity emerged to discuss once again the question of the optimal capital structure for Kansai Paint. This occurred in February when certain shareholders provided rigorously thought out and impassioned input on the issue of convertible bonds. The issue is that the paints and coatings business by its nature is one in which capital investment and R&D investment does not need to be as high as in the capital-intensive high-tech and pharmaceuticals industries, with which I am familiar. Another factor is that the paints and coatings industry is basically a growth industry, in which Kansai Paint's businesses are characterized by their ability to generate high levels of cash in a stable fashion. It would appear wasteful not to put this cash to maximum use to increase our corporate value. The Group cash flow from operations was ¥50.2 billion in FY2022 and ¥67.1 billion in FY2023. We expect this figure to continue to grow.

Capital efficiency improvements

Transition to a capital structure reflecting our distinctive traits

Making full use of funds secured from the nature of the paints and coatings business, one with high cash-generating potential, while reducing low profit assets and improving current asset efficiency

Securing the optimal capital structure for Kansai Paint

(Normalization of leverage levels)

- Net debt/EBITDA: approximately 1.0-1.5
- Net debt/equity: approximately 30-50%

- Rapid purchase of treasury stock and overcoming concerns about CB dilution effects
- Investing in growth with a focus on contributions to profit

Continuing to maximize EPS by focusing on profit growth and improvements in capital efficiency

In May, reflecting these distinctive traits of our businesses, we announced the purchase of ¥80 billion yen in treasury stock, with the goal of normalizing the levels of leverage in our capital structure as soon as possible. These purchases continue today. In addition to overcoming concerns about the dilution effects of CB conversion, we will move rapidly to realize the ideal capital structure. We will then seek to continue to improve capital efficiency, even in periods of normalcy, while remaining keenly aware at all times of the cost of shareholder equity and companywide WACC. Taking financial soundness into consideration, we believe the leverage levels we should maintain are net debt/EBITDA of approximately 1.0-1.5 and net debt/equity of approximately 30-50%.

Clarifying shareholder returns policies
Starting with the establishment of the ideal capital structure, we will take steps to ensure that available funds are put to use by continually taking advantage of our strength to generate cash and using cash to the fullest through business growth and shareholder returns. This means that aside from exceptional cases—M&As, for example—we will seek to return to shareholders 100% of the free cash flow generated.

Specific ways to provide returns to shareholders include (i) dividends and (ii) purchases of treasury stock. **With regard to (i) dividends**, we plan to steadily increase dividends from the FY2023 annual level of ¥40/share. From this point forward, we will either increase or maintain dividend levels. Targeting a payout ratio of 30% or better, in addition to maintaining dividends at certain levels, we will also consider providing dividend yields to individual investors.

With regard to (ii) purchases of treasury stock, we will provide returns to shareholders by continually improving capital efficiency and by putting surplus funds from this management cycle to use to buy back shares where appropriate, rather than keeping them

on hand as cash. In particular, if we feel that our share price is too low, we will dynamically and flexibly acquire treasury stock to prop up our share valuation. We will also extinguish treasury shares promptly following their acquisition to eliminate concerns about dilution.

A brief summary of annual funds generated and their use at this time is as follows: Funded by ¥50-60 billion in cash flow from operations, we spend (a) approximately ¥10 billion on capital investments for maintenance purposes; (b) approximately ¥10 billion on capital investments for growth and efficiency improvements directly related to increased earnings; and (c) approximately ¥10 billion in dividends. This leaves about ¥20-30 billion in cash on hand. This funding source will be used to make investments in growth—for example, bolt-on M&As—should the opportunity arise. The remainder will be returned to shareholders through purchases of treasury stock, thereby making effective use of all available cash. This is the rationale underlying our future plans to make use of funds, even if not all funds will necessarily be used during the fiscal year in which they are generated.

Enhancing efforts to address nonfinancial factors
Corporate value consists of economic value and social value (value from nonfinancial factors). To become a company that balances these factors over the medium to long term, we will strive to meet the expectations of all stakeholders.

The following are specific measures to increase social value: (i) Contributing to society by improving quality of life (QOL) while earning the trust of customers and investors, in addition to increasing our sustainability as an organization, by promoting business practices that are good for the environment and fully consider sustainability; (ii) growing corporate value by increasing customer satisfaction and enhancing our competitive strengths through innovations, creative ideas, and new product development. In particular, in our core B to B business, it is essential for purposes of strengthening brand loyalty and increasing earnings over the long term to increase customer satisfaction by delivering products and services **customers need**, alongside outstanding customer service; (iii) with respect to corporate culture, we will enhance employee motivation and productivity and strengthen the foundations required for outstanding human resources to thrive at Kansai Paint by fostering a healthy, forward-looking corporate culture. On this last point, we will stive to function as a flexible and competitive organization by encouraging creativity and innovation by providing inclusive working environments in which employees of diverse backgrounds and perspectives can thrive.

Toward continuing growth in market capitalization

EPS improvements (the “three three-percents”)
Our level of earnings per share (EPS) has improved markedly in the five years since President Mori took office, more than doubling over the five years from ¥67.7 in FY2018 to ¥148.1 (after adjusting transient effects) last year in FY2023. We can expect EPS, ROE, and other indicators of capital efficiency to continue to improve in the future by utilizing our outstanding ability to generate cash, as described above.

As a purely numerical simulation, we expect (i) **the total number of shares**, the denominator in calculating EPS, to decrease by about 3% each year through the purchases of treasury stock described above. We also expect (ii) the numerator, net income, to increase by about 6% per year thanks to the 3% average annual growth rate in the paints market, in addition to improvements of roughly 3% per year in our margin (through means such as cutting costs, more efficient use of expenses, increasing selling prices, and improving the product mix).

This means that if we assign a value of 1.000 to EPS in this fiscal year, we can expect EPS to increase to 106/97 = 1.093 next year, 112.4/94.1 = 1.194 in the year thereafter, 119.1/91.3 = 1.305 in the following year, and so on, as EPS grows by 1.5 times over five years and more than doubles after eight years. Assuming the share price rises accordingly, we expect to be able to provide **total returns to shareholders of 10% or more per year** including dividends. While this is based merely on numerical calculations, we believe we will achieve these aims through sustained improvements in capital efficiency. Furthermore, the three three-percents above (market growth rates, improved margins, and improved capital efficiency) represent relatively conservative targets. In fact, we are targeting more ambitious improvements.

PER improvement is an issue we need to address
Assuming our share price represents the product of EPS multiplied by the price-to-earnings ratio (PER), we are continuing to improve our EPS steadily, as described above. However, our PER, an indicator of factors like the popularity of our stock and market expectations for the future and indicators of valuation like EV/EBITDA are relatively low. Unfortunately, our current share price is at lower levels than one would expect. We recognize that improving PER requires not only short-term capital efficiency improvements, like cost-cutting and purchases of treasury shares, but **effective** investments in growth areas and business portfolio optimization at the corporate level. **Doing so** will also require the optimal allocation of human resources.

Ultimately, this issue concerns our potential to increase business profits. **To generate corporate value, Kansai Paint's returns on invested capital must exceed capital costs. We must also achieve sustained growth in net sales.** This requires bold management decisions on various matters, including keeping or selling off low profit businesses and investing in or acquiring ones with growth potential. However, if we continue under the thinking that is limited to the three-year periods of the Medium-term Management Plan, we will still only see things in terms of a continuation of the current trajectory, i.e., current practices. Accordingly, in preparing the next 18th Medium-term Management Plan, I would like us to engage in a thorough discussion of more practical improvements related to important management structural reforms by backcasting from our vision for 2030.

I believe room remains to promote public awareness of the outstanding business traits, as referred to above, and the true capabilities of Kansai Paint. As a B to B business, we are not a household name for individual investors. However, we could do better in communicating our strengths and appeal. I also understand that not all investors are confident about the growth potential of our businesses. We therefore need to evolve our IR activities still further to ensure investors grasp the appeal and promise of our value creation scenarios.

From a corporate governance perspective, we must promote dialogue with investors and shareholders—dialogue in which not just specific internal officers, but Outside Directors appointed at the General Meeting of Shareholders take part. We must improve management with a sense of pressure from the capital markets by establishing opportunities for all members of our management team to engage in direct dialogue with voices from outside the Group. I am committed to pursuing sustained growth in corporate value while lending a receptive ear to the invaluable comments and opinions of all our shareholders through repeated dialogue and discussion.

■ Policy on shareholder returns

Policy: Aiming to return to shareholders 100% of free cash flow generated, aside from exceptional cases such as M&As

- Maximizing cash flow while also making improvements to increase ROIC
- Growing profits further by actively investing funds generated in business growth and human capital
- Maximizing corporate value is the most important form of returns to shareholders

(i) Steady dividend growth

- Continually increasing or maintaining dividends starting with the FY2023 level of ¥40/share

(ii) Continuing purchases of treasury shares

- Providing appropriate returns to shareholders by putting surplus funds to use in purchase of treasury shares
- Dynamic execution when share prices fall, without being satisfied with current valuation
- Eliminating concerns about dilution by extinguishing treasury shares after acquisition

Making full use of our strength in cash-generation in order to generate funds for growth and shareholder returns

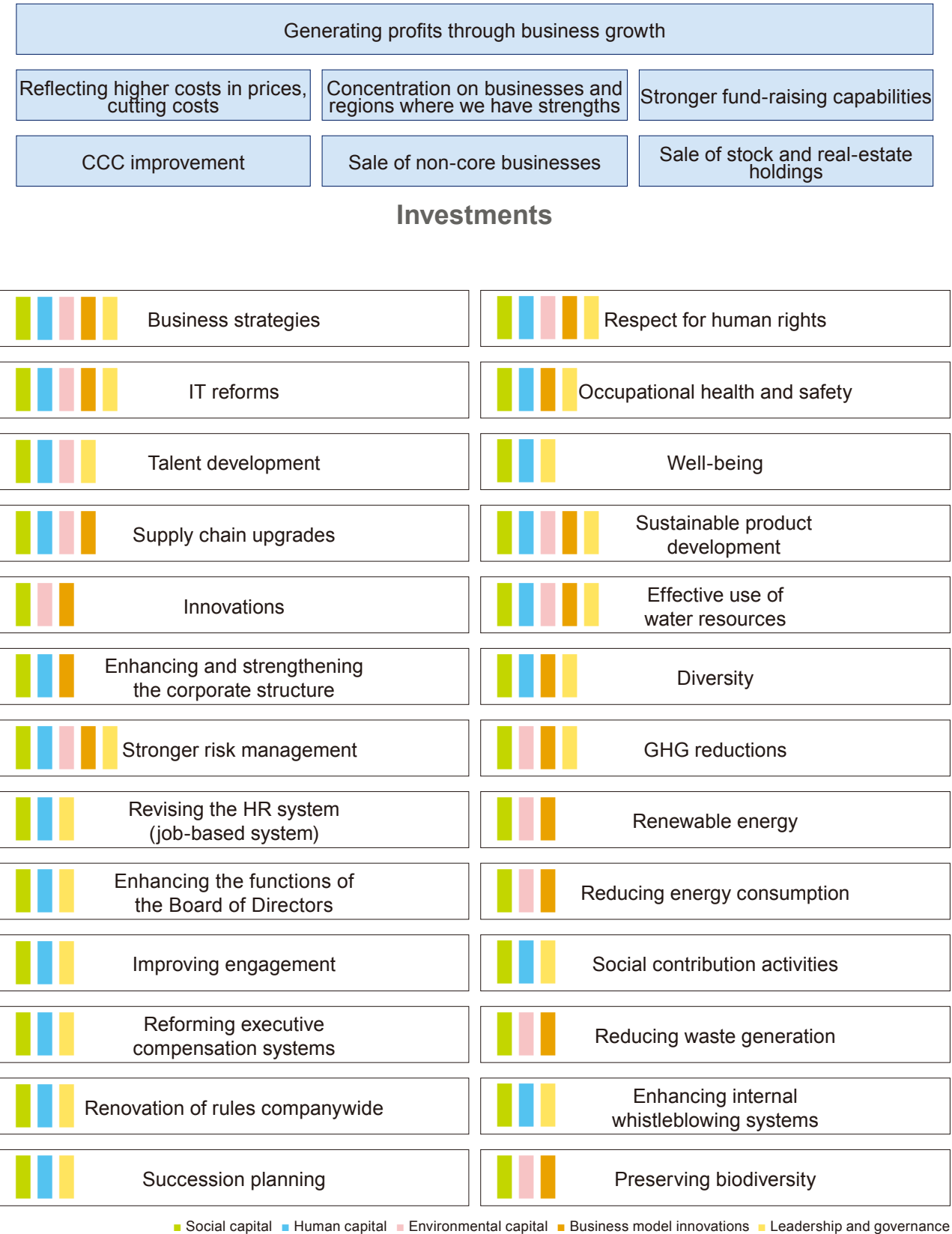
Risks and Opportunities

Amid constantly shifting social conditions and market environments, our Group identifies the risks and opportunities it currently faces and incorporates these considerations into its management outlook. Materiality items and KPI2030 both have been formulated as core to the value creation process in light of the risks and opportunities identified, and we steadily promote business strategies and practical measures based on these core items.

Specific responses emphasize our ties to society. Since signing on to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in 2021, we have enhanced various related initiatives (pp. 72-73), strengthened business continuity planning (BCP) measures through work done by the Risk Management Committee, and enhanced the activities of the Information Security Committee as we promote various activities to generate growth in corporate value (Risk Management, pp. 84-85).

Category	Risks	Opportunities
Social capital	- Human rights violations - Information security and privacy breaches - Problems with quality and product safety	- Improved reliability through enhanced human rights due diligence - Improved corporate and business reliability through enhanced information security - Improved business results through stronger brand value
Human capital	- Problems with labor practices - Occupational health and safety issues - Harassment - Discrimination	- Better business quality and results achieved by improving employee engagement - Improved brand value and employee engagement through less frequent occupational accidents - Hiring and retaining capable human resources - Achieving positive performance impacts via improved employee morale and motivation
Environmental capital	- Global warming caused by greenhouse gas (GHG) emissions - Tighter energy supply - Environmental damage caused by waste and harmful substances - Water resource depletion	- Demand for new carbon-neutral and carbon-positive paints - Emerging market needs attributable to climate change - Innovations in environmental conservation and water resource technologies - New markets and new businesses to address pollutants and preserve biodiversity
Business model innovations	- Business model mismatches due to the changing environment - Raw material supply issues due to structural changes in supply chain - Rising costs due to structural changes in the supply chain - Shorter product life cycles due to changing market needs	- Strengthening corporate value through business model reforms - Strengthening resilience by identifying and establishing alternative raw materials and suppliers - Strengthening relationships of trust with customers based on high supply capacity - Strengthening competitiveness through digital transformation (DX) and IoT technologies - Increasing sales opportunities for new products
Leadership and governance	- Poor business performance and loss of trust due to fraud or corruption - Business suspension or damage to corporate credibility due to legal or regulatory violations - Increasingly ineffective governance due to inadequate leadership - Loss of business opportunities due to inadequate governance	- Enriching the lives of employees and their families - Strengthening trust and ties to stakeholders - Spreading benefits and equity worldwide to expand positive impacts on society - Sound leadership and governance to achieve effective corporate reforms and sustained growth

Responding to risks and opportunities



17th Medium-term Management Plan

The Group launched its 17th Medium-term Management Plan in April 2022. Marking a turning point toward sustainable growth cycles, this plan sets forth specific activities, intended to address materiality issues, for the first three years. The 17th Medium-term Management Plan, which can be summed up as “Good to Great,” is a very important management strategy in terms of our efforts to transform our corporate value. The 17th Medium-term Management Plan identifies key priorities of: generating funds through enhanced profitability; active investments in growth areas; and strengthening management foundations, which describe clearly the Group’s courses of action.

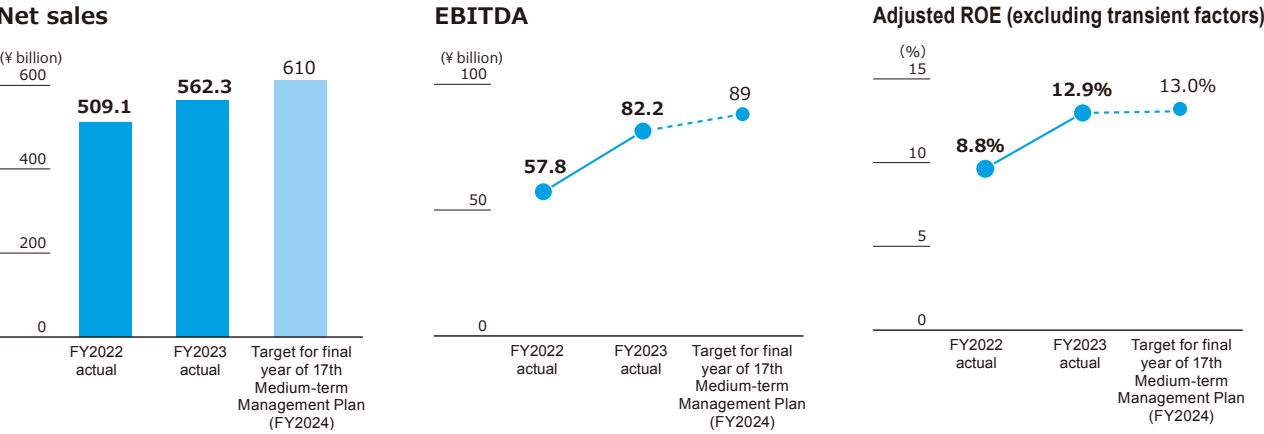


Goals and strategies of the 17th Medium-term Management Plan

Quantitative targets and current progress

Despite COVID-19 and sharp hikes in the costs of raw materials, energy, logistics, and labor, the second year of the Medium-term Management Plan ended with steady progress toward all of the KPIs under the plan. Net sales and EBITDA demonstrated progress that outstripped initial plans; we have revised our plans for FY2024

upward to net sales of more than ¥610 billion and EBITDA of ¥89 billion. ROE also moved closer to the target, rising to 13% even after excluding transient factors.



Plans for FY2024

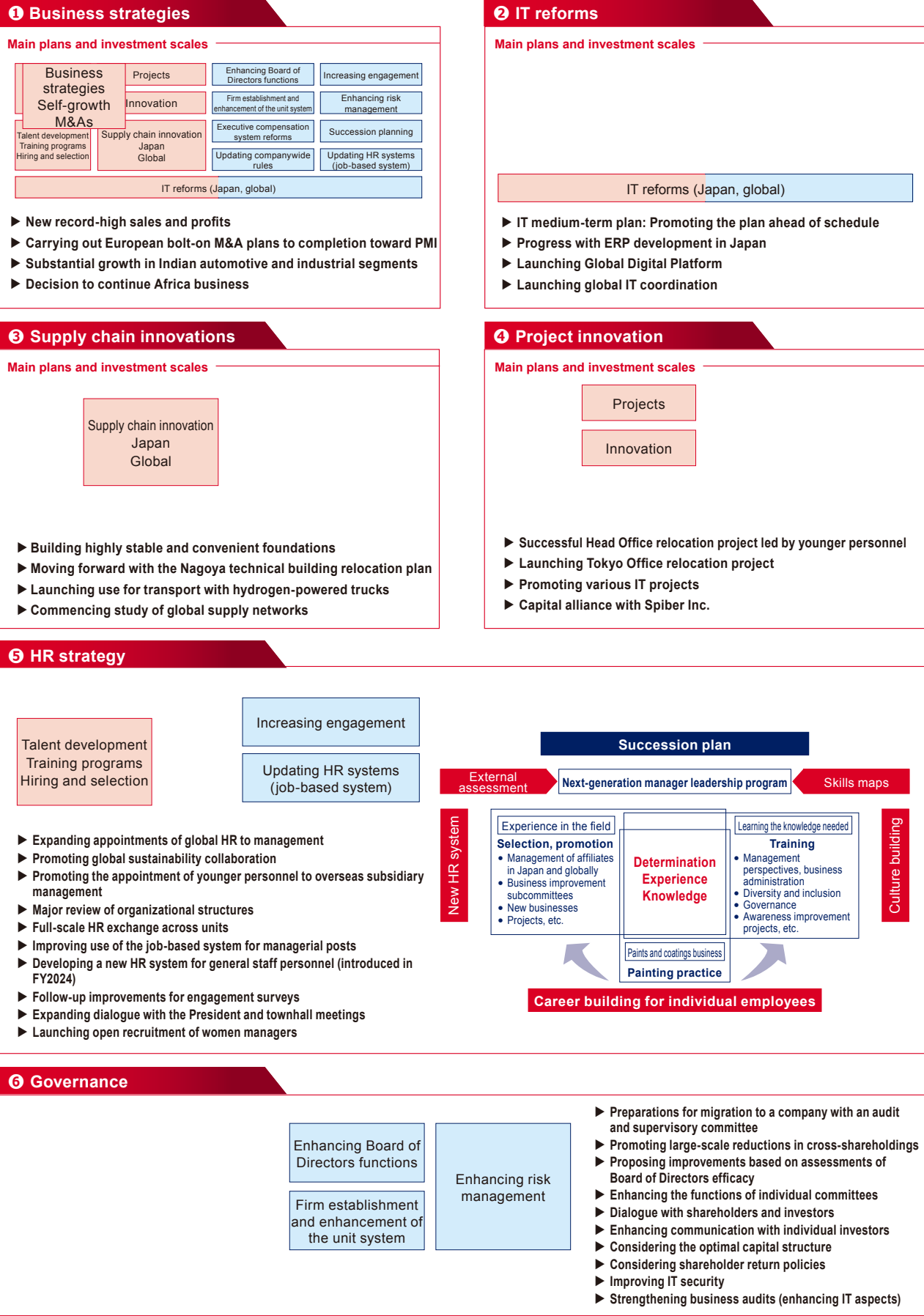
In FY2024, the final year of the 17th Medium-term Management Plan, we expect continuing growth in sales and income, with this growth more than offsetting the increase in costs associated with higher sales volumes.

- Thanks in part to continuing sales growth in India (automotive and industrial segment) and the addition of a European subsidiary to the scope of consolidation, we expect net sales to exceed the target set in the Medium-term Management Plan.
- We expect to maintain and improve profitability in several ways, including through efforts to cut costs and achieve continuing improvements in productivity in response to rising costs associated with inflation.
- Despite plans to continue selling land in India, net income is expected to decline from the previous fiscal year, which featured significant transient factors.

	FY2023 actual	FY2024 planned	Change	Change (%)
Net sales	562.3	610	47.7	8.5%
Operating income	51.6	56	4.4	8.5%
Segment income (Operating income + equity income)	59.2	61	1.8	3.0%
Ordinary income	57.7	60	2.3	4.0%
EBITDA	82.2	89	6.8	8.3%
EBITDA margin	14.6%	14.6%	—	—
Net income attributable to owners of the parent	67.1	40	-27.1	-40.4%
Adjusted ROE*	12.9%	13.0%	+0.1pt	—

* Excluding transient factors

17th Medium-term Management Plan Measures and Progress in FY2023



Creating Value through Our Businesses

Six Business Unit Structure: A business execution organization to create value

Business Units

International Business Unit

Automotive and Industrial Business Unit

Japan Business Unit

Industrial paints and coatings

Architectural paints and coatings

Auto refinish paints

Marine and protective paints and coatings

Automotive paints and coatings

Industrial paints and coatings

Architectural paints and coatings

Industrial paints and coatings (general purpose)

Auto refinish paints

Marine and protective paints and coatings

The company has been reorganized to make its business strategies more effective. The Automotive and Industrial Business Unit is a global organization intended to deliver stable, high levels of quality and support based on uniform standards to global customers around the world. The Japan Business Unit specializes in meeting the distinctive needs of the Japanese market. The International Business Unit will support the aggressive growth of Group companies overseas to make the most of dynamic global markets. Three corporate units—the Supply Chain Unit, the R&D/Procurement Unit, and the Corporate Management and Administration Unit—will support these three business units. This structure is designed to create value as a Group of companies with a management approach that balances business growth with the management infrastructure needed to support its businesses.

Support

Corporate Units

Supply Chain Unit

R&D/Procurement Unit

Corporate Management and Administration Unit

Production

SCM

Safety

Basic development

Procurement

Design

HR

Finance

Strategy

Supply chain planning

Environment

Analysis

Color

IP

IT

M&A

Legal

Lines of business

Automotive paints and coatings



Motor vehicles (new vehicle bodies)
Auto parts (e.g., door mirrors, door handles, spoilers)
Lithium-ion battery materials

Auto refinish paints



Industrial paints and coatings



Construction and agricultural machinery



Beverage can inner linings



Rolling stock



Architectural steel materials

Architectural paints and coatings



Architectural paints and coatings

Protective paints and coatings



Bridges

Plants



Marine paints and coatings

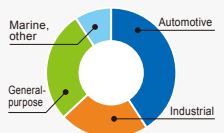
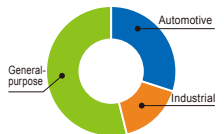
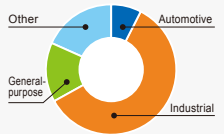
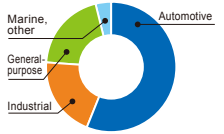
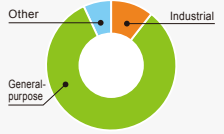


Ships

Business territories



● Automotive ● Industrial ● General-purpose (architectural, protective, auto refinish) ● Marine, other

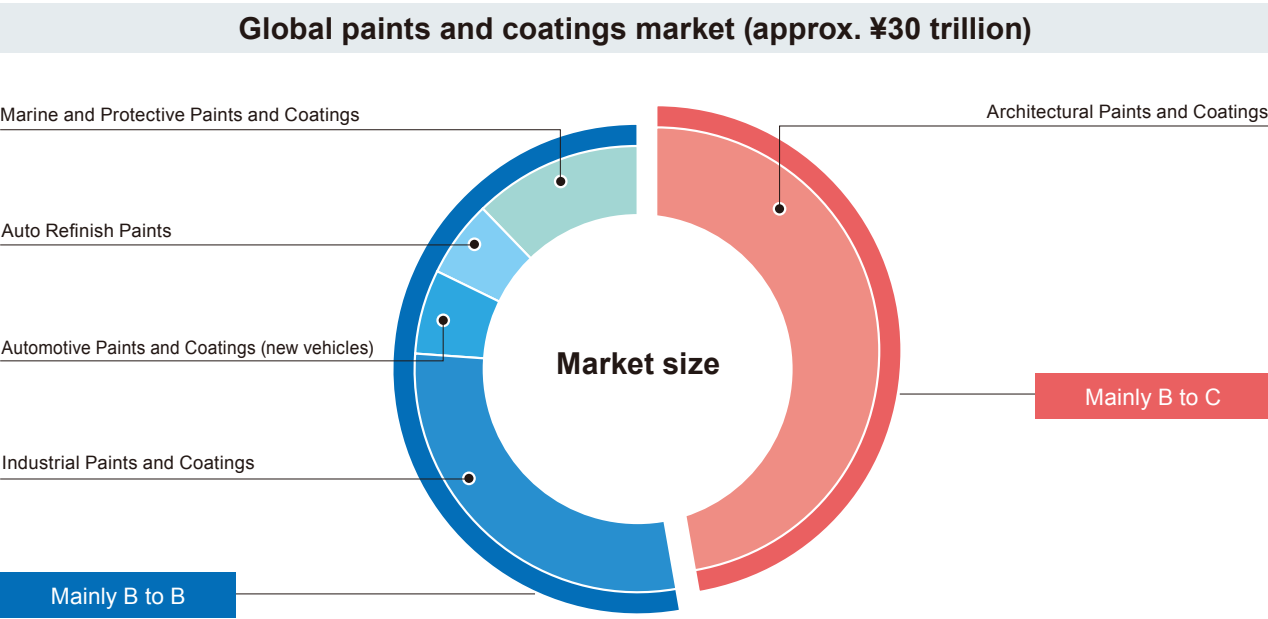
Region	Roles, main themes, etc.	Percentage of consolidated net sales	Regional sales by segment
Japan	- Overall management as Group Head Office - Proactive domestic and overseas investments made possible by high profitability - A world leader in addressing issues that first emerged in this market		
India	- Growth expected in automotive paints and coatings, areas in which we have overwhelming strengths - Steady improvement in industrial paints and coatings, which are experiencing strong growth, in addition to automotive - Succeeding in niche markets through technical capabilities and strengths in partnership with Japan in the dramatically changing architectural paints and coatings market		
Europe	- Focusing on advanced technological fields in this market as a pioneer in sustainability initiatives - Establishing and growing our B to B position in various markets, including rail paints and powdered paints - Increasing profitability through bolt-on M&As and PMI initiatives		
Asia	- Stable growth in the automotive field - B to B business development - Growing market share in promising Southeast Asian markets		
Africa	- Securing an overwhelming lead position in the African market - Growing our footprint on the African continent, centered on architectural paints and coatings - Continuing structural reforms and profitability improvements in South Africa		

40 Kansai Paint Co., Ltd.

Integrated Report 2024 41

Categories and Properties of the Paints and Coatings Business

Since paints and coatings are used in a wide range of applications, this business serves both corporate customers and consumers. Corporate and consumer customers make sharply different demands on a paint maker. Through the 16th and 17th Medium-term Management Plans, the Kansai Paint Group made progress on optimizing its business portfolio based on the specific characteristics of its regions and businesses and its strengths in each. As a result, we have become a singular and highly regarded presence in the global paints and coatings market.



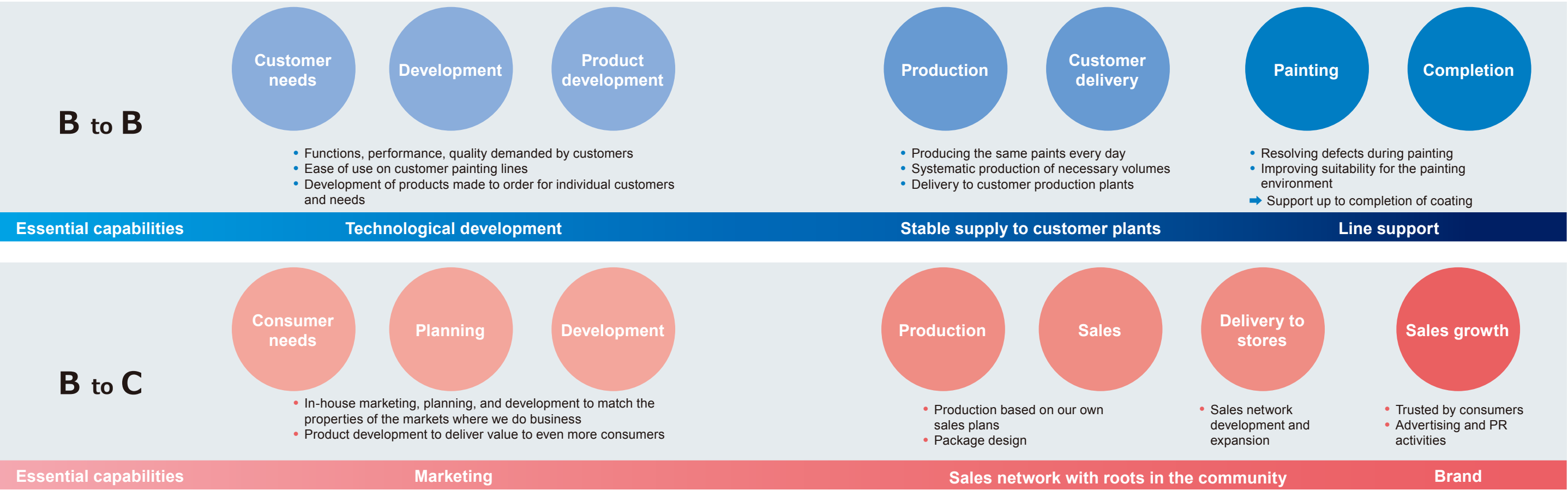
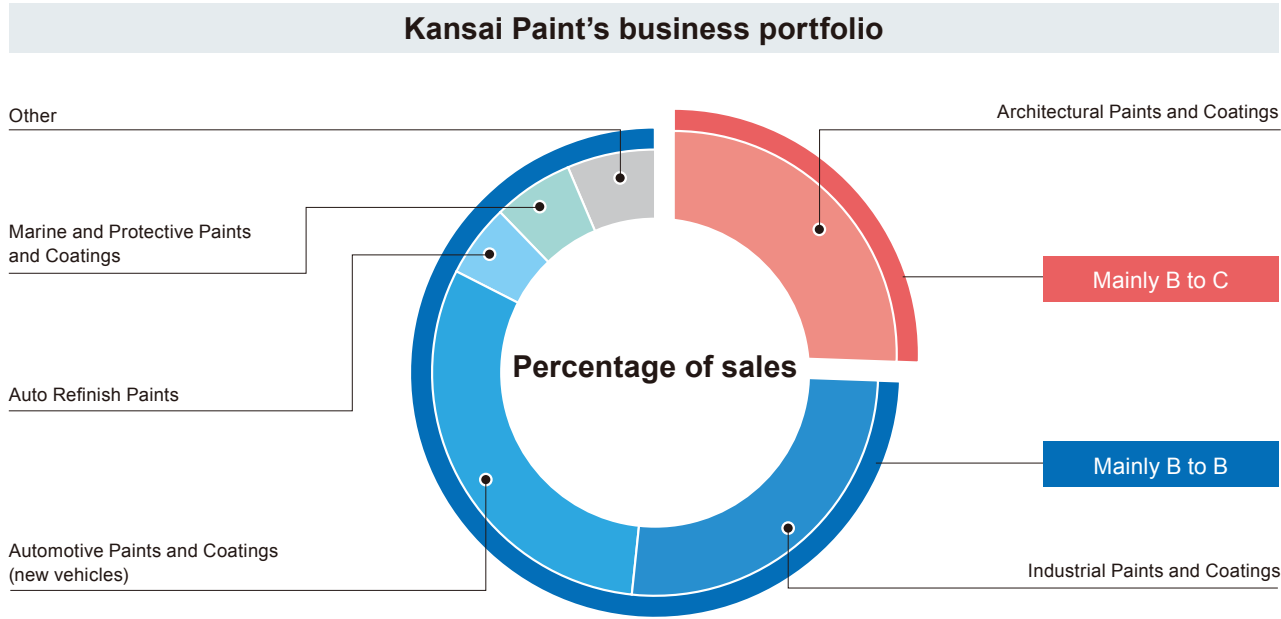
Kansai Paint’s strengths lie in technological development, flexible support, and global supply capabilities accumulated to date in B to B markets.

<Strengths>

Technological development capabilities

Support capabilities

Global supply capabilities



International Business Unit



The second year of the 17th Medium-term Management Plan was extremely challenging, a year in which developments like intensifying competition in India and shifting circumstances in Africa exceeded expectations. Nevertheless, we made progress in various areas, including bolt-on M&As in Europe and structural reforms in Asia. We moved steadily forward by addressing various issues. This year, the final year of the 17th Medium-term Management Plan, we will make the most of the lessons learned in the second year of the Plan to enhance our capabilities and withstand intense competition in India, grow our businesses in Africa, and take an uncompromising approach to improving earnings in Europe and Asia. At the same time, we will boldly formulate the next Medium-term Management Plan with the timeframe of five and 10 years into the future in mind.

NISHIBAYASHI Hitoshi

Director of the Board, Managing Executive Officer
Head of International Business Unit

Trends in net sales over the three years of the 17th Medium-term Management Plan



Distinguishing features of the International Business Unit

The International Business Unit covers all markets outside of Japan and all business areas other than automotive paints and coatings. It operates major facilities in India, Europe, Africa, and elsewhere. Industrial and architectural paints and coatings are important pillars of its businesses. It also offers auto refinish paints and protective paints and coatings in various markets.



Market environment

The CAGR of the global paints and coatings market as a whole over the past three years is estimated to be 5.4%. The Group does business in a strategic combination of mature markets and growing markets, balancing stability and growth. The Group's CAGR over the past three years is 13%. We plan to achieve continuing growth into the future.

Market environment in key business territories

Russia's invasion of Ukraine has increased uncertainties in **Europe**. This has led to hikes in the cost of energy and other resources, raw materials, logistics, and other inputs. These have combined with inflationary pressures, including the rising labor costs associated with increased human resource liquidity, although the situation is gradually easing. CAGR is projected to be about 4% over the coming five years in the European paints and coatings market. Europe remains in the forefront of sustainability-related regulations and communications; we expect new markets to develop due to investments in sustainable economy initiatives like the European Green Deal and modal shifts. In these ways, Europe can be described as a market of opportunity.

We expect economic growth in **India**, backed by a growing population that may soon be the world's largest. The CAGR of the Indian paints and coatings market is projected to be about 8% over five years. Demand for paints and coatings should grow alongside economic growth in various areas including residential and commercial building construction, roads, bridges, and other infrastructure, agricultural, construction, and earth-moving (ACE) machinery, and home appliances.

CAGR in **Africa** is projected to be about 5% over five years. While conditions vary by country, this rate is affected by the economic impact of geopolitical instability, high interest rates, and frequent natural disasters and infrastructure problems. Still, demand for paints and coatings is expected to grow in the region thanks to increasing Auto production and the development of railways and other infrastructure, reflecting growing populations and economic growth.

In **Southeast Asia**, the paints and coatings market is projected to grow over the coming five years with a CAGR slightly over 7%. Stable growth continues in this market. While this growth is centered on auto production, the region includes certain countries expected to serve as promising bases for B to B businesses beyond the automotive field. We expect steady growth here.

Strengths

The Group's strengths lie in its capacity to contribute to quality of life (QOL) while improving lives and infrastructures in each region.

Industrial: Europe

We hold Europe's top market share in railway paints and coatings. In the industrial field, where the trend toward sustainability is currently driving growth, we have a product portfolio and technical and support capabilities meeting a wide range of product needs.

Industrial: India

In India, we have realized a large share of the automotive market, strong technological development capabilities, and the capacity to adapt to niche markets. We are also capable of adapting to and supporting digitalization needs.

Architectural: Africa

We offer technological and support capabilities sufficient to secure high brand recognition and market share.

Future outlook

- | | |
|---------------|---|
| Europe | <ul style="list-style-type: none"> ✓ Market growth associated with sustainability regulations and new trends ✓ Thorough PMI based on bolt-on M&As in fields in which we have strengths, including the B to B, railway, and agricultural, construction, and earth-moving (ACE) machinery markets ✓ Supplying products to deliver solutions to issues related to realizing sustainable societies in the industrial and powder coating fields |
| India | <ul style="list-style-type: none"> ✓ Enhancing competitive strengths in three main fields: automotive and architectural, in which we hold high market shares, and industrial, in which we anticipate future market growth ✓ Capturing further growth in demand from future population and economic growth ✓ Contributing to solutions to social challenges from various perspectives, with a focus on the industrial field, which is expected to grow along with infrastructure demand |
| Africa | <ul style="list-style-type: none"> ✓ Drawing on strong brand recognition and market share to capture demand and achieve growth in individual countries ✓ Market share can be expected to grow as we boost profitability through self-help efforts and structural reforms. ✓ Helping to make society more prosperous while satisfying customers, end users, employees, and other stakeholders |
| Asia | <ul style="list-style-type: none"> ✓ Developing B to B businesses backed by our reputation in the automotive paints and coatings field ✓ Growing market share in countries like Indonesia and Vietnam, where we anticipate high growth |

International talent participating in Group management

In April 2024, I was appointed Executive Officer, Deputy Head of the International Business Unit, and Head of the Africa Business at Kansai Paint.

While recent business conditions in South Africa have been challenging, the African continent offers the potential for immeasurable growth in the coming years. Innovative strategies made possible by recent reforms have improved the profitability of our businesses in Africa. We have strengthened our position as a market leader in major African markets. I am confident that we can grow our footprint across the African continent through continuing growth, building on the solid presence established here.

Our vision for Africa involves cultivating synergies and enhancing competitive strengths through the combination of Kansai Plascon Africa Ltd. and Kansai Plascon East Africa Ltd. based on a business model of solidarity. This initiative, which we call One Africa, seeks to increase mobility, efficiency, and cost effectiveness across the continent. As Deputy Head of the International Business Unit, I will help the Kansai Paint Group grow into a leading global enterprise by seeking paths to achieve new growth from a global perspective and by adopting best practices suited to diverse cultural and regulatory environments.

I am also focusing on training and developing the next generation of talent in the Kansai Paint Group. My goal is to cultivate, through mentorship and empowerment, technological progress and inspire innovative thinking based the inherent capabilities of our human resources. By training future leaders in this way, I plan to lead the organization on a path of unrivalled global growth, overcoming barriers, improving business results, and promoting sustainable growth.



Prejay R. Lalla

Executive Officer,
Deputy Head of the International Business Unit,
Head of the Africa Business
President of
Kansai Plascon Africa Ltd.

Automotive and Industrial Business Unit

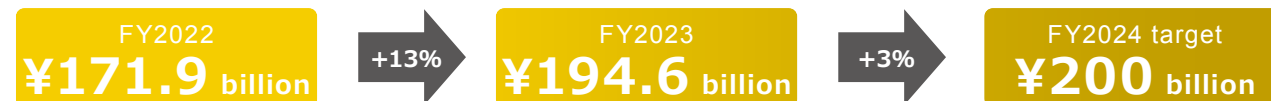


Alongside raw materials and energy costs that continue to rise, FY2023 saw increased production volumes. Semiconductor demand eased, along with demand to replace previous products with ones offering more added value. Overall, we played a leading role in the Group. In the future, we will seek to achieve aggressive growth in India, a market in which we anticipate long-term growth, while continuing to advance into the OEM market in China and generating new value based on the changing mobility environment. We will help establish a carbon-neutral society through digital transformation and IT utilization, achieving further improvements in efficiency in our global business infrastructures and in the strong technological capabilities developed to date.

TOKU Kiyohide

Managing Executive Officer
Head of Automotive and Industrial Business Unit

Trends in net sales over the three years of the 17th Medium-term Management Plan



Distinguishing features of the Automotive and Industrial Business Unit

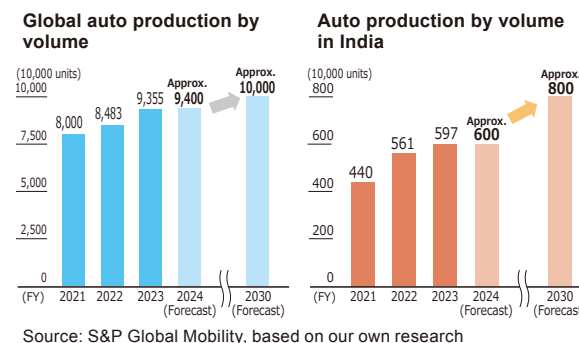
The Automotive and Industrial Business Unit does business in the fields of paints and coatings for automotive, auto parts, and industrial (cans, PCM,* construction and agricultural machinery) applications globally, including Japan. While it had focused on automotive paints and coatings as the Global Automotive Business Unit through the past year, it has been integrated this year with cans, PCM,* construction, and agricultural machinery. Each of these areas is similar to the automotive sector in that they comprise a B to B business serving line painting. The combination into a single unit will enable synergies by sharing knowhow.

* PCM: Pre-coated metal. Coating steel sheets before pressing. PCM is used in home appliances, building materials (e.g., roofing), and other applications.



Market environment

Automotive: Global auto production by volume in FY2023 recovered from the previous year as parts supply shortages eased, reaching 93.55 million units. Over the medium to long term, the pace of global growth is expected to slow or remain largely unchanged, with demand slipping in developed economies. At the same time, emerging markets are experiencing remarkable growth. Thanks to GDP growth, a CAGR of roughly 10% is expected for India in the coming three to five years. In addition, the auto industry is undergoing a period of dramatic change, in which the movement toward carbon neutrality is accelerating not just for vehicle fuel, but manufacturing processes.

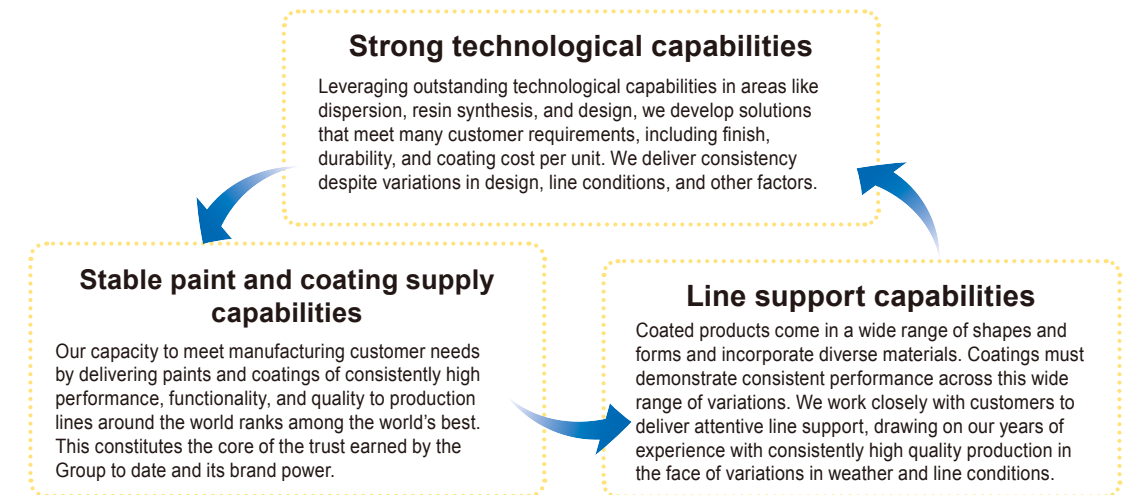


Industrial: **[Cans, PCM]** Demand for cans is trending down due to a smaller productive population and declining consumption of alcoholic beverages. PCM demand is also declining, as the pace of new single-family housing starts to slow.

[Construction and agricultural machinery] While demand is trending down for the short term, recovery is expected in FY2026 and beyond, as Japanese machinery makers open facilities overseas, boosting international demand. In the industrial field as a whole, it will be essential to adapt, starting in Europe, to increasingly rigorous regulations for chemical substances that can impact human health or the environment.

The Group will generate and grow new added value by making progress in adapting to regulations related to carbon neutrality and sustainability on a global basis while benefiting from growing demand in India and other overseas markets.

Strengths



Over the decades, we have accumulated both expertise and a track record by repeating the cycle of supplying developed paints and coatings of high quality and incorporating customer feedback from line support into the development process.

Future outlook

Growth in India	New value creation	Carbon neutrality
Automotive: India is a pillar of our automotive business. We expect demand to grow as we supply non-Japanese foreign automakers and venture into the fields of motorcycles and three-wheeled vehicles.	Automotive: Improving product appeal by developing new colors, features, and functions while capturing new demand in battery materials and other areas and ramping up supply to Chinese automakers	Automotive, industrial: Expanding the contributions we reduce Scope 3 emissions continually developing and improving paints and coatings for lower-temperature labor-saving processes; realizing Scope 1 and Scope 2 carbon neutrality by updating the supply chain; driving progress toward carbon neutrality in the Group through these activities
Industrial: Building our entry into the market of Japanese agricultural, construction, and earth-moving (ACE) machinery makers, we plan to supply global manufacturers, including non-Japanese manufacturers.	Industrial: Growing market share by developing new materials that meet the requirements of increasingly rigorous regulations governing the use of chemical substances that can affect the human body or the environment	

Topic

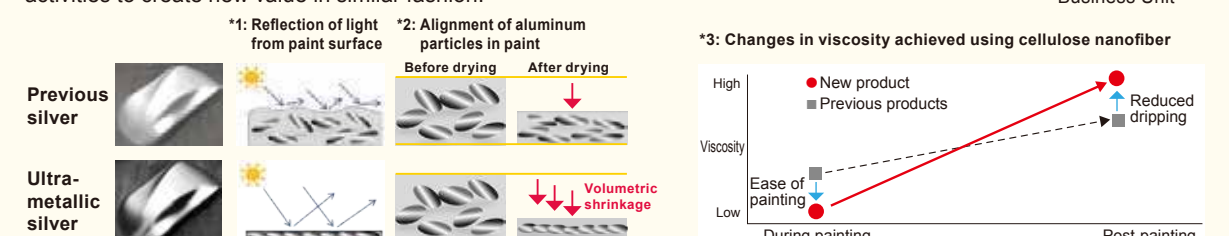
Development and mass production of ultrametallic silver paint

A key feature of metals is their high contrast, depending on angle of view. To reproduce this effect in paint, it is essential to realize specular reflections*¹ by aligning aluminum particles to make the painted surface sparkle.

We achieved this by drawing on the power of volumetric shrinkage to arrange aluminum particles in straight lines. To demonstrate this effect to its fullest, we faced the need to increase the water content of the paint and allow application in thin coats.*² But the greater the paint's water content, the more susceptible it is to dripping during application. Increasing viscosity to prevent dripping makes a coat of paint harder to apply. In response, we developed and introduced to mass production paints that strike a successful balance that significantly ease paint handling post-coating.*³ Notably, as the first in the world to incorporate plant-derived cellulose nanofiber to control viscosity, this paint is also eco-friendly. We plan to continue pursuing development activities to create new value in similar fashion.



TONOMURA Hironori
Executive Officer
Deputy Head of
Automotive and Industrial
Business Unit



Japan Business Unit

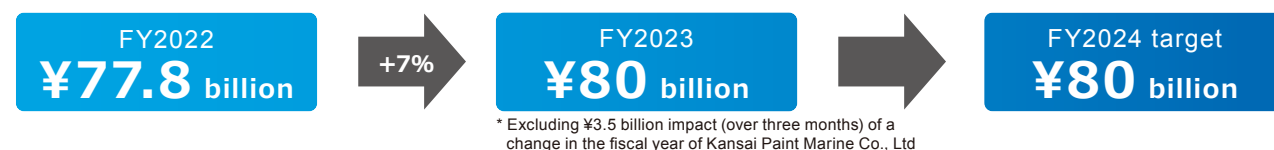


The Japan Business Unit is responsible for leading the Group in the Japanese paints and coatings market, one with exceptional promise. Paints are materials capable of contributing significantly to society. Since we intend to remain the paint maker of choice for our numerous customers in the Japanese market, who are currently facing various issues, our products must contribute to customer growth. We must remain a presence that contributes to social progress. In addition, delivering solutions to social issues in Japan through paints entails numerous themes that other markets around the world will face in the future. We plan to demonstrate our status as a paints and coatings maker capable of contributing to society on a global basis by applying the technologies held by the Kansai Paint Group.

TAKATA Youichi

Managing Executive Officer
Head of Japan Business Unit
President and Representative Director,
Kansai Paint Sales Co., Ltd.

Trends in net sales over the three years of the 17th Medium-term Management Plan



Distinguishing features of the Japan Business Unit

The Japan Business Unit does business in Japan for products and technologies in paints and coatings fields other than automotive and industrial (cans, PCM,* construction and agricultural machinery).

* PCM: Coating steel sheets before pressing. PCM is used in home appliances, building materials (e.g., roofing), and other applications.

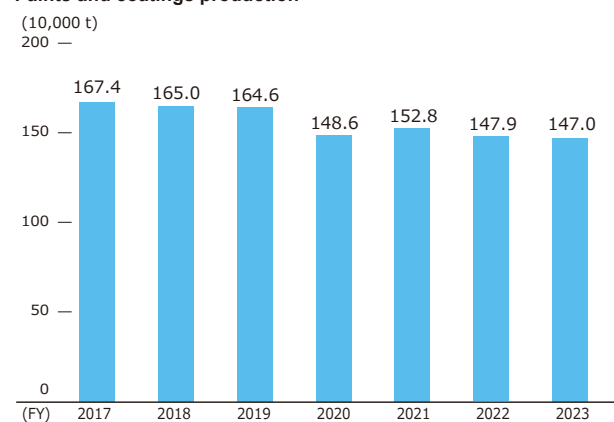


Market environment

[Trends in demand by volume in the paints and coatings market as a whole]

The mature Japanese paints and coatings market is expected to experience a gentle decline in demand by volume.

Paints and coatings production



[Market trends by sector]

Various sectors face several societal challenges, including labor shortages, rising energy and other costs, inflation,

and the need to improve working environments. Additionally, climate change risks including more frequent natural disasters, continue to grow. There is a need to develop and supply various paints and services in response to these trends.

Architectural: While demand fell for a time due to COVID-19 and other factors, demand for apartment and condominium remodeling and other applications has begun to recover. While demand for single-family residences is expected to decline gradually with shrinking populations, demand for repainting is shifting toward heat-resistant and other environmental products and to high performance, highly durable products.

Protective: We expect a certain level of demand related to repainting plants and bridges, as well as growth in investments related to offshore wind power and other renewable energy sources.

Marine: Demand related to refinishing for the ships used in international shipping is growing.

Auto refinish: In a time of labor shortages, it is essential to make workplaces more attractive by adopting paints that are easier to apply and have less impact on the human body.

Industrial: The powder coatings market is expected to grow in light of labor shortages and the move toward a circular economy.

Strengths

For more than a century, leveraging the comprehensive capabilities accumulated as a manufacturer of paints and coatings for a wide range of fields, we have developed, produced, and supplied products and technologies that extend the useful lives of various products and contribute solutions to the challenges facing society. Forged in the demanding environment of the Japanese market with regard to quality and services and the harsh natural environment of Japan's insular climate, our robust value chain remains one of our strengths. With these unique qualities, the Japanese market poses challenging barriers to entry for overseas paints and coatings makers.



[Case study] Supplying paints and color for Utsunomiya Light Rail (LRT)

In response to aging populations and low birth rates, Utsunomiya Light Rail was introduced as a new public transportation network that will realize communities in which people can live in health and vitality, remaining mobile without relying on automobiles. The distinctive color scheme of black and lightning yellow—which evokes the God of Thunder, a resident Utsunomiya deity responsible for the thunderstorms that nourish crops and create abundant harvest—is created using paints from Kansai Paint. We helped make the community more colorful and attractive by drawing on our capacity to propose colors that meet the client's desire for a vivid thunderbolt yellow and strong technological capabilities equal to meeting this vision.

Outlook

Japan is among the first of the world's developed nations to encounter certain pressing social issues, including low birth rates and an aging population, shrinking markets, and earthquake risks, as well as, in other countries, the growing frequency of natural disasters attributable to climate change. As a Japanese firm, we confront these issues in Japanese society and turn them from risks into opportunities. To achieve comprehensive and effective response to these issues, we plan to proceed with large-scale investments in various areas expected to contribute to solutions, including updating our supply chains and developing powder coatings friendlier both to the environment and worker health.

[Case studies]

- **KPCC Amagasaki (our Color Center) brings a new plant online: p. 51.**
- **Kansai Powder Coatings Co., Ltd., which operates the powder coatings business, plans a new plant: related article on p. 53 (R&D/Procurement Unit).**
- **Initiatives at Kansai Paint Burano**

Kansai Paint Burano was established in 2021 to help bring more color into people's lives by making it easy to use paint in getting a new start. In FY2023, its second fiscal year, it began to achieve considerable growth. Its e-commerce site business has earned the trust of numerous consumers and was chosen a leading shop on Rakuten Shops for five consecutive months. It also offers a painting service to replace wallpaper, for which demand remains steady in Japan, with paint for a substantial reduction in waste. Kansai Paint Burano continues to take on new challenges without being bound by traditional ways of doing business.

Topic

Promoting sales careers for women

The Kansai Paint Group's KPI2030 targets include women accounting for percentages of 30% of managers and 30% of Directors. Compared to Europe and Africa, where diversity, equity, and inclusion initiatives have advanced, there is a pressing need for improvements in Japan, where women account for only about 4% of managers. As one of many Group initiatives intended to rectify this situation, we've increased the total number of women in sales positions and begun to enhance training of women candidates for core management posts. This began with recruitment of women to sales positions in FY2023. These staff members are devoting themselves to their new duties while encouraging one another as they transition to sales from diverse career backgrounds. We will continue to improve and expand this initiative as we aim to create an environment in which each and every individual can thrive regardless of gender or other attributes.



Supply Chain Unit



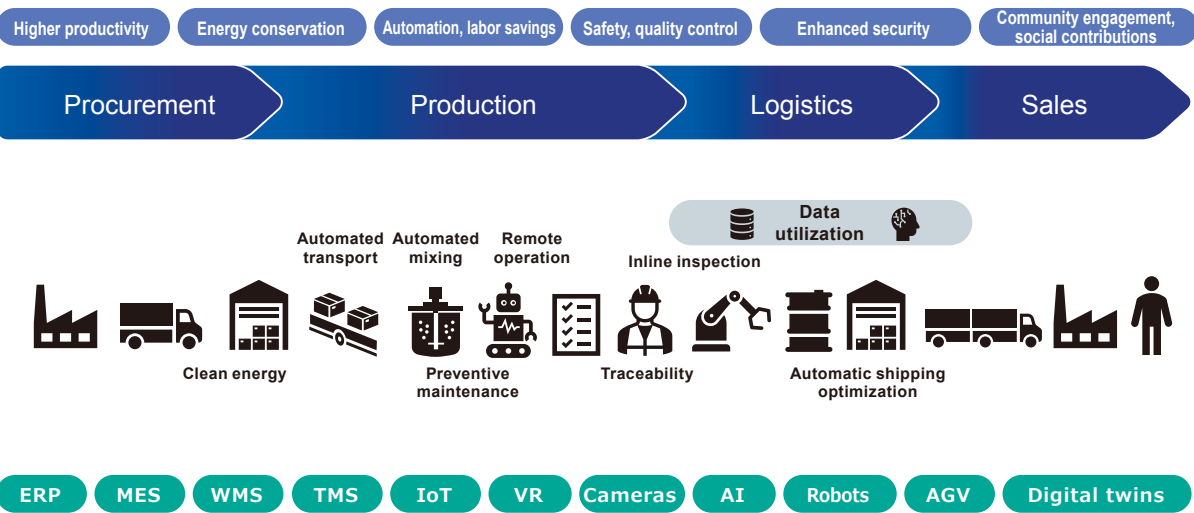
Consisting of the Supply Chain Renovation Division, which strives to reform the Group's supply chains to realize a vision for the future, and the Safety・Quality・Environment Division, which handles everyday management of Group activities to balance safety and quality, the Supply Chain Unit got its start in FY2024. As a unit that considers the future while paying close attention to day-to-day affairs, we strive to build a supply chain worthy of the Kansai Paint Group's status as a true global organization, beginning with the promotion of supply chain innovation projects in Japan.

TANAKA Takeshi

Executive Officer
Chief of Supply Chain Unit

Supply chain innovation

We will build an innovative supply chain model capable of evolving continuously to maintain our industry-leading competitive strengths to 2030 and beyond.



NAKAHARA Shuichi

General Manager of Supply Chain Renovation Division
Supply Chain Unit

Our mission is to contribute to and achieve sustainability management by establishing efficiency, safety, and sustainability throughout the supply chain, including logistics. All team members work as one to move us closer to the overarching vision of building the plant of our dreams!



KAWANO Shinji

Director of Engineering Department
Supply Chain Renovation Division

I'm really excited for this opportunity to work on this large-scale supply chain innovation project. We plan to make real-world progress on our materiality issues by realizing smart factories that incorporate solutions not just to current challenges, but ones we anticipate in the future.



TAMURA Makoto

Group Leader, Systems Group
Production Engineering Department,
Supply Chain Renovation Division

Our goal is to achieve sustainable and innovative smart factories that draw on various technologies to improve not just productivity, but quality and safety. I want to build the plants of the future my own children will think are cool!

Initiatives of the 17th Medium-term Management Plan intended for the global deployment of next-generation supply chain models: Issues and responses

KPCC Amagasaki Color Center brings new water-based paint plant online

The Color Center has opened a new plant that specializes in water-based paints. This new plant was designed with improved flow lines to address various issues, including the need to improve logistics flows, meet small orders with short delivery times, address low productivity, and account for the working environment. The new plant realizes efficient and unidirectional logistics flows from delivery of raw materials through inventory, coloring, and shipment. It uses automated mixing lines and a supervisory control and data acquisition (SCADA) system to increase the number of colors mixed per month by 40% or more. It also achieves a comfortable working environment by reducing requirements for heavy labor and increasing visibility to improve safety.



Kansai Helios's energy management system

At a facility in Serbia, Kansai Helios has begun operating a pilot plant that incorporates an energy management system. This system uses monitoring software and hardware to control individual buildings and to automate various control and monitoring processes. This makes it possible to generate detailed power consumption reports while expanding functionality and conserving energy. It's achieved savings of 35% in gas consumption and 60% in electricity consumption (for heating system).



Environmental compliance initiatives



MATSUDA Takako

Director of Environmental Regulation Department
Safety・Quality・Environment Division

Several amendments in recent years have increased the rigor of various laws and regulations governing chemical substances (such as the Act on the Regulation of Manufacture and Evaluation of Chemical Substances, the Poisonous and Deleterious Substances Control Act, the PRTR Act, and the Industrial Safety and Health Act). In the Environmental Regulation Department, we maintain the systems that ensure compliance with these amendments and safeguard human health and ecosystems from the effects of chemical pollution, thereby strengthening corporate trust and minimizing risk. As a global operation, we have to comply with laws and regulations of nations around the world and execute appropriate export and import permit procedures. We work with affiliates and joint ventures around the world in carrying out these activities.



ITO Seiko

Quality Assurance Department
Safety・Quality・Environment Division

In the Supply Chain Unit, we strive to reduce minor waste arising before customer deliveries, including scrap raw materials and products and damage incurred during logistics processes. An investigation and analysis of the reasons for such waste pointed to various factors. Currently, we're making improvements on cases ranging from raw materials procurement through the production planning, and product design stages. We hope to eliminate waste by continuing to pursue these activities assiduously.



KASAHARA Naoko

Lead Professional of Environmental Regulation Department
Safety・Quality・Environment Division

Naturally, compliance with local laws and regulations is essential when delivering products to global markets. But in recent years, interest in health, safety, and the environment has grown rapidly. Every country is enhancing regulations governing chemicals. This has traditionally required specially trained personnel to investigate compliance and to prepare safety data sheets and other documents. Today, we're striving to develop a system that will make it easier for people inside and outside the organization to obtain information that's easy to grasp and easier to seamlessly prepare documents, from the design and development stage.

R&D/Procurement Unit



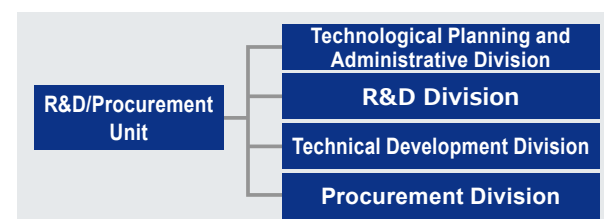
The new R&D/Procurement Unit was established in FY2024 to strengthen both Groupwide corporate value and the value we provide to society. In addition to achieving Kansai Paint's KPI2030 targets, the role to be filled by the R&D/Procurement Unit over the next decade involves promoting product development and helping to create a new future society based on the proprietary technologies accumulated in paint and coating R&D. We plan to pursue to both solutions to global and environmental issues and the improvements in productivity that will generate economic value.

KAJIMA Junichi

Director of the Board,
Managing Executive Officer
Chief of R&D/Procurement Unit

Our mission is to continue to deliver products that will satisfy our customers, even amid the increasingly diverse risks posed by a dramatically changing global environment. It is essential to bring together the technological capabilities of the Kansai Paint Group to pursue R&D activities capable of demonstrating high quality and competitive strength under increasingly challenging global conditions. The R&D/Procurement Unit was established as part of a FY2024 reorganization intended to make this concept a reality. Through our procurement and paint design activities, by promoting procurement activities at the global level, integrating information on raw materials, and utilizing technologies to speed up the evaluation process we will make the entire Kansai Paint Group even stronger. To promote these activities on a global scale, Pravin D. Chaudhari has been named Deputy Chief, while Gen

Yokota has been assigned responsibility for technology development. Both managers provide a wealth of global management experience. While integrating the Kansai Paint Group's organization and promoting HR development at a global level, we will generate unprecedented new ideas and technologies.



I believe my responsibility for the R&D/Procurement Unit is to create new core businesses while maintaining steady earnings from our existing ones. The key factors here will be a spirit of boldly taking on challenges, a willingness to participate in rapidly repeated trial and error processes, and a global perspective. I also see these as the essence of the R&D issues we currently face. We operate development facilities around the world; our assets include our diverse human resources, technologies, ideas, and access to major markets. Based on my business and management experience in Japan, North America, Europe, and India, I'm determined to build an organization and systems that will make the most of these assets to fulfill the unit's responsibilities.



YOKOTA Gen

Executive Officer
Deputy Chief of
R&D/Procurement Unit



Pravin D. Chaudhari

Executive Officer
Head of India business
Deputy Chief of
R&D/Procurement Unit

In FY2023, we made great progress in improving the efficiency and efficacy of global procurement by focusing on strengthening the maturity of procurement processes and streamlining operations. Expanding the scope of operations helped to increase the coverage of overall transaction value while generating opportunities to create new value. Further, we're proceeding with strategic decision-making based on careful data analysis and discernment reflecting GDP. We're also making progress on establishing long-term strategic partnerships with suppliers. We choose and trade with partners that offer track records with sustainability to balance our procurement strategy with our environmental stewardship responsibilities. From this point forward, we plan to secure earnings while enhancing internal and external cooperation structures as we meet business needs by fusing R&D and procurement. We will continue to focus in particular on use of high-end analytics to expand global coverage, manage volatility, and generate new value.



Case Study 1

In early 2024, we invested in Spiber Inc.

In early 2024, we invested in Spiber Inc. Our goals for the future include offering unique products and services through joint R&D intended to realize a circular economy by fusing Spiber's protein synthesis and denaturation technologies with Kansai Paint's paint and coating development technologies. We have also dispatched a researcher from the R&D/Procurement Unit to Spiber as an HR development initiative, and will aim to provide opportunities for researcher growth and broadening of responsibilities by working closely with Spiber's global research team.



Paint and coating
development
technologies



Protein-synthesis and
-denaturation technologies
Non-petroleum-based raw
materials

Case Study 2

Development of powdered coatings in Europe

CWS Lackfabrik (now Kansai Helios Services Germany), where I have been seconded, owns CWS Powder Coatings (CWS), which produces powder coatings in Europe and North America, and ATCOAT GmbH (ATCOAT), which is involved in the synthetic resins business. CWS Lackfabrik plays a central role in the powders business of Kansai Helios Coatings GmbH (Kansai Helios). Powder coatings include no volatile organic compounds (VOCs), reducing the risks of air and water pollution while also lessening their environmental impact. They are one of the areas where the Kansai Paint Group is enhancing its activities, chiefly in Japan, India, and Europe. In response to growing demand for low-temperature hardening to reduce energy consumption and CO₂ emissions in the baking process after coating, baking temperatures have been reduced from the 200 °C range in the 1990s to around 160 °C today. We're striving to achieve further temperature reductions in response to recent skyrocketing energy prices. Our integrated strategic approach based on CWS's focus on coatings development and ATCOAT serving as an R&D facility for resins, which account for about 80% of the raw materials used in powder coatings, is one of our strengths.



SHINOHARA Ai

Integration Office
Kansai Helios Services
Germany GmbH

To reduce CO₂ emissions, we must reduce hardening temperatures and increase the speed of the hardening process. CWS delivers optimal solutions for individual customers. It's essential to propose methods for saving energy that meet user coating specifications. In our development efforts to reduce temperatures,



Stefan Plum

Head of R&D for
ACE Powder Coatings

we work with ATCOAT and draw on the knowledge developed in house as we address the pressing issue of achieving 150 °C baking temperatures for a wider range of polyester powder coating systems. We're also trying to develop new materials to achieve dramatic lowering of temperatures. Lower baking temperatures will broaden the range of materials that can be coated, expanding potential applications for powder coatings. We're accelerating development by leveraging the knowledge and networks of not just Kansai Helios but the Group's teams in Japan and India as well.



Polyester powdered coatings intended for use outdoors must resist wear and tear caused by wind and rain, changing temperatures, sunlight, and other environmental factors while withstanding external shocks. Developing resins subject to hardening and lower temperatures while maintaining such performance isn't easy. We're striving to develop new eco-friendly materials by working with Kansai Helios and the powders sections, with support from analytical sections, and by bringing ideas together through interactions with the resin development sections in Japan and India. Developing technologies that allow internal production of new resins more advanced than those currently on the market will lead to significant business results and new proprietary technologies for the Kansai Paint Group.



Monika Schneider

Managing Director,
ATCOAT GmbH



Corporate Management and Administration Unit



The Corporate Management and Administration Unit, consisting of three sections—the Corporate Planning Division, the Corporate Finance Division, and the HR and Administrative Division—is responsible for Kansai Paint Group management while promoting sustainability and IT, reforming HR management and improving governance, and reforming the financial foundations that support Group activities. Its diverse and growth-oriented team energetically strives to reform the Group to make it even better.

TOMIOKA Takashi

Director of the Board,
Managing Executive Officer
Chief of Corporate Management and
Administration Unit

Organization

Corporate Management and Administration Unit

Corporate Planning Division

Corporate Finance Division

HR and Administrative Division

Main activities and results

Corporate Planning Division

Sustainability Strategy Department

- Promoting drafting of the Medium-term Management Plan (p. 60)
- ERP adoption project
- GDP project (pp. 57-58)
- Enhancing global capabilities for joint/cooperative action (p. 45)

IT Planning Department

- Promoting the Medium-term IT Plan (pp. 56-57)
- Security enhancement (p. 59)
- IT auditing
- Enhancing global capabilities for joint/cooperative action

Results of FY2023 activities

- For analysts and institutional investors:
 - Briefings: Four
 - Strategy briefings: Two
 - One-on-one meetings and IR conferences: 230
 - Small meetings: Two
 - Overseas IR activities: Two
 - Overseas ESG engagement: Four
 - Overseas roadshow (online): One
- For individual investors:
 - Briefings: Two
 - Participation in IR fair: One
- Website upgrade
- Enchantment of internal and external PR activities
 - Holding townhall meetings
 - Publishing an internal bulletin
 - Operating an internal communication platform



Corporate Finance Division

Financial Planning & Analysis Department

- Management of global business results
- CCC improvement
- Business partnerships (support for business sections)

Finance & Accounting Department

- Sales of cross-shareholdings
- Diversifying fundraising
- Purchasing and extinguishing treasury stock



YAMAMOTO Hideshi

Executive Officer
General Manager of
Corporate Finance Division
Corporate Management and
Administration Unit

I was appointed General Manager of Corporate Finance Division in June 2024. Kansai Paint contributes to sustainable progress by enriching society. I joined the company because I was impressed by how it operates in regions that will lead the world's economic growth in the future, including India and Africa, and by its ceaseless pursuit of reforms intended to increase corporate value. In the Corporate Finance Division, we plan to help maximize corporate value by distributing funding to investments in growth areas, by supporting projects that improve earnings, and by building efficient accounting and finance structures, all based on financial structural reforms undertaken by the company to date, consideration of the optimal capital structure, and ensuring returns to its shareholders. Under the 18th Medium-term Management Plan currently being formulated, we will also seek to promote personal growth along and strengthen organizational performance, particularly by improving our joint efforts with overseas Group companies and by cultivating finance human resources capable of thriving on the global stage.

HR and Administrative Division

Human Resources Department/ Talent Development Department

- Upgrading the HR system for general staff personnel (pp. 62-63)
- Launching a job-based system for managerial personnel (pp. 62-63)
- Activities to improve engagement (p. 65)

Legal and Compliance Department

- Improving the internal (p. 85) whistleblowing system
- Export control rules
- Human rights due diligence (p. 66)

General Affairs Department

- Enhancing the governance structure
- Making the Board of Directors more effective (p. 79)
- Head Office relocation project
General staff personnel play central roles in:
 - Planning, design, relocation
 - Opening ceremony
 - Family events for employees and partners



Source: Okamura Corporation



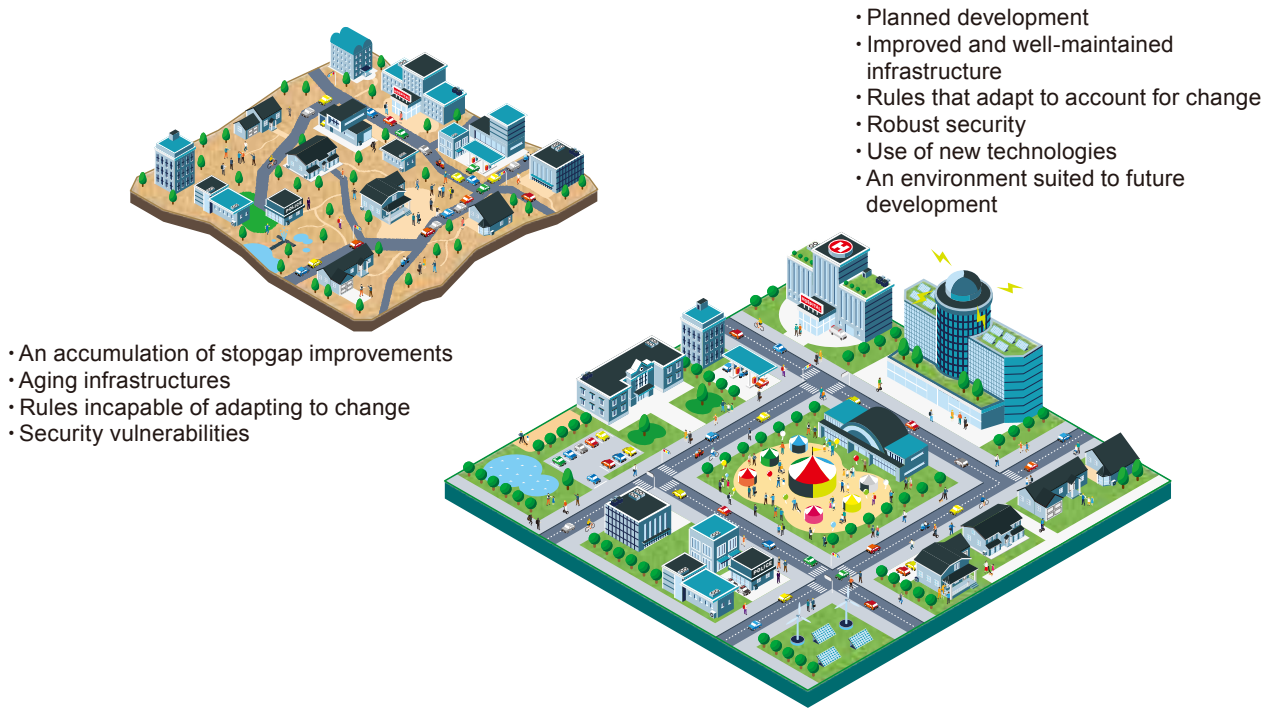
Source: Okamura Corporation



IT Strategy

Kansai Paint’s overall IT vision

Kansai Paint strives to apply IT to make its management strategies more effective. In 2020, toward this end, we signed a strategic partnership agreement with IBM Japan under which we promote systematic and comprehensive IT strategies. Our overall IT vision resembles an urban planning process: We will move to make aggressive IT reforms to rapidly redevelop unplanned or undeveloped areas to build a convenient, progressive community.

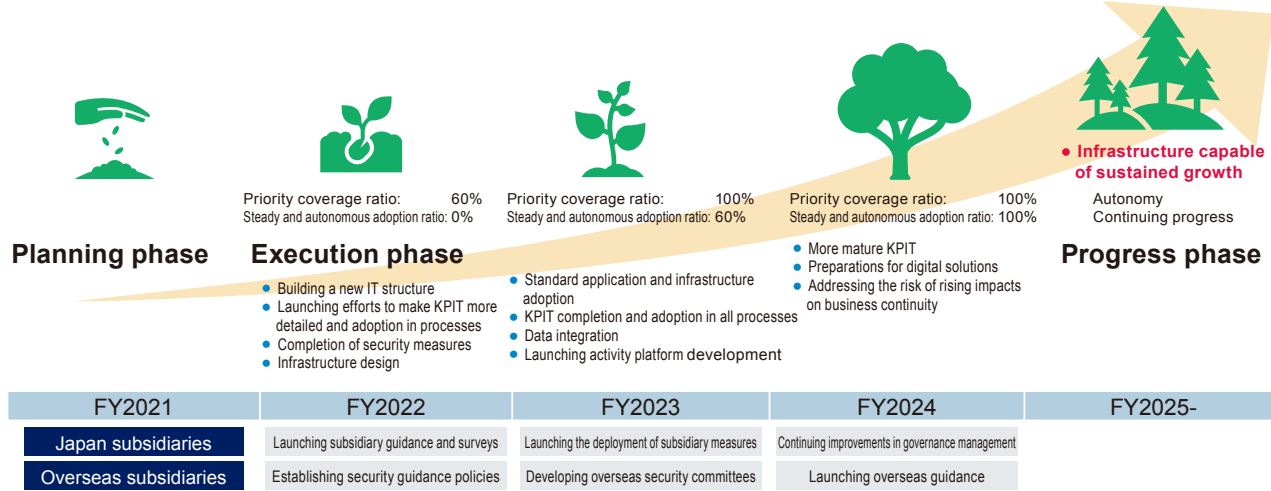


IT: From company-specific to Groupwide

The rapid integration of the Group's global business operations requires simultaneous progress on the following four themes:

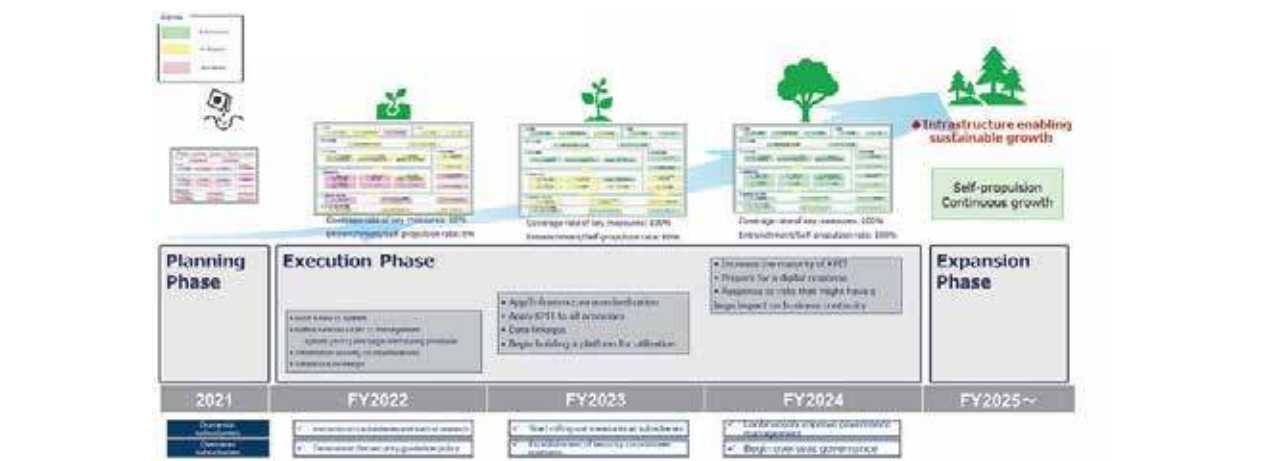
- (i) Catchup by Group companies in Japan, where IT initiatives are lagging, while developing the capacity to support Group companies
- (ii) Accelerating progress on individual companies with advanced IT efforts and connecting them globally
- (iii) Enhancing security regardless of the level of IT progress at individual companies
- (iv) Developing human resources to generate value and contribute to management and society

In FY2021, working with IBM Japan, we developed the Medium-term IT Plan. This three-year plan was launched at the same time as the 17th Medium-term Management Plan. We're also moving forward with a simultaneous project to develop a Global Digital Platform that will facilitate global collaborative efforts.

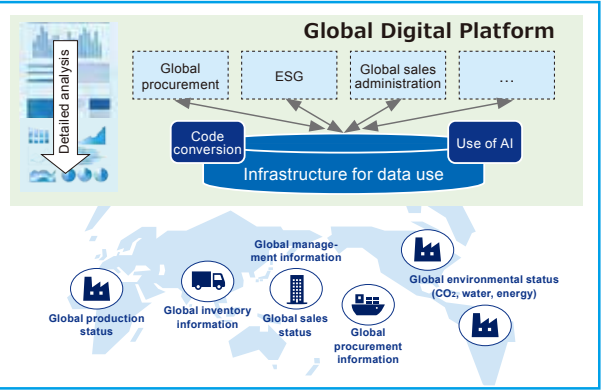


Progress in Japan, where IT initiatives are currently lagging

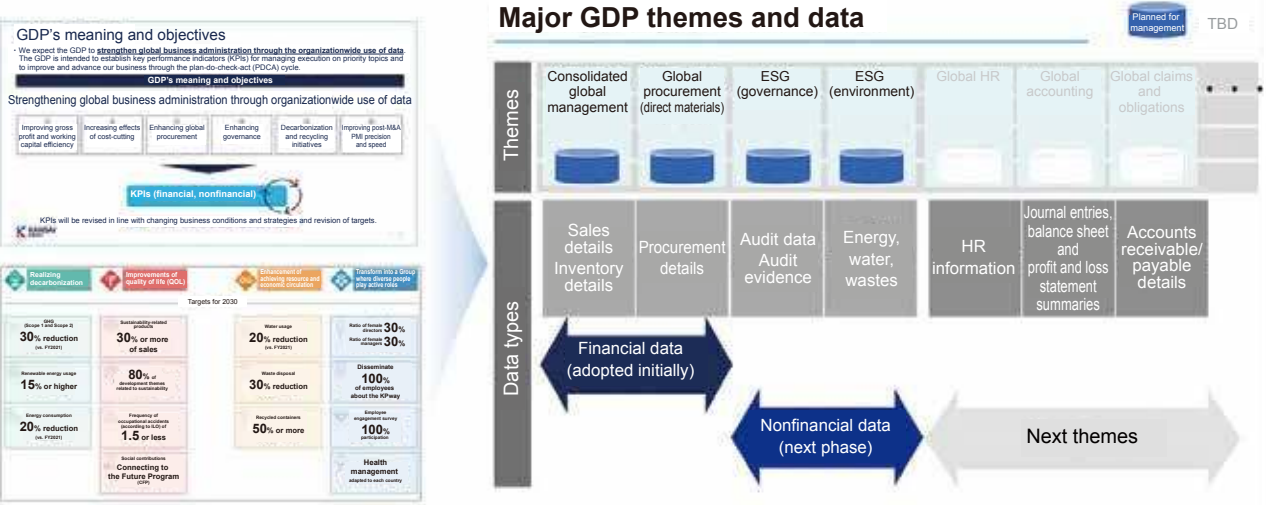
To advance the Group's IT strategies, the 17th Medium-term Management Plan identified strengthening IT capabilities at Group companies in Japan as a pressing need. To address this need, in FY2021, we undertook comprehensive surveys and drafted a three-year catchup plan. This plan moved to the execution stage at the same time we launched the 17th Medium-term Management Plan and is progressing according to plan. This year, as the finishing touch, we're working to ensure the autonomy of the process. In FY2023, we launched support for Group companies overseas, and these efforts are also making progress as planned.



Accelerating the progress of the Group companies that lead the way on IT: Launching the Global Digital Platform



In India, Europe, Africa, and other markets the Group includes subsidiaries that boast high levels of IT. We're currently developing a Global Digital Platform (GDP) to accelerate the progress made by these companies. The GDP will make it possible to collect and use a wide range of data. Linking four facilities, the GDP began operating in July 2023. As the number of facilities and volume of data linked to the system grows, it will become the hub for Group performance management, global procurement, and ESG activities.



Accelerating the progress of the Group companies that lead the way on IT: Launching the Global Digital Platform

GDP Project: Comments from an overseas facility



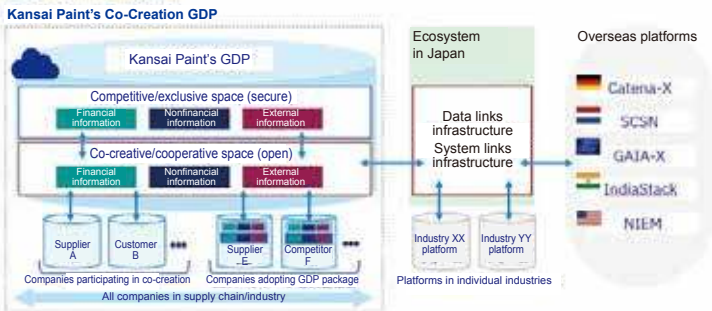
Pušlar Irena
Director, Controlling Department
Kansai Helios Services Slovenia

The GDP Project involves numerous specific challenges. They've provided great learning opportunities. The great diversity of team members in terms of nationality has had a positive effect on the project by generating exchanges of insights based on diverse experiences. The ERP data structure was initially hard to grasp, but it becomes more and more rewarding the deeper I delve into it. One particular challenge is converting everyday data into a structured format for use in the GDP. While the project presented several difficulties, it was also highly rewarding and gave me the opportunity to gain a wide range of new knowledge and master many new skills.

Anticipated GDP roles

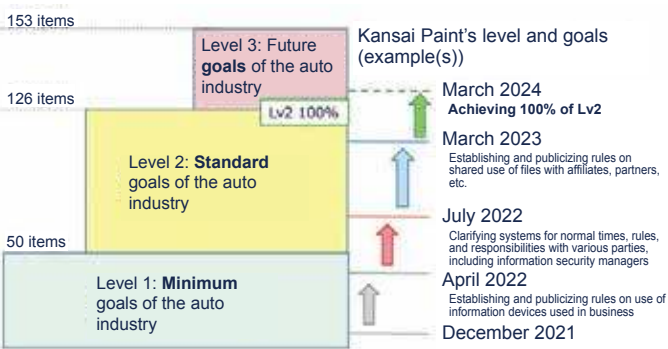


Potential as co-creation platform



Enhancing security

The risks posed by ransomware and other cyberattacks continue to grow, and the attacks themselves grow increasingly sophisticated. One key challenge is their targeting of vulnerable companies, systems, and workplaces. For this reason, the company is striving to achieve multifaceted security enhancements based on four perspectives: (i) organizational measures; (ii) human measures; (iii) physical measures; and (iv) technological measures. Through FY2023, we achieved some success in this area by systematizing and implementing security enhancements in Japan. Likewise, in FY2023, we began providing support overseas.



Security Case Study: Kansai Altan Boya Sanayi Ve Ticaret A.S. (KABS) (Turkey)

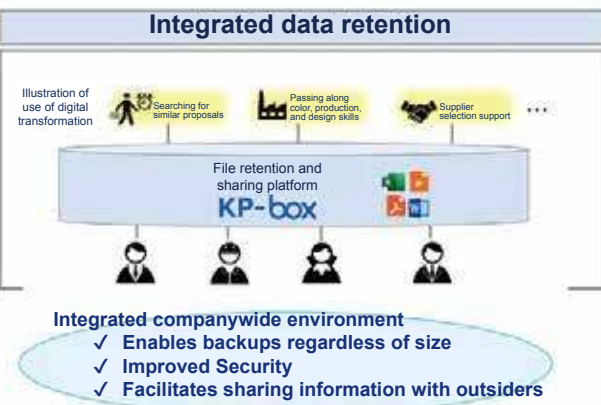
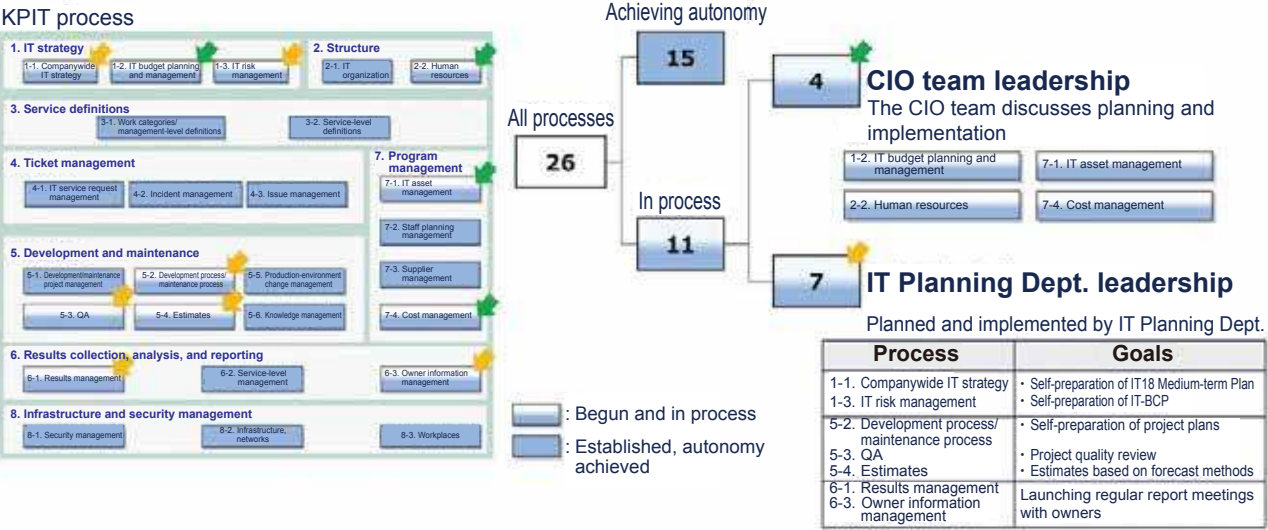
KABS is ISO 27001 certified. To earn and maintain this certification, we've formulated various policies, procedures, and guidelines based on IT standards, information security, and the GDPR. We have also appointed dedicated personnel to manage and audit operations related to information security and the GDPR in our strategy and business development sections, separately from the information technology sections. The IT team strives to adapt swiftly to technological progress. Our goal is to achieve the rapid deployment of solutions to make business processes more efficient and generate new business models. The IT Team is proud of its dynamic and energetic workplace, which is characterized by high enthusiasm and motivation. Team members are passionate about and devoted to their work, driven to take on new challenges at all times to promote state-of-the-art solutions within the company.



Yılmaz Temirci
IT Director

Talent development

Talent development is a top priority of our partnership with IBM Japan. When we launched this partnership, we generated results by making progress on various topics under the very capable leadership of IBM Japan personnel. In addition to strengthening and growing our own organization while addressing individual topics, we're strengthening autonomous capabilities through training, education, coaching, and mentoring.



Use of younger personnel

- Designed with consideration for security, referring to other examples from other companies
- Active production of materials and videos of companywide and affiliate briefings
- Comprehensive continuation of services even when receiving inquiries or facing challenges



Ms. Shimono
Second year with company

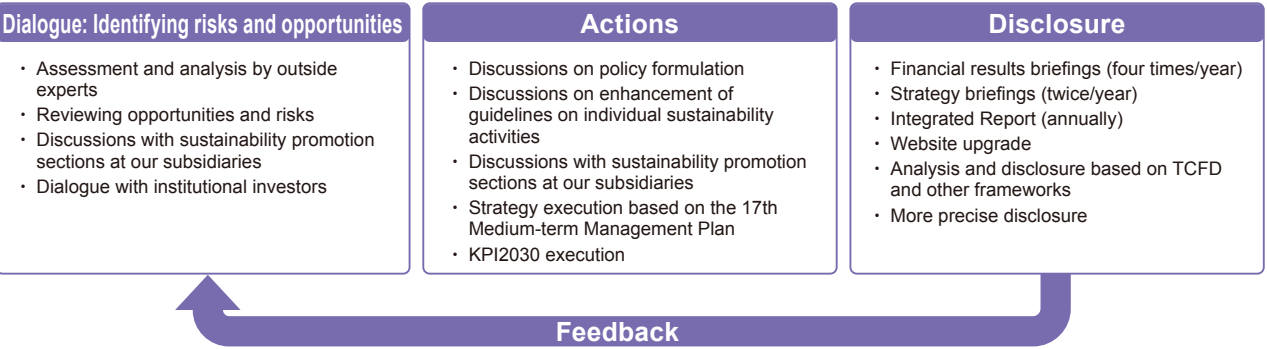
Ms. Uemura
First year with company

Source	Subject directories	Migrated	Completion planned
iSilon	18	12	September 2024
File management	50	6	August 2024
Section NAS	38	2	December 2024

Sustainability Initiatives

Sustainability activities

Recognizing sustainability as a top priority, the Kansai Paint Group is working toward various materiality issue goals under its Medium-term Management Plan. Our goal is to achieve continuing growth through ongoing improvements in environmental and social sustainability performance. This includes efforts to continue strengthening our business foundations and to achieve carbon neutrality while supporting the businesses that back our portfolio strategy.



Promotion structure

Under the Corporate Governance Committee chaired by the President, the Kansai Paint Group has established the Sustainability Promotion Committee. This committee makes timely decisions in its oversight of efforts to increase corporate value. A Director has been appointed as the person in charge to promote management that integrates a sustainability perspective. The Sustainability Strategy Department is a standing organization tasked with keeping plans up to date while integrating companywide policies from a sustainability perspective, and for ensuring that our sustainability initiatives are both aggressive and practical by implementing concrete measures in cooperation with individual sections. It also works with business sections to increase corporate value over the long term. Through this organizational configuration, which reflects our management policies, we will continue to make steady progress on sustainability initiatives.

Internal promotion activities

- Description of progress on strategies and measures from a sustainability perspective in quarterly briefings on financial results
- Promoting better understanding through website revisions
- Improving understanding and familiarity of KPI2030 items
- Enhancing the sustainability portal and information provision (Japan)
- Encouraging employees to gain certification under the Advisor for Decarbonization qualification program established by the Ministry of the Environment (Japan)

Links to executive remuneration policies

To integrate sustainability perspectives into company policies and strategies and make progress toward our vision of society, we've taken the following measures to link sustainability indicators to executive remuneration.

- Inclusion of sustainability goals in targets associated with performance-linked remuneration (portions subject to individual assessment) for Inside Directors and Executive Officers

We promote sustainability management across the Kansai Paint Group by engaging in dialogue with the sustainability teams of individual Group companies. The Sustainability Strategy Department and the Sustainability Promotion Department play central roles in these efforts, including discussions that seek to clarify how to comprehend and make progress on individual topics in working toward KPIs.

Group internal communication

Austria: Kansai Helios Coatings GmbH (Kansai Helios)

As a leading region for sustainability initiatives, Europe imposes numerous related laws, regulations, and rules. The numerous subsidiaries of Kansai Helios operate in various European markets, where they work together on the challenging tasks of collecting ESG related data, raising employee awareness, and promoting related initiatives.



India: Kansai Nerolac Paints Ltd. (KNPL)

Operating in India, a country facing numerous environmental issues, KNPL has long been highly aware of sustainability issues, as reflected in its EcoVadis Bronze accreditation. In cooperation as a member of the Kansai Paint Group, it will continue aiming to create positive impacts on the environment and society.

Turkey: Kansai Altan Boya Sanayi Ve Ticaret A.S. (KABS)

KABS has established three working groups under the Sustainability Promotion Committee: the Human and Society Working Group, the Technology and Registration Working Group, and the Energy, Responsible Production, and Responsible Consumption Working Group. The Committee promotes organizationwide sustainability activities based on swift decision-making. Although the Committee was established recently, its members are highly motivated to pursue positive reforms.



South Africa: Kansai Plascon Africa Ltd. (KPAL)

KPAL undertakes a wide range of initiatives, including promoting diversity, equity, and inclusion, employee wellness activities, and social engagement activities with roots in the community. It will continue to pursue these efforts while setting its own targets.

Indonesia: P.T. Kansai Prakarsa Coatings (KPC)

In November 2023, KPC established the ESG & SPG Development section. It's working toward its own ESG roadmap, formulated through consultation with outside experts, to help achieve the Kansai Paint Group's KPIs.



Message from the General Manager of the HR and Administrative Division

The Group promotes HR strategies based on the recognition that human resources represent the most important foundations of its business activities. Under the 17th Medium-term Management Plan, we're implementing various HR reforms, including the introduction of a job-based system for managerial staff, updating the HR system for general staff personnel, revising job descriptions, establishing competency definitions, and strengthening health management. At the same time, we're improving environments to enable diverse human resources to thrive, reforming the organizational culture, and enhancing engagement. We plan to continue actively investing in human resources on a global scale to strengthen the foundations of our HR management system that supports continuing gains in corporate value.



SANADA Hirotaka
General Manager of the HR and Administrative Division

Vision and current status

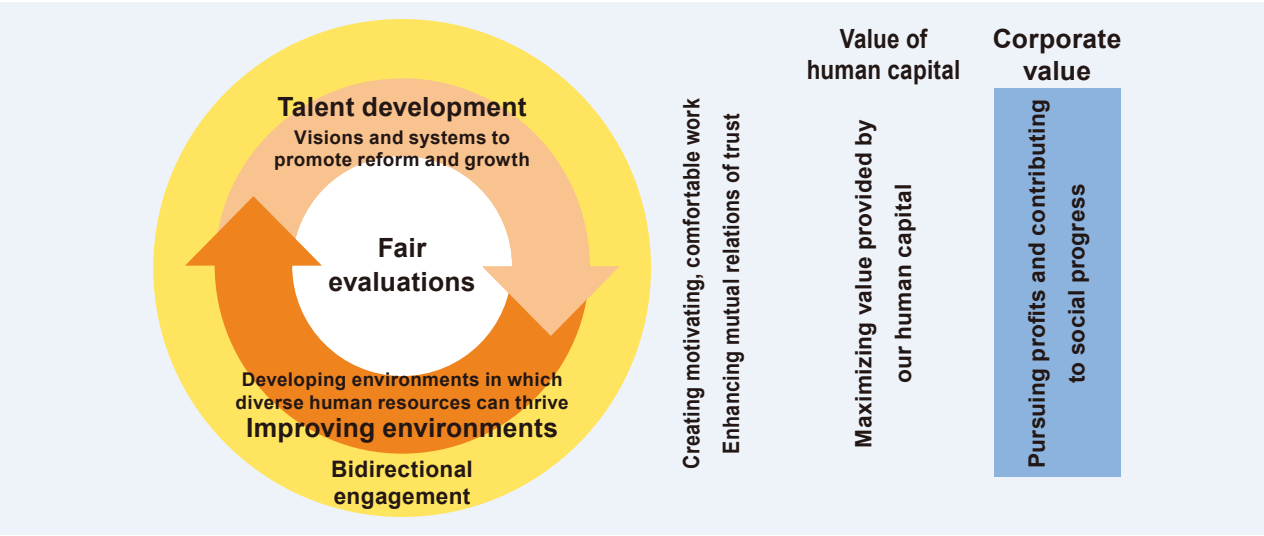
Various activities are underway under the 17th Medium-term Management Plan, which identifies HR development as a priority theme. We envision a state in which Group employees around the world will respect and work with one another to play ideal roles in each country in maximizing the Group's capabilities. While there appears to be a long way to go, we're moving forward step by step toward this lofty goal. Reforms in Japan are vital to enabling global HR management. During the period of the 17th Medium-term Management Plan, we're making steady progress toward

raising the level of HR management through HR system reforms, improvements to training organizations, improving engagement, and integration of Group employee information. Another pressing issue is the wide variation among Group companies in the area of diversity. For example, regions such as Europe and Africa are far ahead on the indicator of women as a percentage of managers, while the figure remains below 5% in Japan and India. While numerous issues remain to be overcome, we're making real progress by addressing each of them head on.

Talent development strategy

We plan to develop human resources who will contribute to corporate value as we pursue both profits and contributions to social progress. In Japan, since transitioning to a job-based system in HR evaluations of managerial personnel—a measure intended to transform the traditional HR system based on seniority to one based on actual job ability—we've been making improvements to its operation. We have

made considerable progress through means including publishing the job descriptions of managerial personnel companywide, implementing assessments, and updating the HR system for general staff personnel. Together with these systemic reforms, we're carrying out activities to address the issues identified by engagement surveys and developing training systems to develop the human resources we need.



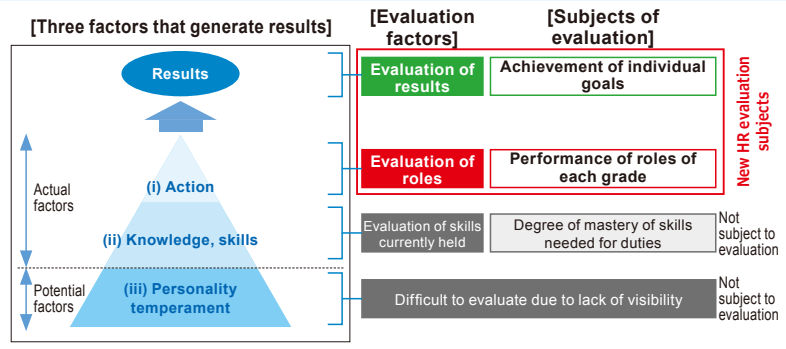
Priority policies

Talent development to promote reform and growth

An HR system incorporating job descriptions

A strong focus on seniority has long been an issue for the Group's HR system. In FY2023, by adopting a new HR system that incorporates job descriptions for core personnel in company managerial posts, we began to establish an evaluation system based on actual job capabilities. After clarifying the roles expected of each individual through these job descriptions, we undertook evaluations based on various points related to performance in these roles. The results are reflected in pay, promotions, and demotions. By preparing a cascade of job descriptions from unit heads and below based on the goals to be achieved, the new HR system more fairly and effectively rewards personnel for their individual contributions according to their roles and weighting of duties. The addition of assessments by an independent outside agency in evaluations for promotions to core posts helps identify aptitudes and strengths from an impartial perspective, unconstrained by the

company's traditional outlook. This new HR system introduced for core personnel was first expanded to include general staff personnel in FY2024. We will use this system to build a cycle in which the system and its operation are steadily improved based on interviews, allowing all company employees to demonstrate their true abilities to the fullest and to be evaluated appropriately based thereon.



Developing talent with global competitive strengths

In addition to reforming talent development systems in Japan, which have lagged behind, we have begun making preparations to establish a global HR system that makes the most of our human resources. The HR systems of individual Group companies include many

outstanding features; we plan to develop a structure for developing numerous highly suitable and highly capable human resources for the Kansai Paint Group by building a Groupwide HR system that reflects lessons learned from each of these systems.



Ms. Symanthia Batohi
Director: Human Resources & Communications

The HR system of Kansai Plascon Africa Ltd. (KPAL)

Diverse human resources play active roles at KPAL. Proper evaluations of our valuable human resources play a critical role in maintaining employee motivation and maximizing company performance. We adopted a Paterson job evaluation system to ensure consistency, fairness, and transparency in employee evaluations. Jobs are categorized into six main grades, A to F, based on complexity, responsibility, scope of decision-making, necessary skills, and other factors. These grades are subdivided into subgrades and bands for more precise job evaluations and pay. Adopting this job evaluation system helped not just in the evaluation and design of fair and equitable pay, but in the active fulfillment of important roles in subsequent HR processes:

- Providing clear pathways for hiring, career building, and successor management
- Connecting skills and competencies to training and skills development needs
- Supporting the design and maintenance of an effective organizational structure

In this way, use of an HR system that allows evaluations that put the right human resources in the right positions will secure the competitive advantages we need for the markets of the future.

Society

Priority policies

An environment in which diverse human resources can thrive

Health management and wellbeing

The Kansai Paint Health Management Declaration is intended to ensure that each and every employee can work in good health and vitality and demonstrate his or her abilities to the fullest, something essential to the company's

continuing growth. Through health management, we promote employee motivation and growth.

We are promoting employee health management activities across our Group companies.

●PT Kansai Prakarsa Coatings (KPC)

KPC (Indonesia) holds a family gathering for employees every year. This is intended to strengthen ties among employees, increase goodwill regardless of job position, and contribute to strong teamwork. This gathering provides an excellent opportunity for employees to refresh themselves and generates new inspiration.

●Kansai Nerolac Paints Ltd. (KNPL)

KNPL (India) provides a wellness app customized for employees. This app, intended for the use of all employees and their families, offers video and in-person consultations with doctors and specialists on call and three free follow-up consultations. By enabling use at the times that best suit employees, the easy-to-use app lowers the barriers for access to healthcare systems at the optimal timing.

●Kansai Paint Co., Ltd.

The health management system in Japan is used for the centralized management of the results of routine employee health checkups. We're working this fiscal year to make it possible for all employees to review their own health checkup results on the Web by establishing a dedicated page for employees. Other efforts to improve physical and mental health include support from external personal training gyms tailored to employee health checkup results (in cooperation with the health insurance society), establishing multiple external hotlines for mental healthcare, and developing environments that make it easy for employees to consult about health concerns.

Diversity, equity, and inclusion (DEI)

●My experience with childcare leave

I took one month of childcare leave when my first child was born. While I was worried whether it would really be OK to take an entire month off, since my duties included formulating the 18th Medium-term Management Plan, promoting business activities in Africa, and planning global sustainability strategies, I got started on handing over my duties and creating a job not dependent on a particular person at an early stage after talking to my superior about taking leave around the start of the year. The understanding and support of my colleagues helped quiet my concerns. During my time on leave, I got to spend precious time with my family while watching the baby grow up close. This was deeply satisfying. Since returning to work, I've been more aware of maintaining a good balance and efficiency on the job because I want to continue to value time with my family. While I love my job and the satisfaction I get from it, my time with my family is even more important. It's truly irreplaceable. I want to continue to value it properly from now on.

ENAMI Kota
Sustainability Strategy
Department
Corporate Planning Division

●DEI in South Africa

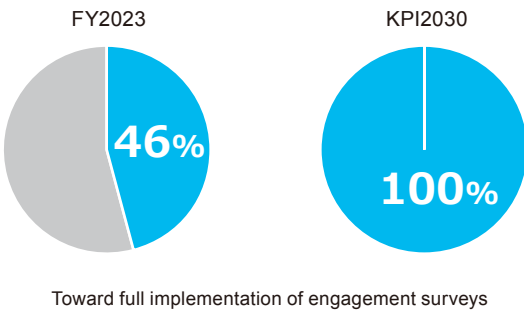
Kansai Plascon Africa Ltd. has established a wide range of policies on inclusion and equity. Through activities based on these policies, it strives to maintain workplace diversity and fairness. These policies ensure that all employees are evaluated, respected, and provided opportunities to achieve growth and progress on an equal basis. Activities to promote mutual respect among our diverse human resources include events where employees come together to celebrate Heritage Day.

Priority policies

Strengthening and continually improving relationships based on trust through bidirectional engagement

Engagement survey

One of the Group's KPI2030 targets calls for the full implementation of engagement surveys. This involves not just providing employees with opportunities to participate in the surveys, but planning and carrying out improvement measures based on the survey results. We believe this will lead to stronger relationships between the company and its employees. We plan to promote activities that will help employees understand and sympathize with company policies from the heart so that they can perform motivated work that makes them proud and succeed in comfortable working environments.



Engagement and career planning

As successive improvement measures formulated with reference to engagement survey results, we're currently revising our evaluation systems, improving communication within each section, and holding townhall meetings to deepen mutual understanding and develop a common

understanding of companywide and unit policies. These measures will allow employees to make their goals and career plans clearer while stimulating communication within the company, through interactions across sectional boundaries.

When the engagement surveys were first introduced, it was hard to grasp the purpose or what they meant or how they would be used in the future. Now it's clear that the company is making every effort to reflect survey results into active improvements. We now have more opportunities to think about what actions we need to take in the future to realize both the company's strategies and our own career plans. One improvement made this fiscal year involved forming teams in individual sections to consider ways to improve engagement within their own sections. Making career plans clear through repeated discussions of issues like how one wants to contribute to the company seems to have created an environment in which career building can proceed more seamlessly than under the previous approach.



MORITA Kumi
Technical Systems Group
IT Planning Department

[International Case Study] Iris Green Srl (IG) (Italy)

IG's philosophy calls for employees to work and grow with the company. Based on this philosophy, it takes numerous measures to contribute to the growth of both its businesses and its employees. IG holds regular activities for active communication between the president and employees, as well as team barbeques, parties, and other team-building events. Due to these initiatives and close ties to other team members, most IG employees remain happy with their work and want to stay with the company even as they've worked arduously to grow sales by around 15%. IG also conducts engagement surveys to monitor relationships between employees and the company. Its engagement survey response rate of 95% is an outstanding achievement.



Respect for human rights

Initiatives based on the Human Rights Policy

Human Rights Policy

Our mission and goal are to support the progress of humanity and society through products and services that make the most of our human capital and the technologies accumulated in the paints and coatings business. Having positioned respect as an important value, the Group respects diverse cultures and individuals as it strives to achieve coexistence with local communities around the world. We established the Human Rights Policy based on the understanding that achieving these goals will require respect for the human rights of all stakeholders, thorough compliance with laws and regulations that apply in the countries and regions in which we do business, and efforts to ensure that each and every employee fully understands the impact company activities can have on local communities.

More information: [Link to the Human Rights Policy](#)

<https://www.kansai.co.jp/sustainability/social/humanrights/>



[Human rights Case Study: Kansai Plascon Africa Ltd. (KPAL)]



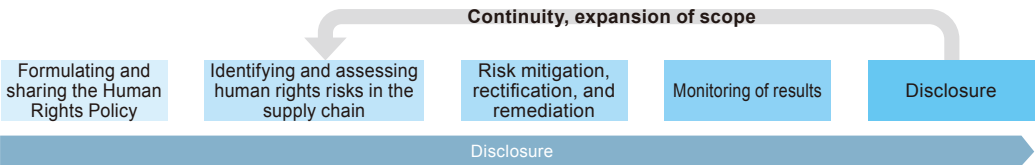
As a responsible employer, KPAL recognizes that employees represent the driving force behind business success. A commitment to respect and promote human rights throughout all business activities is essential to sustainable business. To demonstrate this commitment, it has formulated a Human Rights Policy based on the United Nations Guiding Principles on Business and Human Rights (UNGPs) and established various policies on topics like equal employment opportunities, business ethics, safety, health, the environment, risks, and quality (SHRQ), procurement, whistleblowing, and governance. The Policy guarantees various workers' rights, including the right to decent work (i.e., rewarding and humane work), freedom of association, health and safety, and freedom of speech and expression. While the KPAL Group's due diligence has not identified any major risks to date, it will continue to implement this due diligence while expanding these efforts to include customers and other stakeholders.

[Human rights due diligence]

To fulfill its responsibility to human rights, in 2023 the Group announced its Human Rights Policy. Today, it is making progress on building a due diligence structure

for human rights in accordance with the United Nations Guiding Principles on Business and Human Rights.

Steps of human rights due diligence



MIMA Atsuko

Legal and Compliance Department

As a Group that engages in business around the world, we need to develop and implement a medium- to long-term roadmap for human rights due diligence efforts that accounts for the entire supply chain. We plan to make steady progress on fulfilling our corporate responsibilities.

Human rights due diligence must be an ongoing process. We plan to undertake this responsibility based on global cooperation, including efforts to seek out the opinions of outside experts.

TANIGUCHI Minami

Legal and Compliance Department



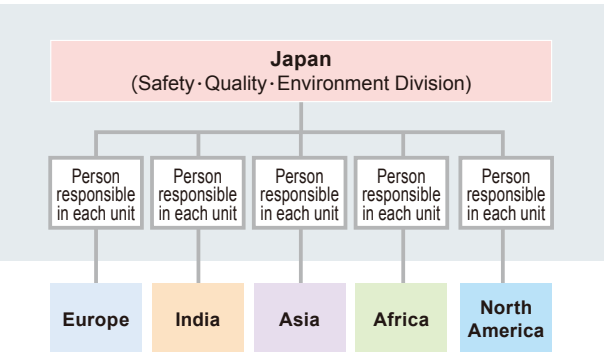
Occupational health and safety

Policies and basic concepts

The Group strives to enhance health and safety management on a global basis so that all employees can work in safety and good health. Through daily health and

safety activities, we foster a culture in which each and every individual is aware of risks and colleagues point them out to one another to prevent accidents throughout the Group.

Promotion structure



The Group maintains systems and policies related to occupational health and safety and pursues training and improvement activities in strict compliance with the laws and regulations of each country and related policies, including those of the Ministry of Health, Labour and Welfare of Japan and the International Labour Organisation. The Safety·Quality·Environment Division in the Supply Chain Unit and the Safety Management Committee play central roles in efforts to improve occupational health and safety within the Kansai Paint Group. In Japan, we perform annual centralized environmental health and safety diagnostics through which management and union representatives monitor the state of safety management at each business site. In addition, we pursue ongoing activities to improve safety Groupwide, including global reporting and sharing of the causes of accidents in Japan and elsewhere, as well as the corresponding preventive measures.

Initiatives to improve occupational health and safety



[Safety activities at Kansai Prakarsa Coatings (KPC)]

Before dawn on June 17, 2020, KPC (Indonesia) suffered a massive fire that destroyed a warehouse at its Tangerang Plant. Since then, it has designated Safety Day in mid-June of each year to raise awareness of safety and ensure that this fire is never forgotten. Safety Day starts with a briefing from President Nakagawa, conveyed over the Web between the Head Office and branch offices, and presentations of video recordings of news reports on the fire and later rebuilding activities. These are followed by the year's health-and-safety and Five S awards, reporting on safety activities, and drills to identify potential workplace dangers. Lastly, all personnel repeat the KPC slogans, “No operation without safety” and “Safety is my responsibility.” No major accidents occurred at KPC in FY2023, but it continued to experience minor incidents. Certain safety issues still remain. KPC will seek to strengthen employee sensitivity to safety issues and maintain thoroughgoing efforts to prevent accidents.

[Safety activities at Kansai Plascon Kenya Limited]

Through fire safety and first aid training required by law in Kenya, Kansai Plascon Kenya strives to prevent accidents, raise safety awareness, and improve its response capabilities. [Training in FY2023]

- Fire safety training
Trainees: 57 fire safety managers
Details of training: Stages of a fire, firefighting methods, types of fires, firefighting equipment, recognizing fire risks, fire prevention, evacuation procedures, fire safety law, practical application of fire safety, etc.
- First aid training
Trainees: 44 first aid staff members
Details of training: Emergency treatment of bleeding and light injuries, handling unconscious patients, gas leaks, responding to ingestion of corrosive or toxic substances, CPR, first aid for patients with special conditions, transporting the injured, preventive measures against HIV and AIDS infection in first aid, emergency preparedness and practical responses, etc.



Environment

Message from the Director of the Sustainability Promotion Department

Based on our Corporate Policy on the Global Environment, we strive to address environmental issues through responsible care and other initiatives. We have established our basic position on climate change, water resources, and biodiversity based on this Corporate Policy. In carrying out our business activities, we strive to recognize the opportunities and risks presented by climate change and the natural environment, dependency on environmental resources, and the changing environment. We promote efforts to reduce GHG emissions and our environmental impact.

Corporate Policy on the Global Environment

1. We provide products that reflect consideration for their impacts on people and the environment.

2. We seek to predict impacts on people and the environment and respond to them in advance.

3. We contribute to society by promoting awareness of the environment, safety, and health.

4. We disclose and provide information on the environment, safety, and health.

Facing up to global environmental initiatives

Demands for disclosure concerning sustainability, including carbon neutrality and other environmental issues, are growing worldwide. These disclosures must be more precise, extensive, and transparent. We have established the Sustainability Promotion Committee, Sustainability Strategy Department, and Sustainability Promotion Department; identified materiality issues; and announced our KPI2030 targets. We are broadening discussions of sustainability topics from the Committee to the entire company and to Group companies. The Sustainability Promotion Department also works with each unit and with each Group company to gather ESG information concerning the Group as a whole, to prepare for disclosure of the information demanded and be ready for the movement toward regulation underway in Japan and other countries. Every day, we take on the challenge of making steady preparations in this area. These activities consist of long-term activities targeting 2050 and beyond, as well as medium-term targets to be achieved by 2030 and short-term initiatives that will move us closer to these targets. In addition to working with each Group company, we will broaden these activities throughout the supply chain. We must address numerous events and issues. We plan to make progress on responding to the sustainability movement in cooperation with the units involved and other Group companies. We will also disclose the results and details of these activities in accordance with Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) standards and Carbon Disclosure Project (CDP) responses.



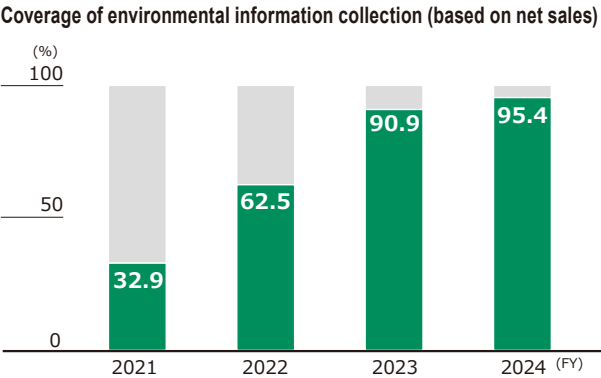
ITO Yuji
Director of Sustainability Promotion Department

More information: Sustainability Library: ESG Data Link

<https://www.kansai.co.jp/sustainability/library/>

Efforts to increase the coverage and precisian of environmental information collection

The Group collects environmental information with FY2021, the year Groupwide information collection began, set as the base year. We're making progress on increasing the coverage ratio of such information based on net sales. Coverage has grown from just 32.9% on a nonconsolidated basis to 95% in FY2023. We're also making this information more precise by reconciling minor differences in item definitions and calculation methods among Group companies. This will help bring how we obtain this data closer to standard international methods that comply with the Science Based Targets.

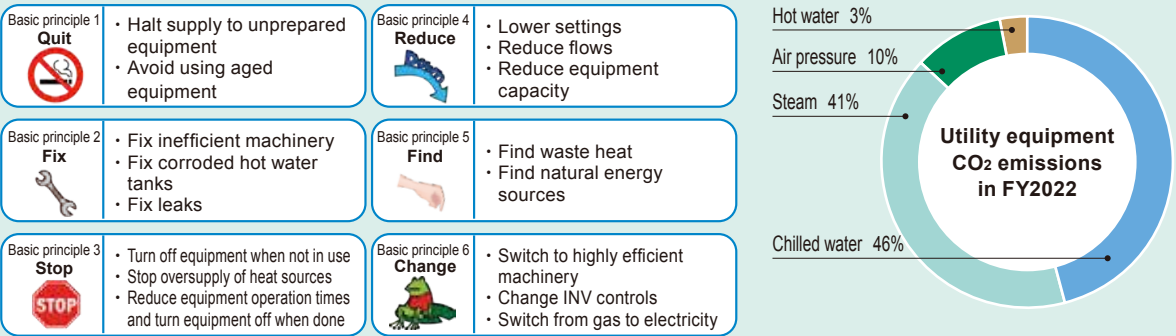


Efforts to reduce GHG emissions at manufacturing worksites

Kansai Paint's production facilities are undertaking Pro-Smash activities to achieve improvements with regard to various workplace issues. Our team took on the challenge of reducing CO₂ emissions at the Nagoya Plant, our worksite. The Group's KPI2030 targets call for reducing GHG emissions (Scope 1 and Scope 2) by 30% (vs. FY2021). We began by setting a target of 3.8% reductions at the Nagoya Plant based on team discussions. A breakdown of emissions at the Nagoya Plant in FY2022 shows that about 64% came from utility equipment. Water-cooling and steam equipment alone accounted for more than 80% of this figure. Accordingly, we considered how to reduce emissions from utility equipment by proposing measures based on six focal points for eliminating waste.



HASEGAWA Taketoshi
Engineering Group Production Department Nagoya Plant



Based on the findings of our research and study, we chose to proceed with the following measures for (i) freezers in the engineering building, (ii) water-cooling equipment for production use, and (iii) boiler steam equipment. The team met repeatedly to investigate the status of these operations and to determine optimal conditions while making adjustments with the sections involved and securing the necessary funding. Through these and other measures, we were able to reduce emissions by a total of 415 t-CO₂ (6.1%), a figure that significantly exceeds the 3.8% target. These outstanding results have given us much confidence and bolstered our experience. They have inspired us to work to achieve the Nagoya Plant's CO₂ emissions targets at the earliest possible date and to share information with other sites and affiliates.

Subject	Details	CO ₂ reduction (t-CO ₂ /year)
(i) Freezers in the engineering building	Efficiency improvements	194.3
(ii) Water-cooling equipment for production use	Optimal cycle controls	45.2
(iii) Boiler steam equipment	Optimizing steam pressure settings	31.3
	Optimizing air-supply time	74.1
Other		70.2



Responding to climate change (efforts toward carbon neutrality)

Our policy and basic position on climate change

Climate change affects the entire planet and threatens the safety of everyone on earth. Understanding climate change to be one of its most important topics, the Group has established its basic position on climate change based on its Corporate Policy on the Global Environment. It has identified decarbonization as a materiality issue and is striving to reduce GHG emissions to achieve carbon neutrality by 2050. In addition to promoting efforts to reduce GHG emissions throughout the supply chain and reducing the carbon footprint of our products and services, we will contribute to a sustainable society and reduce our environmental impact by appropriately managing all substances that affect the environment.

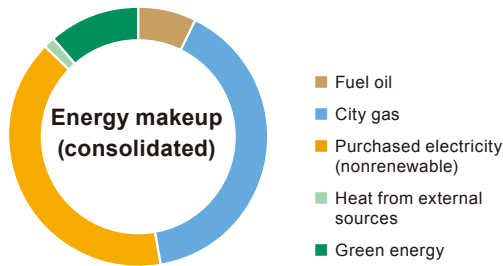
Basic position on climate change

1. Responding to climate change is a top priority. We will strive to achieve carbon neutrality by 2050 through aggressive GHG emissions reductions.
2. We support the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and disclose information in line with them.
3. We strive to reduce emissions not just in house but across the supply chain as well.

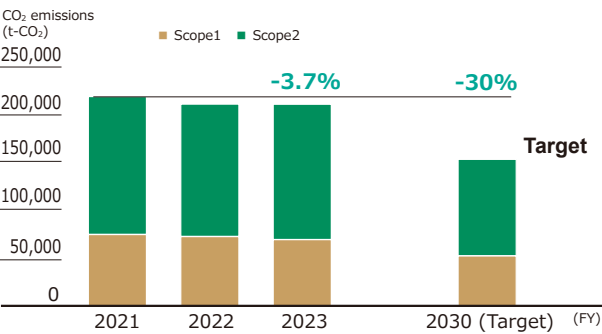
GHG emissions reductions (Scope 1 and Scope 2)

We will reduce GHG emissions by reducing energy consumption and promoting use of renewable energy

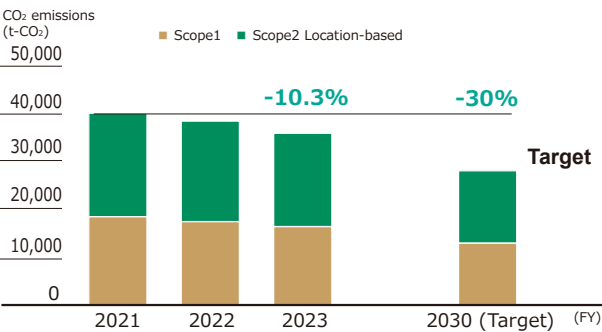
Under the Green Energy Plan, switching to renewables was given priority in India, where the percentage of energy from renewables reached 11.2%. While Group companies are also switching to renewables, they are not making progress on reducing energy consumption. We will reduce GHG emissions Groupwide by studying optimal measures for switching and reduction in each region.



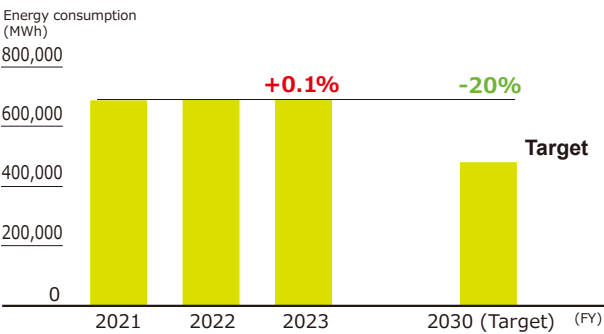
GHG emissions (Scope 1 and Scope 2): consolidated



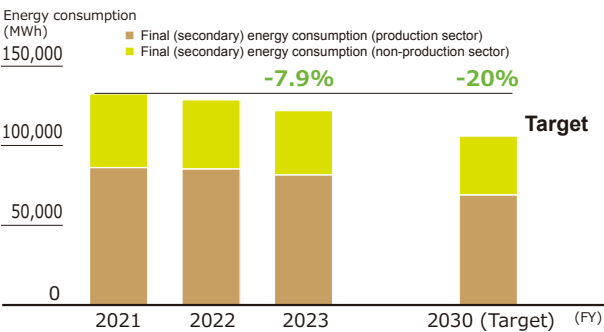
GHG emissions (Scope 1 and Scope 2): nonconsolidated



Energy consumption: consolidated



Energy consumption: nonconsolidated



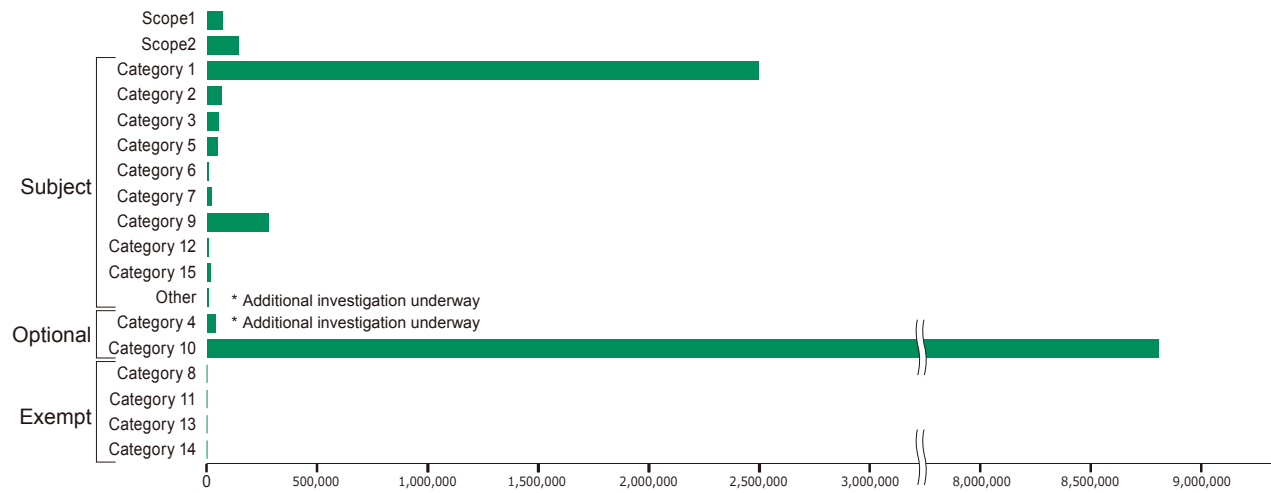
Scope 3 estimates

Developing and deploying materials to control GHG emissions in Category 10 (processing of sold products: painting and drying processes) will help respond to climate change

We estimated the Scope 3 emissions of Group companies by adjusting definitions, scope, and calculation methods for each category of Scope 3 with reference to the recommendations of the Science Based Targets Initiative. Category 10 GHG emissions are generated from mixing, painting, and drying processes by retailers and customers after the sale of the paint (e.g., auto painting lines). While their volumes are significant compared to Scope 1 and Scope 2, they lie beyond our direct control. As such, we

consider them as emissions for which calculations and reductions are optional. Category 4 emissions (raw materials distribution) are also optional, while emissions in categories 8 (upstream leased assets), 11 (use of sold products), 13 (downstream leased assets), and 14 (franchises) are negligible and not subject to control. After adding in-house logistics between business sites, we identified 10 other items subject to control.

GHG emissions by category



* Emissions for items under additional investigation may increase with future surveys.

Focusing on businesses to advance carbon neutrality: Rail paints business

To enhance climate change countermeasures, Europe has set targets for reducing greenhouse gases (GHGs). Decarbonizing transport, which accounts for about one-fourth of total EU GHG emissions, will prove crucial to achieving these targets. Rail is expected to serve as a sustainable means of transport, since its emissions are much lower than those of automobiles and aircraft. Broadening ridership and expanding the infrastructure in the rail sector across the EU is an important goal. Backed by this policy, industrial growth and employment creation in the European rail sector are advancing.

Against this backdrop, Kansai Helios Coatings GmbH, a European subsidiary of the Kansai Paint Group, is

actively investing in the rail paints business as part of its sustainability initiatives. Under the 17th Medium-term Management Plan, we participated in three M&As related to rail paint. Through these M&As and the resulting synergies, we plan to enhance our position and competitive strengths still further in Europe and beyond to the whole world, seeking eventually to become Europe's largest supplier of rail paints.



ÖBB Cityjet (Austria)



DB ICx (Germany)



SNCF TGV (France)

Addressing climate change (disclosure based on TCFD recommendations)

Disclosure based on TCFD recommendations

The Group is making progress on efforts to disclose information on the 11 items recommended by the Task Force on Climate-Related Financial Disclosures (TCFD) in due course. (See the company website.)

Climate change is a threat to humanity that cannot be disregarded. The Group considers it to be a top management priority; following internal discussions and interviews with experts in various fields, it has issued a statement on Groupwide efforts. In November 2021, it announced the new materiality initiatives to serve as the basis of these activities. These include decarbonization and advancing recycling and the circular economy.

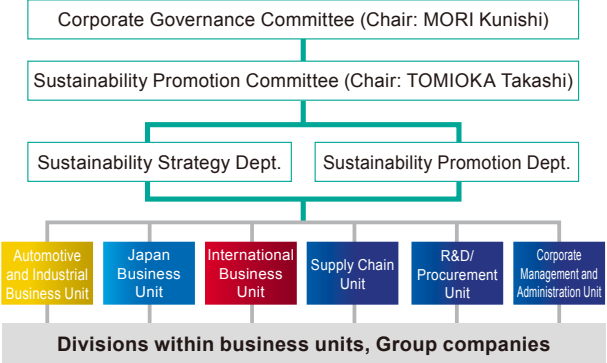
In November 2021, we declared our support for the TCFD.

Alongside efforts to address climate change, we will disclose information in accordance with the TCFD recommendations and identify and disclose risks and opportunities through scenario analysis. In an industry-academia partnership with Kyoto University, we are studying various matters including the impact of climate change in our markets and their distinguishing features in individual regions from a global perspective.

We will consider various impacts corresponding to the 1.5°C scenario, which assumes measures are taken to address climate change, and the 4°C scenario, which assumes things will proceed on the present course. We will anticipate changing market conditions based on the results. Then, we will reassess the risks and opportunities these changes pose for individual businesses.

Governance

Since April 2022, the Sustainability Promotion Committee has been positioned under the Corporate Governance Committee. The resulting structure is intended to help clarify and monitor related policies. In April 2023, we appointed a Sustainability Officer and established the Sustainability Strategy Department and the Sustainability Promotion Department as two specialized sections, tasked with companywide strategic planning to embody sustainability management. The responsibilities set for the Sustainability Promotion Department are to gather and analyze information on sustainability, to draft practical measures, to support the promotion of these measures, and to expand related activities on a global scale. In these and other ways, it will work with business units to strengthen corporate value over the long term. In addition, plans for and progress in achieving KPIs are reported quarterly to the Exco meeting and to the Board of Directors. The Board provides thoroughgoing oversight of all related activities.



Identifying risks and opportunities

In the process of identifying our materiality issues, we held management-level workshops with support from outside experts to assess the importance of various related initiatives. In cooperation with management, the Sustainability Promotion Committee, established by a resolution of the Board of Directors, identified company topics and considered courses of action on materiality through dialogue with outside

advisors, shareholders, investors, and sustainability rating agencies. As part of this process, we ascertained topics that may lead to opportunities to devise or identify solutions to social challenges involving our businesses and products, as well as environmental and social impacts. We undertook assessments, analyses, and verifications in light of various risks to mitigate the resulting potential burdens on stakeholders.

	Category	Specific example	Term of impact		
			Short	Medium	Long
Transition risks	Policies and laws	• Cost of carbon taxation and climate change countermeasures		●	●
	Technology	• Restrictions on the use of chemicals in general		●	●
		• Costs and raw material supply issues associated with materials conversion		●	
		• Cost of investments in carbon-negative technologies			
Physical risks	Markets	• Changes in the business environment that affect our ties to existing customers		●	●
	Reputation	• Reputation of chemical companies		●	●
		• Damage to corporate reputation due to delays in addressing climate change			
	Acute	• Impact on the company and supply chain due to abnormal weather or wind and water damage	●	●	
Opportunities	Chronic	• Risks to business continuity planning due to warmer temperatures and rising sea levels			●
	More efficient use of resources	• Increased opportunities for sales of products and services that strengthen durability	●	●	
	Energy sources	• New products and services to help conserve energy in customer production processes	●	●	
	Products and services	• Emerging needs related to climate change countermeasures and recycling		●	●
	Markets	• Emergence of new businesses due to industrial structural changes		●	●
	Resilience	• Business needs related to promoting environmental resilience			●

Examples of opportunities

- ▶ Addressing climate change to expand market share for existing businesses
- ▶ Engaging in new businesses through activities involving climate change

Proposing the climate change solutions customers need (products and services)

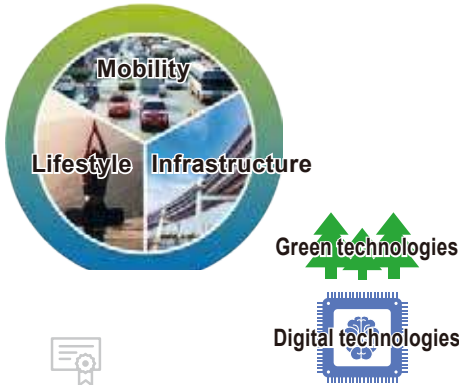
Should customers across industries find that they must take action to address climate change, we will be able to propose reforms suited to their specific needs and circumstances. For example, we can propose processes and supply optimal paint and coating materials to control GHG emissions in painting and drying processes.

➡ Controlling air conditioning energy use, lowering temperatures of drying, reducing volatile organic compounds (VOCs)

Responses

We've redirected our R&D initiatives toward schemes that will meet emerging needs. We will develop solutions that leverage our patent base and core technologies, focusing on the areas of mobility, infrastructure, and lifestyle.

R&D schemes



Emerging needs (markets) spurred by climate change, including those related to renewable energy

Emerging markets will take shape alongside dramatic progress with electric vehicles (EVs), renewable energy, and other technologies. We plan to meet the needs that emerge from these new markets based not just on paints and coatings, but other new materials.

➡ Agriculture, LIB, paints and coatings to improve the durability of offshore wind power facilities

Examples of risks

- ▶ Carbon taxation
- ▶ Raw materials supply issues
- ▶ The changing business environment of existing customers

	Measures
Minimizing the impact of carbon taxation Developed countries are increasingly adopting carbon taxation to accelerate progress with environmental measures. A carbon tax of \$130/t-CO ₂ , for example, would result in a burden of 340-690 million yen on a nonconsolidated, or 1.5-3.0 billion yen, on a consolidated basis.	Minimizing financial impact by reducing GHG emissions. Rapidly achieving the KPI2030 target of 30% reductions in GHG emissions (Scope 1 and Scope 2) and considering and deploying measures to increase reduction rates still further.
Mitigating risks through dialogue with raw materials suppliers The production of paints and coatings consumes large volumes of raw materials derived from petroleum. Various factors, including measures to address climate change and materials supply issues, are currently generating instability and driving up prices. Our current GHG emissions from raw materials, included under Category 1 of the Scope 3 emissions, is quite high: around 2.5 Mt-CO ₂ eq. We believe reduction of GHG emissions from raw materials will have a huge impact. Even a 1-10% change in raw materials costs would have an impact of 450 million to 4.47 billion yen on the company on a nonconsolidated basis.	Incorporating climate change risk management into raw materials procurement policies and managing risks by sharing risks and opportunities through dialogue with our supply sources. Directing R&D to find ways to adopt new eco-friendly raw materials such as biomass and recycled materials.
Partnering with customers to realize carbon neutrality The painting lines operated by key automakers account for roughly 20% of total GHG emissions from all automobile production processes. We run the risk of losing this business if we are unable to meet customer need to move toward carbon neutrality. In Japan alone, this loss would have an annual impact of 1-2 billion yen on the domestic automotive OEM business. The risk is still greater if we include the industrial segment and overseas businesses.	We face a pressing need to respond to the pressure on our customers to address climate change: by offering products and services that reduce GHG emissions and by developing and deploying products and services that reduce their carbon footprints. We plan to enhance our R&D structure to meet these needs.

Advancing recycling and the circular economy

Water use policy and basic approach

Water is an essential resource for Group businesses. High quality water is a raw material for water-based paints and coatings. High quality water plays a role in production processes for synthetic resin, pigment dispersion, etc.

To conserve and make more effective use of valuable water resources, we have developed a basic approach to our water resources based on our Corporate Policy on the Environment.

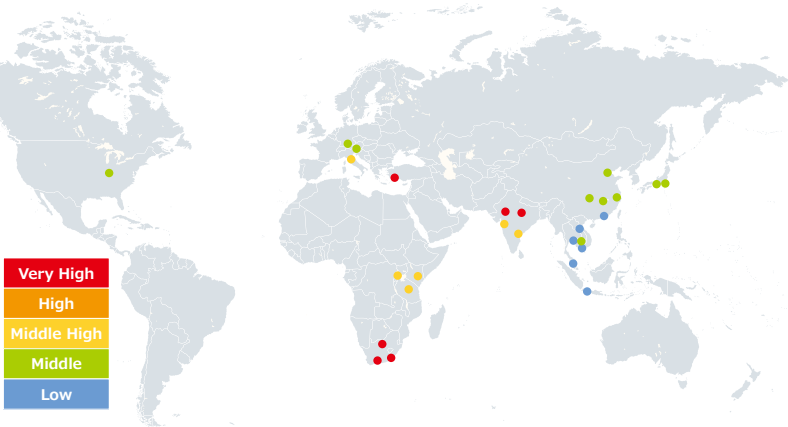
- Basic approach to water resources**
- 1. Water is a precious resource. We will strive to conserve water and encourage efforts to conserve water across the supply chain.
 - 2. High quality water is essential to our businesses. We will strive to make effective and efficient use of water by managing water consumption and water quality.
 - 3. We will identify the regional (and thus seasonal) characteristics from which we source water and apply the suitable management.

Identifying regions subject to water stress and prioritizing them in promoting effective use of water resources

We assess water stress (drought risk) at each company production site based on various sources, including the Water Risk Filter, Aqueduct, and annual precipitation, as well as local interviews.

Prioritizing sites at which water risk has been identified as very high, we consider countermeasures and proceed with related measures, deploying lessons from the case of India, where earlier water use measures have generated results.

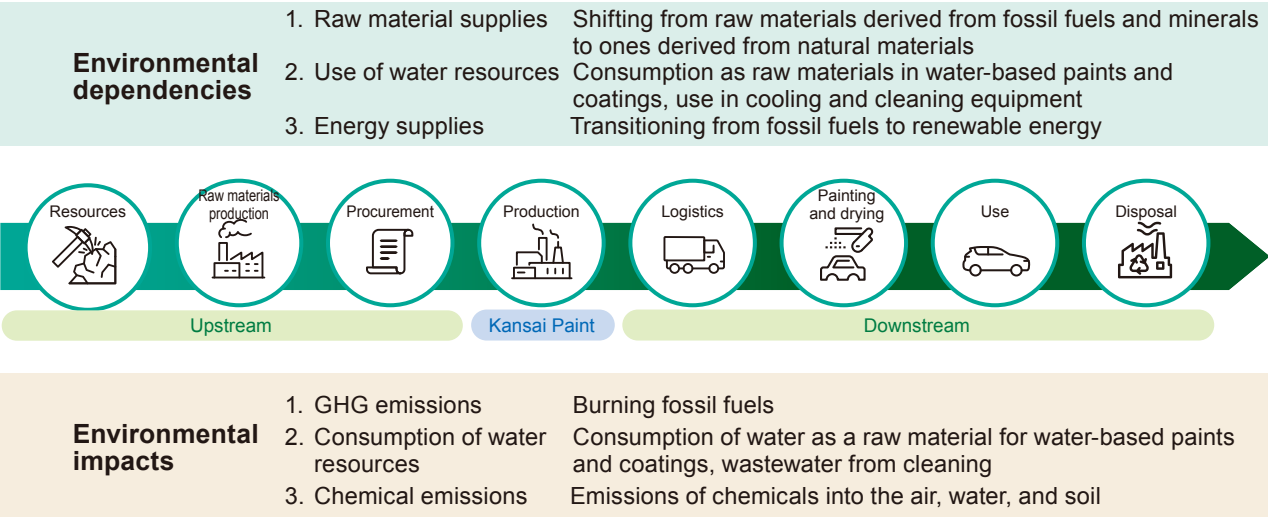
We have also begun examining our impact on the water cycle across the supply chain.



Our relationship to the environment across the supply chain

It is vital to accurately grasp the relationship (dependencies, impacts) between our business activities and the environment across the supply chain. These relationships go beyond the sites operated by Group companies. They also involve the locations of primary and secondary raw materials suppliers (upstream). GHG emissions and risks of chemical release, in particular, can affect areas in which customer production plants are located as well.

We're assessing dependencies and impacts from multiple approaches, including GHG emissions, use of water resources, biodiversity, and control of chemical substances. Our KPI2030 targets include KPIs that can be used to assess the causes and effects associated with GHG emissions and the scale of our relationship to water resources. We will add and revise KPIs as necessary as we proceed with assessments.



Container recycling

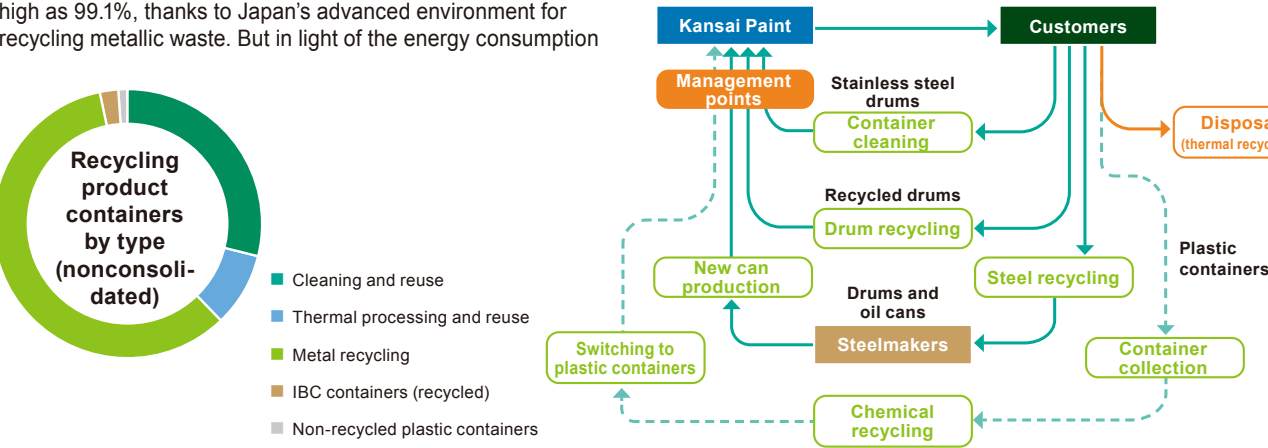
Optimal container recycling for more advanced resource recycling and the circular economy, with a focus on recycling processes

The cost of purchasing product containers is a key point in managing product containers to increase recycling rates. Recycling involves various options, including those for cleaning and reuse, thermal processing for reuse, and recycling metal containers into recycled materials. But the goal is not recycling itself. The goal is to achieve effective recycling that accounts for aspects such as the GHG emissions generated in the process and economic impact.

In the Japanese market, where most product containers are metal, the recycling rate for product containers can be as high as 99.1%, thanks to Japan's advanced environment for recycling metallic waste. But in light of the energy consumption

and GHG emissions associated with the recycling process, we are currently seeking to switch to more eco-friendly cleaning and reuse and more eco-friendly thermal processing and reuse.

We plan to improve recycling by considering various measures, including use of recycled materials and biomass materials in the B to C business, in which container recovery presents various difficulties, and in the overseas construction business, where plastic containers represent the mainstream.



Basic approach to biodiversity

We consider preservation of biodiversity to be one sustainability priority. In our business activities such as raw materials procurement, research and development, production, and supply of products and services, we accurately identify the impact on natural capital and promote efforts to incorporate consideration for a natural environment in which diverse organisms can coexist sustainably. In addition to our materiality activities that include decarbonization and advancing recycling and the circular economy as part of our climate change initiatives, we also strive toward effective control of chemical substances. We will also strive to eliminate use of endocrine disruptors such as nonylphenol and octylphenol.

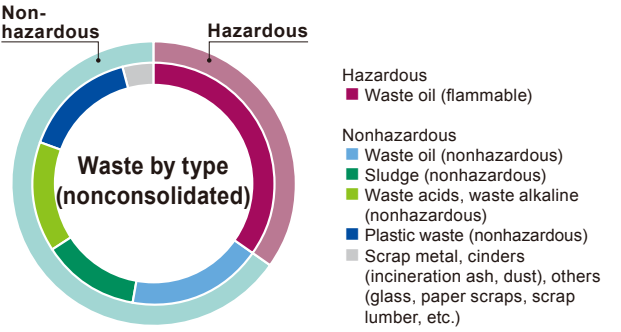
- Basic approach to biodiversity**
- 1. We strive to preserve biodiversity, a vital aspect of environmental conservation, and improve quality of life (QOL).
 - 2. We strive to achieve coexistence with biodiversity. We consider biodiversity impacts across the supply chain, not just in company activities with clear and obvious biodiversity implications.
 - 3. By reaching an understanding of the regional and temporal properties of biodiversity, we will deploy the management needed for each region.

Waste reductions

Waste handling is critical not just for recycling and the circular economy, but for effective control of chemicals.

In addition to handling waste in accordance with local laws and regulations, we will strive to manage and improve waste treatment in line with our KPIs for recycling and waste reduction.

Waste categories and handling requirements vary by region and affiliate company. The Group is considering ways to visualize and compile the data used in improvement activities to meet our goal of advancing recycling and the circular economy.



Corporate Governance

Basic approach to corporate governance

The Kansai Paint Group's Corporate Philosophy includes the following 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 for our stakeholders." We strive to strengthen our corporate value over the medium to long term based on this Mission Statement. We recognize enhancing corporate governance to be a key management priority. Through the corporate governance system described below, we strive to build a sound, transparent, and efficient management system by fulfilling management responsibilities based on an attitude of accountability toward shareholders and other stakeholders.

More information: Policies and initiatives under the Corporate Governance Code

<https://www.kansai.co.jp/sustainability/governance/corporate-governance/>

Migration to the formal status of a company with an audit and supervisory committee

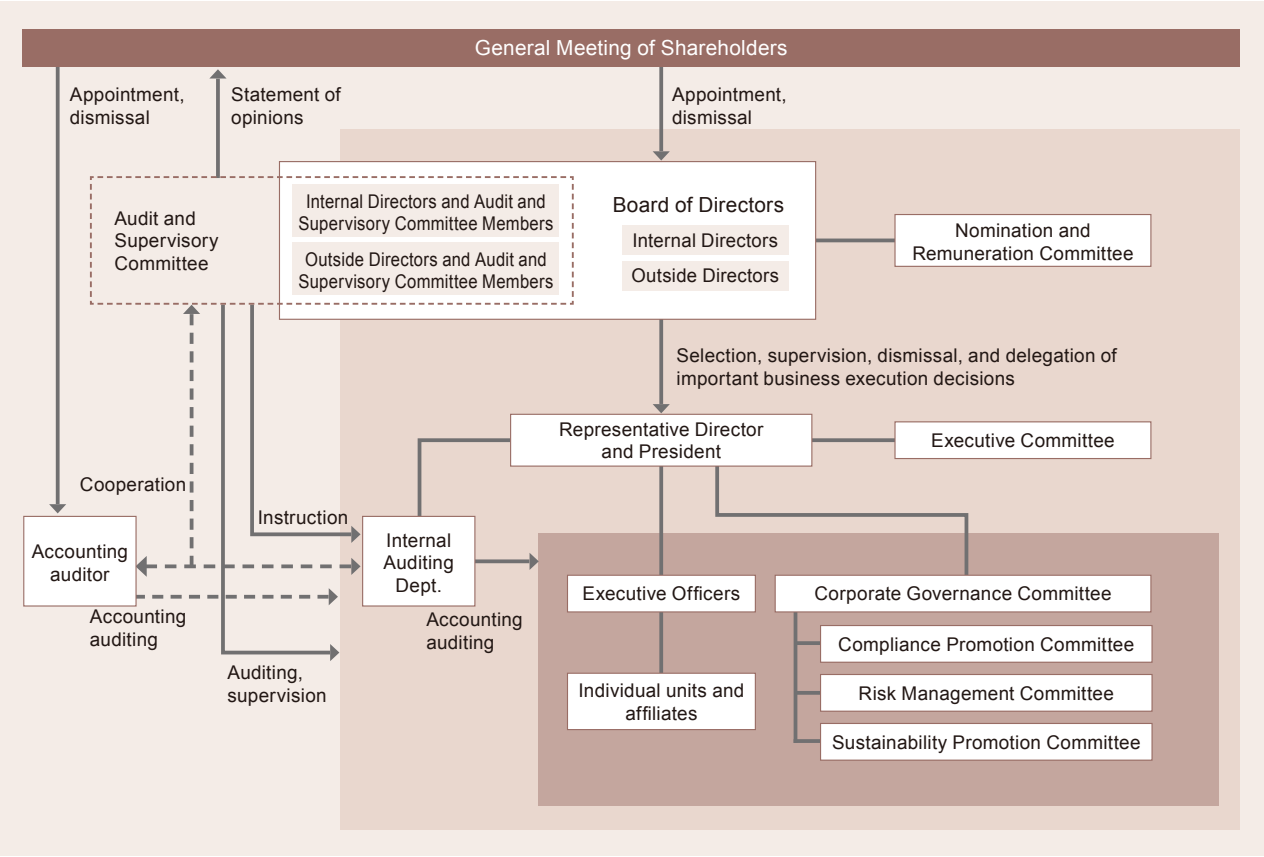
We strive to be a truly global enterprise that promotes growth strategies and strengthens management foundations. To adapt swiftly and flexibly to a business environment in constant flux and to increase corporate value continually, we have made the decision to migrate to the formal status of a company with an audit and supervisory committee. This system involves the following changes:

(1) Enhancements of the Board of Directors' oversight functions
The Board of Directors' oversight functions will be enhanced by the participation of Audit and Supervisory Committee members, whose responsibilities include audits of the execution of the Board's duties, in Board deliberations and by their exercise voting rights as members of the Board.

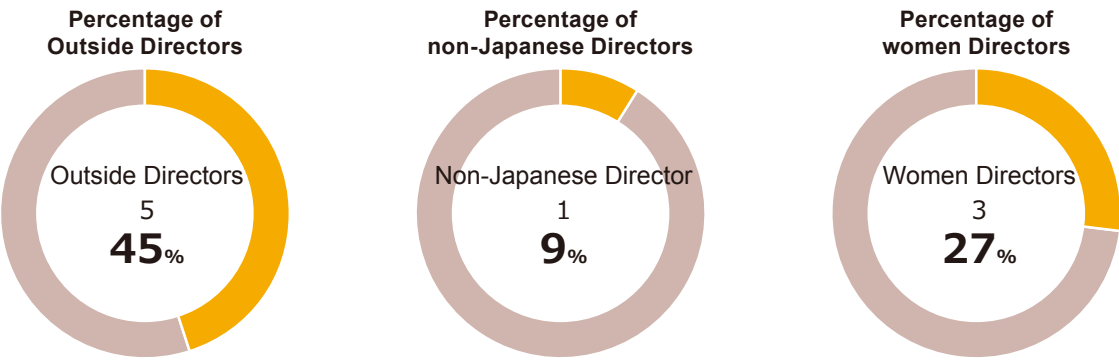
(2) More nimble decision-making and business execution
Delegation to Directors of the Board's decision-making authority on business execution is intended to further accelerate the processes of decision-making and business execution under the oversight of the Board of Directors.

(3) More transparent management
The Audit and Supervisory Committee, a majority of whose members consist of Outside Directors, will audit and supervise business execution from the perspectives of compliance and propriety, thereby realizing highly transparent management and a structure capable of effectively meeting the expectations of our domestic and international stakeholders.

Corporate governance organizational diagram (as of July 2024)



Corporate governance organization graphs (as of July 2024)



Management and business execution structures

Board of Directors

In addition to quarterly reviews of business results, the status of business execution, and progress on the Medium-term Management Plan, the Board deliberates on management policies and important topics as stipulated in laws, regulations, the Articles of Incorporation, and the Board of Directors Regulations.

The Board is characterized by a balanced organization that reflects the insights and abilities essential to fulfilling its duties, as well as diversity in gender and international origins. Directors are appointed to one-year terms in annual General Meetings of Shareholders.

Optional advisory committees

Nomination and Remuneration Committee

The Nomination and Remuneration Committee strives to make the Board more effective by deliberating on matters such as self-evaluations of the operations of the Board, evaluations of the performance of Directors and Executive Officers, and approach to Director compensation.

Candidate Directors submitted for consideration by the annual General Meeting of Shareholders are selected by the Board following deliberation by this committee.

Audit and Supervisory Committee

- In addition to participating in deliberations and exercising voting rights in the Board of Directors, Audit and Supervisory Committee members audit the Board's execution of duties and prepare audit reports.
- The Audit and Supervisory Committee formulates opinions on the appointment, dismissal, and decisions not to reappoint Directors (excluding those who are Audit and Supervisory Committee members) and on matters such as compensation for Directors.
- The Audit and Supervisory Committee determines the specifics of regulations concerning the appointment, dismissal, and non-reappointment of the accounting auditor.

Exco meeting

The Exco meeting, whose membership consists primarily of Executive Officers of the rank of the President and below, deliberates on various matters related to management strategies and on important matters concerning business execution and related policies. The matters then determined by the Board before being put into execution. The system is intended to enhance the separation of oversight and executive functions.

History of the corporate governance structure

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Organization		●Policy formulated on the Corporate Governance Code						●Sustainability and Compliance Promotion Committees established			●Migration to formal status of company with an audit and supervisory committee
Officer structure		●Two Outside Directors appointed	●Evaluation Committee met	●Director term of office shortened to one year		●Outside Directors specified as one-third of all Directors				●Four Outside Directors appointed	●Five Outside Directors appointed (including Audit and Supervisory Committee members)
Remuneration systems	●Performance-linked remuneration system			●Performance-linked share-based remuneration system					●Officer remuneration system revised		

Corporate Governance

Composition of the Board of Directors and Directors' experience and skills												
The expertise we deem necessary in company management and expect from individual Directors are shown below. The combinations of skills expected of Directors are used				to formulate the appointment policy while optimizing and adding items and properly verifying them in accordance with the business environment, business characteristics, and other factors.								
	Name	Nomination and Remuneration Committee		Main areas of specialization and experience								
		Evaluation, remuneration	Nomination	Business management	Sales and marketing	Finance and accounting	Global	R&D, SCM	HR, talent development	Legal, risk management	ESG	IT, digital
Directors	MORI Kunishi Representative Director and President	○		●	●						●	
	TAKAHARA Shigeki Representative Director, Vice President, and Executive Officer	○		●		●	●			●	●	●
	NISHIBAYASHI Hitoshi Representative Director and Senior Executive Officer	○		●	●		●					
	KAJIMA Junichi Director and Managing Executive Officer			●			●	●				
	TOMIOKA Takashi Director and Managing Executive Officer			●	●	●	●		●		●	●
	OMORI Shinichiro Outside Director	Independent	○	○	●		●			●	●	●
	YOMO Yukari Outside Director	Independent	○	○	●		●		●		●	
	Asli M. Colpan Outside Director	Independent	○	○	●		●			●	●	
Audit and Supervisory Committee Members	HASEBE Hideshi Audit and Supervisory Committee Member					●						
	YAMAMOTO Tokuo Outside Audit and Supervisory Committee Member	Independent	○	○		●	●			●	●	
	NAKAI Hiroe Outside Audit and Supervisory Committee Member	Independent	○	○						●		

Nomination of Directors and Audit and Supervisory Committee Members	
Candidates for Director are nominated in consultation with the Nomination and Remuneration Committee, with an emphasis on the following matters:	
• Candidates for internal Director:	Nominated to achieve a well-balanced Board of Directors with due consideration of gender and international diversity and the insights and capabilities needed to fulfill the duties of the Board of Directors
• Candidates for Outside Director:	Nominated from among those with management experience, attorneys, accountants, and others who possess high levels of insight and expertise, in addition to a wealth of experience, in accordance with our standards for Director independence
• Candidates for Audit and Supervisory Committee Members:	Nominated with an emphasis on experience in financial accounting and administrative sections; candidates for Outside Audit and Supervisory Committee Members, in particular, are nominated with an emphasis on knowledge, expertise, and experience, in the same way as with Outside Directors, in accordance with our standards for Director independence and with the consent of the Audit and Supervisory Committee.

Status of Board of Directors deliberations and evaluation of Board effectiveness

Details of major deliberations by the Board of Directors in FY2023	
In addition to regular resolutions, Board deliberations focus on the following matters related to management strategy and business promotion: • Organizational design • Human resource strategies • M&A strategies • Financial strategies, including acquisition of treasury stock, sales of cross-shareholdings, diversification of fund raising, etc.	
• Indian, African, and European business strategies • Reorganization of domestic production and nonproduction facilities • Digital investments, digital transformation (DX) • Business investments and capital investment strategies for production	
Initiatives to make the Board more effective	
The Evaluation Committee annually evaluates the efficacy of the Board of Directors to verify whether the Board of Directors is functioning effectively and contributing to growth and corporate value over the medium to long term and to improve these functions. Any issues identified and improvements proposed are shared with the Board of	
Directors, which develops and implements concrete improvement and reform measures on that basis. The results are then subjected to further evaluation and continuous review by the Evaluation Committee, which is chaired by an Outside Director, and subjected to a plan-do-check-act (PDCA) cycle to improve the effectiveness of the Board.	
Evaluation method	
Evaluations for FY2023 were implemented by asking all Directors and Audit and Supervisory Committee members other than representative directors to complete a self-evaluation	
questionnaire,* with detailed questions on relevant major subjects. * Self-evaluation questionnaire: Consisted of 27 items including questions scored through quantitative evaluation on a five-point scale and free-format comments	
Summary of evaluation results (status of PDCA cycle)	
Overview of activities through FY2022	• Opportunities grew to discuss highly strategic themes, with deliberations made more in-depth Example: Disclosures related to climate change, domestic production reorganization project • Ongoing training and opportunities to share, in seminar and lecture format, the wealth of experience, insights, and skills of Outside Directors (e.g., key points of managing large-scale projects, diversity and inclusion). • Opportunities established to exchange information on the progress of the 17th Medium-term Management Plan between business unit heads and Outside Directors (in December and January)
	Issues • Average scores increased from last year for all major subjects. Efforts related to the composition of and deliberations in the Board of Directors were recognized to have been particularly effective. • Strengthening deliberations on strategic themes, drawing on the skills of Outside Directors, and opportunities to exchange information on the progress of the 17th Medium-term Management Plan between business unit heads and Outside Directors contribute to improved efficacy and will continue through the next year. • The Group must consider efforts that will further enhance overall Board and advisory committee functions.
FY2023 plans PLAN	• Increasing opportunities for exchange between business unit heads and Outside Directors through business reports presented to two meetings per year and incorporating these into the annual schedule • Continuing to enhance deliberations on strategic themes and lectures by Outside Directors on specific skills • Intensifying and enhancing deliberations on development of management human resources and succession planning
FY2023 initiatives DO	• Expanding opportunities to discuss highly strategic themes and intensifying deliberations Example: Organizational design, strategic HR development projects, ERP projects and BPR study, etc. • Continuing training and opportunities to share, in seminar and lecture format, the wealth of experiences, insights, and skills of Outside Directors (e.g., organizational design suitable for the Company and knowledge about global companies). • Establishing opportunities for sharing business strategies between business unit heads and Outside Directors (in October and November)
FY2023 evaluation CHECK	• Issues were identified in the deliberations and functioning of the Board of Directors and in operation of advisory committees. • The Group must consider efforts to enhance the overall functions of the Board and to strengthen the functions of advisory committees. • Expanding deliberations on strategic themes, deploying the skills of Outside Directors, and creating opportunities for information exchange on the progress of the 17th Medium-term Management Plan between business unit heads and Outside Directors are contributing to improved efficacy and will continue in an enhanced form next year.
FY2024 initiative policies ACTION	• Expanding opportunities for exchange between business unit heads and Outside Directors through business reports presented to four meetings per year, and incorporating these into the annual schedule • Scheduling and further enhancements of deliberations on strategic themes • Revising the formats of optional advisory committees and significantly increasing numbers of meetings; intensifying and enhancing deliberations on succession planning and talent development and remuneration systems as befits a truly global company

Corporate Governance

Executive compensation

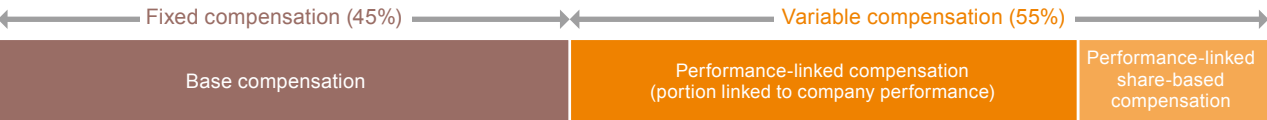
To put the Group's Corporate Philosophy into practice, we have adopted the following basic policy for the executive compensation system:

- The system is intended to create motivation to achieve Good to Great, the long-term growth strategy and to realize continuing growth in corporate value.
- Decisions regarding compensation are made to secure outstanding human resources for the management team from Japan and around the world, as befits a truly global company.
- The remuneration decision-making process is highly transparent and objective.

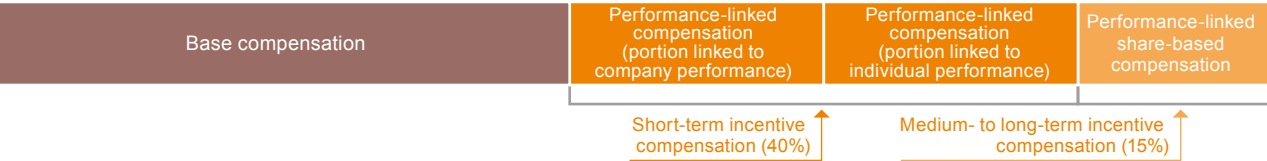
Executive compensation structure

- <Fixed compensation>
- Base compensation
- <Variable compensation>
- Performance-linked compensation (short-term incentive compensation)
- Performance-linked share-based compensation (medium- to long-term incentive compensation)

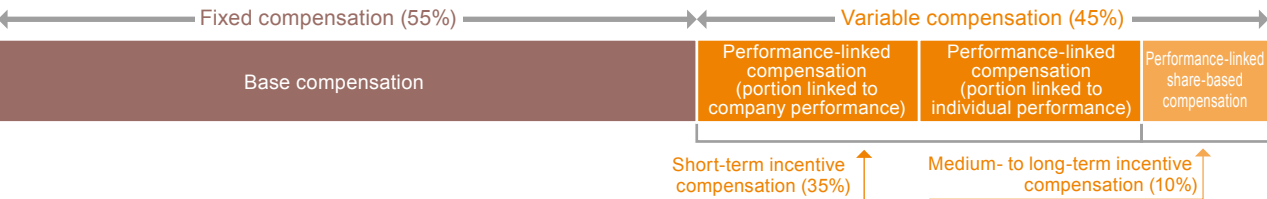
Representative Directors



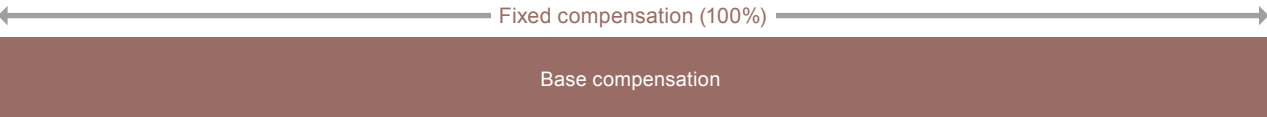
Directors and Executive Officers other than Representative Directors (delegation contracts)



Executive Officers (employment contracts)



Outside Directors and Audit and Supervisory Committee Members



- * To ensure that officers fulfill their medium- to long-term responsibilities, approximately 5% of their total compensation is subject to accumulation for payment upon resignation.
- * The performance-linked compensation portion varies from 0 to 200%, depending on achievement and other factors.
- * Performance indicators for performance-linked compensation (portion linked to company performance) are weighted as follows: 50% EBITDA and 50% ROE.

- * Individual evaluations are based on the achievement of assigned business targets and other considerations.
- * To ensure independence, compensation for Outside Directors and Audit and Supervisory Committee Members is not linked to performance.
- * Targets for performance-linked compensation (portion linked to individual performance) paid to Internal Directors and Executive Officers include targets related to sustainability.

Executive compensation process and decision-making authority

Individual executive compensation decisions are made by the Board of Directors following deliberation by the Nomination and Remuneration Committee on performance-linked remuneration and performance-linked share-based remuneration.

(Decisions on the establishment of initial target values for each business year and evaluations of achievement at the end of the year for individual officers are based on interviews conducted by the Representative Director and President with the individual Directors and Executive Officers themselves. The Nomination and Remuneration Committee reviews the rationality and appropriateness of such decisions. The Board determines executive remuneration for each officer after receiving the resulting report from the Nomination and Remuneration Committee.)

Remuneration governance system

We have established the following system to enhance objectivity and transparency in the executive compensation system and to ensure that stakeholders will find it persuasive.

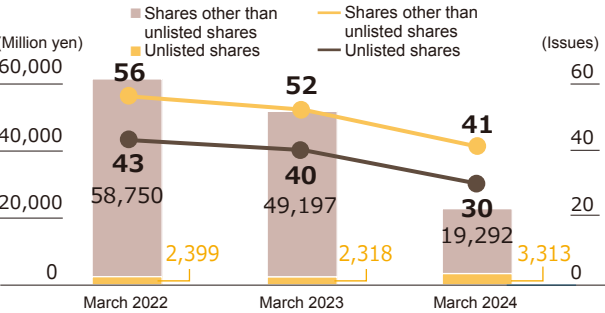
- (i) Nomination and Remuneration Committee
 - (ii) Establishment of malus and clawback measures
- Under the performance-linked, share-based remuneration system, we have established provisions that provide for confiscation of points awarded to eligible Directors or seeking indemnification equivalent to the value of shares paid in the event that the Directors are found to have engaged in serious fraud or criminal actions.

Reducing cross-shareholdings

To determine whether to acquire or keep cross-shareholdings, we assess the economic rationality of these shareholdings on an annual basis, including evaluating whether they improve corporate value over the medium to long term, not just the short term. Currently, we're making progress on reducing cross-shareholdings based on appropriate decisions from a capital efficiency perspective. Our standards for exercising voting rights call for comprehensive decisions based on a careful examination of each resolution to determine whether they increase the corporate value of various investments and help maintain our current business relationships.

In FY2023, we continued to sell off some cross-shareholdings to reduce total assets and raise funds for investing in growth areas. We recorded a gain of ¥33,131 million on sales of investment securities on a nonconsolidated basis.

Cross-shareholdings now account for about 5.9% of consolidated net assets.



Managing Group governance

- The individuals appointed responsibilities are appointed for individual subsidiaries. Officers and employees are dispatched as Directors of subsidiaries as necessary. This system ensures efficiency in the execution of the duties of subsidiary Directors based on a thorough understanding of company policies and related matters in cooperation with the individuals assigned responsibility.
- Matters with the potential to significantly impact the management of company subsidiaries are reported by the individuals responsible to the company Board of Directors. Related policies are determined as necessary through Board resolutions.

- Efforts are made to establish a reliable management organization by sharing and fostering the Group corporate philosophy and by ensuring that subsidiary officers and employees act in accordance with high ethical standards.
- To ensure the legality, propriety, and efficiency of subsidiary business operations and to support the establishment of internal controls, the company's internal audit section undertakes periodic internal audits of subsidiaries and reports the findings to the company Representative Director and President, Audit and Supervisory Committee, and Board of Directors, as appropriate.

<International Case Study>

India: Kansai Nerolac Paints Ltd. (KNPL)

KNPL's basic policy calls for the company to work to benefit all stakeholders, including employees, shareholders, customers, trading partners, and society as a whole, as a responsible corporate citizen, while complying with the Corporate Governance Code. It strives to achieve this goal by ensuring highly transparent transactions, clear disclosures of all relevant information, fairness vis-a-vis all stakeholders, and the appropriate management of all company activities by an independent and highly specialized Board of Directors.

Directors (as of July 28, 2024)

- Full-time Director: 1
- Part-time Directors: 3 (officers of Kansai Paint Co., Ltd.)
- Outside Directors: 3

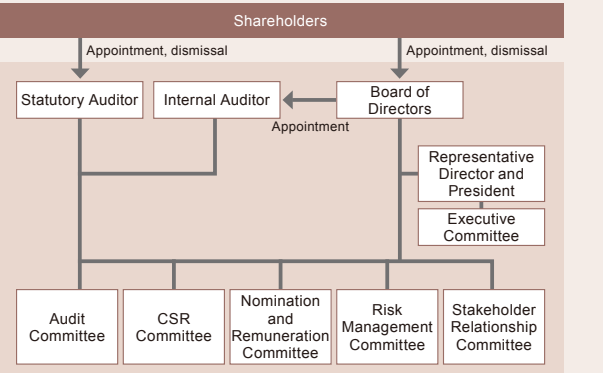
Criteria for Director selection

Candidates for Directors and core management posts are expected to demonstrate perfect compliance with the company's code of conduct. Director candidates are chosen through deliberations by the Nomination and Remuneration Committee, based on an optimal

skills matrix, to ensure that the Board can function effectively.

Remuneration

Remuneration policies for Directors, core management posts, and other employees are established and presented on the website. Decisions concerning the remuneration of the full-time Director are made based on these policies and on deliberations by the Nomination and Remuneration Committee.



List of Officers

(as of July 2024)

Directors



MORI Kunishi
Representative Director of the Board
President

Shares of Company stock held: 12,700
Attendance in Board of Directors meetings: 19/19 (100%)
Apr. 1981 Joined Kansai Paint
Jun. 2010 Director of the Board and Deputy General Manager of the Coatings Business Div.
Jun. 2015 Representative Director of the Board; Managing Executive Officer, in charge of Sales and International (significant positions concurrently held)
Representative Director of the Board, President of Kansai Paint Sales Co., Ltd.
Apr. 2018 Representative Director of the Board; Senior Managing Executive Officer and COO in charge of Sales; General Manager of the Coatings Business Div. (significant positions concurrently held)
Representative Director of the Board, President, Kansai Paint Sales Co., Ltd. (retired March 2019)
Apr. 2019 Representative Director of the Board and President of Kansai Paint (current)



TAKAHARA Shigeki
Representative Director of the Board
Vice President, and Executive Officer

Shares of Company stock held: 4,600
Attendance in Board of Directors meetings: 19/19 (100%)
Apr. 1981 Joined NEC Corporation
Jun. 2007 CFO and Corporate Officer of MISUMI Group Inc.
Feb. 2011 Member of the Board and Operating Officer, CFO, Accounting & Finance Lead of Pfizer Japan Inc. (retired February 2020)
Apr. 2020 Joined Kansai Paint; Managing Executive Officer, and General Manager of Corporate Planning & Finance Div.
Apr. 2021 Senior Managing Executive Officer, and Chief of Corporate Planning, Finance, HR & Administration
Jun. 2021 Director of the Board, Senior Managing Executive Officer, and Chief of Corporate Planning, Finance, HR & Administration
Apr. 2022 Representative Director of the Board, Vice President Executive Officer, Chief of Corporate Planning, Finance, HR & Administration
Apr. 2024 Representative Director of the Board, Vice President Executive Officer, Chief Finance Officer (current)



NISHIBAYASHI Hitoshi
Representative Director of the Board
Senior Managing Executive Officer

Shares of Company stock held: 1,100
Attendance in Board of Directors meetings: 19/19 (100%)
Apr. 1987 Joined Kansai Paint
Apr. 2015 Deputy Head of Automotive Refinish, Decorative and Protective Coatings Business Div.
Apr. 2019 Executive Officer, Deputy General Manager of Corporate Business Development Div.
Jun. 2020 Director of the Board, Managing Executive Officer, and Head of International Business Unit
Jul. 2020 Director of the Board and Managing Executive Officer in charge of Corporate Planning & Finance
Apr. 2021 Director of the Board, Managing Executive Officer, Head of International Business Unit
Apr. 2024 Representative Director and Senior Managing Executive Officer, Head of International Business Unit (current)

Significant concurrent positions
Director of the Board of Kansai Nerolac Paints Ltd.
Director of the Board of Kansai Plascon East Africa (Pty) Ltd.
President Komisaris (Commissioner) of PT Kansai Prakarsa Coatings
Director, Chairman of Kansai Plascon Africa Ltd.



KAJIMA Junichi
Director of the Board
Managing Executive Officer

Shares of Company stock held: 3,800
Attendance in Board of Directors meetings: 15/15 (100%)*
Apr. 1987 Joined Kansai Paint
Apr. 2016 Deputy General Manager of Automotive Refinish, Decorative and Protective Coatings Business Div.
Apr. 2019 Executive Officer and Deputy General Manager of Automotive Refinish, Decorative and Protective Coatings Business Div.
Dec. 2019 Executive Officer in charge of technical supervision of Coatings Business Div. (automotive and industrial coatings)
Apr. 2021 Executive Officer concurrently serving as Director of the Board, President of Kansai Helios Coatings GmbH (retired March 2023)
Apr. 2023 Managing Executive Officer and Chief of Corporate Production, Supply Chain Management (SCM), and Procurement
Jun. 2023 Director of the Board, Managing Executive Officer, Chief of Corporate Production, Supply Chain Management (SCM), and Procurement
Apr. 2024 Director of the Board, Managing Executive Officer, Chief of R&D/Procurement Unit (current)

* KAJIMA Junichi's attendance at Board of Directors meetings is calculated for the period since his appointment on June 29, 2023.



TOMIOKA Takashi
Director of the Board
Managing Executive Officer

Shares of Company stock held: 3,500
Attendance in Board of Directors meetings: —/— (—%)
Apr. 1996 Joined Kansai Paint
Apr. 2019 General Manager of Business Planning Office
Apr. 2020 General Manager of Business Planning Div., Corporate Planning & Finance Unit
Jul. 2020 Deputy General Manager of Corporate Planning & Finance Unit, and General Manager of Business Planning Div., Corporate Planning & Finance Unit
Apr. 2021 Executive Officer, General Manager of Business Planning Unit, Corporate Planning & Finance Div.
Apr. 2024 Managing Executive Officer, Chief of Corporate Planning, Finance, HR & Administration
Jun. 2024 Director of the Board, Managing Executive Officer, and Chief of Corporate Management and Administration Unit (current)

Significant concurrent positions
Director of Kansai Paint Sales Co., Ltd.
Director of Kansai Nerolac Paints Ltd.
Director of Kansai Plascon Africa Ltd.



OMORI Shinichiro
Outside Director of the Board

Shares of Company stock held: —
Attendance in Board of Directors meetings: 15/15 (100%)
Apr. 1978 Joined Hitachi, Ltd.
Apr. 2016 Senior Vice President and Executive Officer of Hitachi, Ltd.
Jun. 2017 Outside Director of Hitachi Capital Corp. (currently Mitsubishi HC Capital Inc.)
Jun. 2019 Director of the Board of Hitachi Chemical Co., Ltd. (currently Resonac Corporation)
Jul. 2020 Chairman of the Board of Hitachi Metals, Ltd. (currently Proterial, Ltd.)
Mar. 2022 Chairman of the Board of Hitachi High-Tech Corporation
Jun. 2022 Outside Director of KOKUYO Co., Ltd. (current)
Jun. 2022 Outside Director of MACNICA FUJI ELECTRONICS HOLDINGS, INC. (currently MACNICA HOLDINGS, INC.) (current)
Jun. 2023 Outside Director of the Board of Kansai Paint (current)

Significant concurrent positions
Outside Director of KOKUYO Co., Ltd.
Outside Director of MACNICA HOLDINGS, INC.



YOMO Yukari
Outside Director of the Board

Shares of Company stock held: —
Attendance in Board of Directors meetings: —/— (—%)
Sept. 1987 Joined General Electric Japan Company (currently, Japan GE Co., Ltd.)
Jul. 1997 General Manager of Human Resource and General Affairs Dept. of General Electric Capital Car Systems Co., Ltd.
Feb. 2001 Director and General Manager of Human Resources Division of GE Yokogawa Medical Systems Ltd. (currently GE Healthcare Japan Corporation)
Jan. 2003 Executive Officer in charge of Human Resources of AIU Insurance Company (currently AIG General Insurance Company, Ltd.)
Feb. 2006 Senior Management and General Manager of Human Resources Division of Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)
Oct. 2011 Director in charge of Human Resources of GlaxoSmithKline K.K.
Apr. 2012 Director of Japan Association of Corporate Executives (DOYUKAI)
Oct. 2016 Leadership & Organization Development-related advisor (current)
Jun. 2021 Independent Director of JALUX Inc.
Jun. 2023 Outside Director of JEOL Ltd. (current)
Jun. 2024 Outside Director of Kansai Paint (current)

Significant concurrent positions
Outside Director of JEOL Ltd.



Asli M. Colpan
Outside Director of the Board

Shares of Company stock held: —
Attendance in Board of Directors meetings: —/— (—%)
Apr. 2008 Program-specific Associate Professor at International Research Center for Japanese Studies, Columbia University
Oct. 2012 Visiting Scholar at Edwin O. Reischauer Institute of Japanese Studies (RIJS), Harvard University
Oct. 2012 Associate Professor at the School of Politics, and Sloan School of Management at Massachusetts Institute of Technology
Jul. 2015 Outside Director of GOURMET KINEYA CO., LTD.
Apr. 2016 Associate Professor at the Graduate School of Economics, Kyoto University
May 2016 Associate Professor at the Graduate School of Management, Kyoto University
Sept. 2016 Visiting Scholar at Harvard Business School
Mar. 2018 Outside Corporate Auditor of Sumitomo Rubber Industries, Ltd. (current)
Apr. 2018 Professor at the Graduate School of Economics, Kyoto University (current)
Apr. 2018 Professor at the Graduate School of Management, Kyoto University (current)
Mar. 2019 Outside Director of Nissha Co., Ltd.
Jun. 2024 Outside Director of Kansai Paint (current)

Significant concurrent positions
Professor at the Graduate School, Kyoto University,
Outside Corporate Auditor of Sumitomo Rubber Industries, Ltd.

Audit and Supervisory Board Members



HASEBE Hideshi
Director of the Board, Audit and
Supervisory Committee Member

Shares of Company stock held: 6,400
Attendance in Board of Directors meetings: 19/19 (100%)
Attendance in Audit and Supervisory Committee meetings: 14/14 (100%)
Apr. 1985 Joined Kansai Paint
Apr. 2015 Senior Manager of Finance and Accounting Dept., Administrative Div.
Apr. 2018 Executive Officer, Senior Manager of Business Administration Dept., Administrative Div.
Jun. 2020 Corporate Auditor (Full-time)
Jun. 2024 Director of the Board, Audit and Supervisory Board Member (current)

Significant concurrent positions
Auditor of Kansai Paint Sales Co., Ltd.



YAMAMOTO Tokuo
Outside Director of the Board, Audit
and Supervisory Committee Member

Shares of Company stock held: —
Attendance in Board of Directors meetings: 19/19 (100%)
Attendance in Audit and Supervisory Committee meetings: 14/14 (100%)
Apr. 1981 Joined NEC Corporation
May 1995 Seconded to NEC de Mexico SA de CV, Accounting and Finance Manager
Jun. 2007 General Manager of Affiliated Companies of NEC de Mexico SA de CV
Feb. 2014 Associate Senior Vice President of NEC Networks & System Integration Corporation
Jun. 2017 Full-time Corporate Auditor of NEC Networks & System Integration Corporation
Jun. 2019 Standing Auditor of JAPAN PURE CHEMICAL CO., LTD.
Jun. 2021 Outside Corporate Auditor of Kansai Paint
Jun. 2024 Outside Director of the Board, Audit and Supervisory Committee Member (current)

Shares of Company stock held: —
Attendance in Board of Directors meetings: 15/15 (100%)
Attendance in Audit and Supervisory Committee meetings: 11/11 (100%)*
Apr. 1988 Registered as a lawyer (Osaka Bar Association)
Aug. 2016 Outside Corporate Auditor of Kansai Paint (retired June 2017)
Jun. 2018 Outside Director of GUNZE LIMITED (current)
Jun. 2023 Outside Corporate Auditor of Kansai Paint
Jun. 2024 Outside Director of the Board, Audit and Supervisory Committee Member (current)

Significant concurrent positions
Attorney
Outside Director of GUNZE LIMITED

* NAKAI Hiroe's attendance at Board of Directors and Audit and Supervisory Committee meetings is calculated for the period since her appointment on June 29, 2023.

Executive Officers (Not including four Directors serving concurrently as Executive Officers)

We have introduced an executive officer system whereby duties and responsibilities are clarified by separating executive functions from management decision-making and supervisory functions. The system allows fast, flexible management execution in response to changes in the business environment. The number of executive officers is 14, of which four serve concurrently as Directors.

TOKU Kiyohide
Managing Executive Officer
Head of Automotive and Industrial Business Unit

TAKATA Youichi
Managing Executive Officer
Head of Japan Business Unit
Representative Director of the Board,
President of Kansai Paint Sales Co., Ltd.

TANAKA Takeshi
Executive Officer
Chief of Supply Chain Unit

TAKADA Hideo
Executive Officer
Deputy Head of Automotive and
Industrial Business Unit

TONOMURA Hironori
Executive Officer
Deputy Head of Automotive and
Industrial Business Unit

MAEKAWA Katsuhiko
Executive Officer
Deputy Head of Japan Business Unit

Pravin D. Chaudhari
Executive Officer
Head of India business
Deputy Chief of R&D/Procurement Unit

YOKOTA Gen
Executive Officer
Deputy Chief of R&D/Procurement Unit

Prejay R. Lalla
Executive Officer
Deputy Head of International Business Unit
Head of Africa business
President of Kansai Plascon Africa Ltd.

YAMAMOTO Hideshi
Executive Officer
General Manager of Corporate Finance Division,
Corporate Management and Administration Unit

Risk Management

Basic concept

The Groupwide basic policy on risk management activities, described below, is set forth in the company regulations.

- (1) The Kansai Paint Group considers risk management to be an important management task through which it strives to minimize human, economic, and societal damage; facilitate rapid recovery and prevent recurrence; and support human and societal progress by delivering new value and resolving social issues through ESG and SDG initiatives, among others.
- (2) The Risk Management Committee leads Group efforts to repeatedly identify, analyze, evaluate, and monitor risks, in cooperation with each unit, and to carry out continuing review and improvement.

- (3) The Group promotes business continuity management activities to be ready for crises and responds swiftly and thoroughly to minimize damage in the event of an emergency, through responsible measures in accordance with laws, regulations, and social norms, putting the highest priority on human safety.
- (4) The Group discloses information concerning the details of the risks it faces and initiatives to address them in a timely and appropriate manner to customers, shareholders, and other stakeholders while building and maintaining strong relationships with stakeholders.
- (5) The Group provides all employees with opportunities to learn from one another, through regular training and education, in order to strengthen their ability to respond to risks and enable them to take appropriate actions as members of society.

System

The Risk Management Committee is established under the Corporate Governance Committee. We have also established a cross-functional risk management system by preparing various rules, regulations, and manuals to enable effective response to crises and to avert potential threats to business continuity.

- Risk Management Committee:** Consisting of the heads of the six business units, this committee meets twice a year to share information on risks present within the company, to evaluate risks, to identify important risks, to consider response policies, and to report and propose to the Board of Directors policies for responding to and avoiding risks. The committee strives to improve awareness of risk management within each business unit through the deployment in individual business units of established policies and other measures, ascertaining the states of their implementation, and education.



Risks and responses

	Category	Response status
Market risks	(1) Country/regional economic risks	Analyzing business characteristics in each region and market area, evaluating profitability, and realigning low-profit assets
	(2) Raw material procurement risks	Considering alternative raw materials and integrating other raw materials
	(3) Foreign exchange/interest rate risks	Reporting on results and balances of derivatives transactions and monitoring these and other off-balance-sheet transactions
	(4) Retirement payments risks	Retaining an external institution to support management of funds
Legal and Regulatory Risks	(1) Changing laws and geopolitical risks	Gathering information on international conditions, including nation-specific risks
	(2) Litigation risks	Expanding specialized support systems and maintaining close coordination
	(3) Intellectual property litigation risks	Checking for potential infringement of rights owned by other parties before market introduction; investigating the potential for infringement when setting up R&D themes
	(4) Compliance risks	Systematically promoting internal training and education, led primarily by the Compliance Promotion Committee
Product quality risks		Maintaining a quality assurance system
Infectious disease risks		Establishing a task force or dedicated subcommittee, considering timely and effective countermeasures, and communicating the results through notifications, manuals, etc.
Environmental and climate change risks		Establishing company policies on the global environment and promoting actions as determined by top management for mitigation of the negative environmental impacts of products, ensuring product safety, providing information to customers, and other goals Conducting scenario analysis on climate change in line with TCFD through industry-academia collaboration with Kyoto University
Natural disasters and accidental disaster risks		Implementing measures such as education and awareness, measures for facilities and equipment, inspection and maintenance, and decentralization of production bases based on business continuity plans
Other risks	(1) Group company risks	Clarifying responsibilities of Group companies and strengthening coordination
	(2) Information security risks	Establishing a system to promote training, education, and measures that strengthen awareness of and improve safeguards against various incidents and attacks; adopting surveillance systems under the supervision of the unit head
	(3) Media and social-media communication risks	Establishing a management system and guidelines for the website and social media and maintaining a system for monitoring related matters
	(4) Talent attrition risks	Improving the HR system and promoting activities to increase engagement

Example of measures

Business continuity planning (BCP)

We have designated an earthquake in the Nankai Trough and other natural disasters that have a high probability of seriously affecting our operations in the near future as risks that must be monitored closely. We have also implemented various initiatives that prioritize such risks. By identifying various key vulnerabilities ranging from the emergence of various risks or disasters to business recovery, we plan to continue to establish rapid, targeted initial response systems and marshal the capabilities of the entire Group to enhance business continuity planning and management.

Compliance

Basic Policy on Compliance

Since its founding, the company's basic management policy has been to contribute to the development of the economy and society while pursuing profits. We have emphasized fulfilling our social responsibilities as a responsible corporate citizen. Practicing compliance continues to grow ever more important in today's increasingly diverse society. We strive to be a truly global company trusted by society, one that contributes to the world not just by complying with laws, regulations, and social norms, but by engaging in doing business with integrity and high ethical standards.

Structure

The Compliance Promotion Committee has been established under the Corporate Governance Committee as a committee whose membership consists of the six unit heads (including the Head of the Corporate Management and Administration Unit, who chairs the Committee). Its activities include checking on the company's compliance promotion structure, discussing the details of policies and activities, and reviewing the status of awareness and education.

Activity results

Training and awareness-raising activities

The company distributes the compliance handbook (revised in April 2022) to Group employees as a tool for promoting awareness of compliance matters. In addition to continuing to underscore the basic values of trust, integrity, and a balance of profits and equity, the handbook reflects the changing business environment and societal demands, identifying in practical terms our pledges, prohibitions, and goals. Its editorial process has focused on making it a guide to action readily understood by all. The handbook is a workplace education tool intended to ensure understanding and assure thorough compliance.

We also carry out regular compliance training and education activities on various topics, including efforts to prevent and counter corruption, to promote understanding and awareness of compliance issues among employees and put related measures into thorough practice.

Information security measures

The Information Security Committee was established in April 2022 to strengthen information management and security companywide.

In FY2023, in addition to establishing organizational information security standards and implementing technical and physical security measures, the Committee carried out yearlong e-learning activities for employees and Groupwide targeted email attack drills to improve human security. Through these activities, it seeks to improve our capacity to respond to threats in both tangible and intangible ways.

FY2023 compliance initiatives

- (i) Education

e-Learning, training by outside instructors for employees assigned overseas, etc.
- (ii) Information sharing

Regular communication through email newsletters and the internal portal, distribution of posters
- (iii) Surveying

A survey was launched to comprehensively assess various risks. In FY2024, we will strive to reduce risks in various ways, including training programs and reviews of in-house rules, based on the results of an analysis of survey findings.

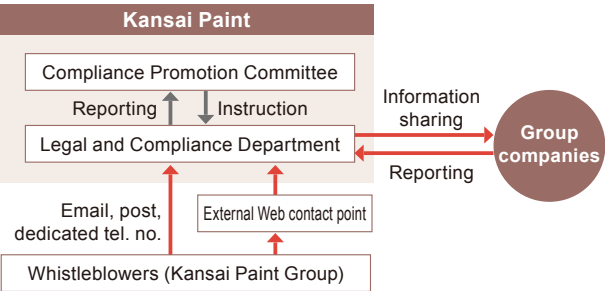
Export controls

Some of our products and technologies are subject to the provisions of Japan's Foreign Exchange and Foreign Trade Control Act. We have established rules for security trade controls based on the principles of proper management and compliance with export and import laws and regulations. We have also established an Export Controls Subcommittee as a cross-functional Companywide organization to manage these controls. We have organized a controls structure to reliably identify subjects of controls, review transactions, and manage shipping accordingly.

Internal whistleblowing system

The company has established an internal whistleblowing system that Group employees can use to report violations of laws and regulations, including bribes or attempted bribes and other instances of corruption, as well as other inappropriate actions, such as violations of in-house rules and harassment. In-house rules on whistleblowing establish basic provisions concerning consultations and reporting. They clearly state that the anonymity of whistleblowers is to be protected and that whistleblowers are to be protected from disadvantageous treatment. In addition, the external contact point was changed in April 2022 to ensure that whistleblowers can consult with and report directly to fair and neutral outside experts.

Overview of the internal whistleblowing system



Review and Analysis of Major Consolidated Business Results

Business Environment

Regional segments

Region	Net sales				Segment income			
	FY2022 (million yen)	FY2023 (million yen)	Change (%)	FY2024 forecast (million yen)	FY2022 (million yen)	FY2023 (million yen)	Change (%)	FY2024 forecast (million yen)
Japan	152,508	165,301	8.4	165,000	13,285	21,451	61.5	22,000
India	127,544	136,648	7.1	152,000	10,987	14,807	34.8	15,500
Europe	112,070	135,902	21.3	166,000	1,991	5,068	154.5	5,000
Asia	68,070	71,876	5.6	72,500	7,344	10,548	43.6	10,500
Africa	41,831	43,338	3.6	45,000	2,724	4,077	49.7	4,500
Other	7,045	9,210	30.7	9,500	1,374	3,297	139.9	3,500
Total	509,070	562,277	10.5	610,000	37,840	59,239	56.6	61,000

Note: Segment income = operating income + equity in earnings of unconsolidated subsidiaries and affiliates

Business segments

Region	Automotive		Industrial		Architectural		Auto Refinish Marine and Protective		Other		Total	
	Amount (million yen)	Change (%)	Amount (million yen)	Change (%)	Amount (million yen)	Change (%)	Amount (million yen)	Change (%)	Amount (million yen)	Change (%)	Amount (million yen)	Change (%)
Japan	66,077	13.0	37,048	7.5	23,610	0.3	37,910	16.7	655	(81.5)	165,301	8.4
India	42,393	15.7	20,927	13.7	69,959	0.9	2,753	11.9	615	(11.0)	136,648	7.1
Europe	12,049	46.6	71,843	28.7	7,567	9.8	15,931	20.4	28,509	2.1	135,902	21.3
Asia	42,691	10.6	12,990	(1.1)	10,206	2.8	3,688	10.6	2,300	(25.2)	71,876	5.6
Africa	475	3.1	4,951	11.9	32,365	2.5	2,589	0.9	2,956	6.0	43,338	3.6
Other	9,210	30.7	—	—	—	—	—	—	—	—	9,210	30.7
Total	172,898	15.7	147,761	17.0	143,708	1.7	62,872	16.2	35,036	(7.8)	562,277	10.5

1) Net sales and operating income
Net sales in FY2023 increased by 10.5% (¥53,207 million) from the previous fiscal year to ¥562,277 million. Operating income was up 60.8% (¥19,518 million) to ¥51,595 million. Both net sales and operating income exceeded the revised figures announced in February 2024. The key factors underlying the growth in sales and profit were the combined effects of improved price levels and less costly raw materials.

2) Non-operating income/expenses and ordinary income
Non-operating income/expenses in FY2023 fell by ¥2,049 million compared to FY2022 to ¥6,089 million in income. Major reasons for this decline included increases in loss on net monetary position and in interest expense; this was despite growth in the earnings of unconsolidated subsidiaries and foreign currency exchange gains. Ordinary income in FY2023 was up 43.4% (¥17,468 million) to ¥57,685 million.

3) Extraordinary profit and income before income taxes and non-controlling interests
Extraordinary income in FY2023 increased by ¥47,438 million from FY2022 to ¥50,691 million. The key factors underlying this increase were gains on sales of investment securities from sales of cross-shareholdings and gains on sales of property, plant, and equipment from sales of land in India and the Head Office building. Due to these factors, income before income taxes and non-controlling interests in FY2023 was up by 149.3%, or ¥64,906 million, to ¥108,376 million.

4) Income taxes (including deferred income taxes) and net income attributable to owners of the parent
Income taxes in FY2023 increased from FY2022 by ¥18,073 million to ¥32,029 million. The key factor was an increase in tax expenses resulting from higher net income before taxes for the Group. As a result, net income attributable to owners of the parent increased from the previous fiscal year by 166.4%, or ¥41,914 million, to ¥67,109 million.

(Millions of yen)

	As of March 31, 2024	YoY change	Main factors
Current assets	328,720	Increased by 8,888	Increases mainly in accounts such as trade notes and accounts receivable, and contract assets and securities, despite a decrease in cash and deposits
Non-current assets	360,982	Increased by 8,860	Increases mainly in accounts such as property, plant, and equipment, net defined benefit asset, investments in capital, and intangible assets, despite decreases in investment securities and other accounts
Current liabilities	152,849	Decreased by 112,482	Decreases in accounts such as short-term borrowings and short-term bonds payable
Non-current liabilities	156,605	Increased by 103,003	Increases in accounts such as convertible bonds with stock acquisition rights
Net assets	380,248	Increased by 27,227	Net income attributable to owners of the parent was recorded, despite a decrease due to purchase of treasury stock. Retained earnings decreased due to extinguishment of treasury stock.

Business risks

The Kansai Paint Group manufactures and sells paints and coatings for a wide range of applications, including automotive, industrial, architectural, marine, and protective coatings. While domestic demand for paints remains largely flat, we are energetically developing overseas businesses. The proportion of sales corresponding to overseas sales exceeds that of domestic sales. The scale of our overseas business activities is expected to continue to grow. Laws, regulations, political factors, and similar characteristics in the regions and countries in which we do business are likely to impact the Group's business activities and performance. Under these conditions, as we seek to survive and grow amid fierce global competition, we will generate synergies throughout the Group while enhancing our corporate governance systems.

The Group has established manufacturing facilities in various countries as bases for our business activities.

However, fluctuations in foreign exchange rates may impact the Group's business activities and performance when the Group procures products and raw materials from other locations. In addition to promoting transfers of product production and local procurement of raw materials, we will hedge risks through forward exchange contracts and other means.

The cost of the Group's raw materials are affected mainly by fluctuations in the cost of crude oil and naphtha. Any sudden fluctuations in raw material costs that cannot be reflected adequately in selling prices will likely affect the Group's business activities and performance. We strive to reduce costs in various ways, including global procurement and the integration of product lines, as well as strengthening relationships with raw materials suppliers to allow rapid response to market conditions.

Summary of Consolidated Financial Indicators

*1 Percentages are truncated beyond the first decimal point.

Consolidated Financial Indicators	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net sales (millions of yen)	320,453	349,333	328,118	330,235	401,977	427,425	406,886	364,620	419,190	509,070	562,277
Sales by business segment (millions of yen)											
Automotive	100,871	111,015	103,256	103,431	111,235	112,985	104,981	90,036	119,089*2	149,434	172,898
Auto Refinish	20,601	21,054	19,640	19,372	23,262	24,097	21,735	18,751	21,568	26,293	29,404
Industrial	81,944	87,309	81,888	83,448	111,887	122,193	114,782	102,285	102,215	126,244	147,761
Architectural	83,232	93,532	83,221	86,670	103,550	112,310	109,374	101,122	119,797	141,291	143,708
Marine and Protective	18,999	19,893	22,440	20,793	22,586	22,081	22,462	21,388	22,510	27,803	33,468
Other	14,804	16,528	17,670	16,519	29,455	33,758	33,550	31,034	34,007	38,003	35,036
Sales by region (millions of yen)											
Japan	154,287	154,004	155,367	151,416	155,552	159,339	155,078	142,999	138,620	152,508	165,301
India	54,956	69,521	65,800	74,694	83,432	86,922	81,697	73,084	97,133	127,544	136,648
Europe	—	—	17,772	16,830	59,098	71,934	68,168	66,002	84,320	112,070	135,902
Asia	59,548	66,232	58,897	56,623	63,300	63,828	60,176	49,504	57,631	68,070	71,876
Africa	34,801	39,543	29,251	28,026	35,132	39,446	35,742	27,917	36,131	41,831	43,338
Other	16,860	20,031	1,029	2,643	5,461	5,954	6,021	5,112	5,352	7,045	9,210
Ratio of overseas net sales (%)	55.6%	59.6%	57.6%	58.9%	65.3%	66.1%	65.0%	64.1%	70.3%	72.6%	73.4%
Operating income (millions of yen)	29,636	31,580	34,772	35,310	35,802	32,306	31,510	31,228	30,096	32,077	51,595
Operating income to net sales ratio (%)	9.2%	9.0%	10.6%	10.7%	8.9%	7.6%	7.7%	8.6%	7.2%	6.3%	9.2%
Ordinary income (millions of yen)	35,471	37,725	39,714	40,025	33,241	34,838	34,874	35,880	37,611	40,216	57,685
Segment income (loss) by region (millions of yen)											
Japan	16,902	16,278	20,756	22,336	19,265	17,820	16,793	13,884	11,600	13,285	21,451
India	5,163	7,306	8,798	10,860	12,625	10,576	10,343	10,162	7,444	10,987	14,807
Europe	—	—	1,115	1,371	5,074	3,261	3,115	5,571	5,679	1,991	5,068
Asia	7,341	7,952	7,454	6,675	89	5,426	5,461	4,693	6,826	7,344	10,548
Africa	1,466	1,638	(587)	(2,744)	(3,609)	(2,477)	(1,486)	526	2,394	2,724	4,077
Other	2,251	2,559	1,289	986	966	467	1,254	1,161	1,519	1,374	3,297
Adjustment	36	29	28	7	25	17	19	30	42	132	(11)
Ratio of segment income to net sales (%)	10.3%	10.2%	11.8%	12.0%	8.6%	8.2%	8.7%	9.9%	8.5%	7.4%	10.5%
Net income attributable to owners of the parent (millions of yen)	21,560	20,409	28,343	24,168	17,701	17,405	18,477	20,027	26,525	25,195	67,109
Earnings per share (EPS) (yen)	80.91	76.61	106.41	93.16	68.80	67.68	71.87	77.91	103.23	104.61	299.15
Return on equity (ROE) (%)	10.2%	8.3%	10.9%	9.5%	6.7%	6.4%	6.9%	7.2%	8.7%	8.2%	22.3%
Dividend payout ratio (%)	18.5%	19.6%	17.9%	23.6%	39.2%	44.3%	41.7%	38.5%	29.1%	28.7%	13.4%
Dividend per share (yen)	15.00	15.00	19.00	22.00	27.00	30.00	30.00	30.00	30.00	30.00	40.00
Capital investment (millions of yen)	15,509	13,034	11,443	13,617	16,782	23,018	13,949	11,547	14,536	12,204	21,344
R&D expenses (millions of yen)	5,268	5,323	5,046	5,297	6,592	6,547	6,582	6,400	6,776	7,621	9,098
Depreciation and amortization (millions of yen)	8,446	10,289	9,742	10,153	13,176	13,917	14,482	14,319	14,291	15,771	17,962
Cash flows from operating activities (millions of yen)	25,486	31,957	31,470	29,146	33,509	35,632	40,324	42,647	15,524	50,231	67,084
Cash flows from investment activities (millions of yen)	(16,145)	(19,544)	(14,789)	(97,020)	(33,756)	(17,461)	(22,045)	(507)	(2,087)	(10,643)	(9,043)
Cash flows from financing activities (millions of yen)	(6,511)	(9,632)	(14,834)	60,264	8,059	(6,964)	(37,403)	16,828	(64,100)	(18,296)	(72,856)

*2 Coatings for automotive parts, which had been classified under industrial coatings until FY2020, have been classified under automotive coatings since FY2021.

Consolidated Balance Sheet

(Millions of yen)			(Millions of yen)		
	As of March 31, 2023	As of March 31, 2024		As of March 31, 2023	As of March 31, 2024
<Assets>			<Liabilities>		
Current assets			Current liabilities		
Cash and deposits	86,973	76,587	Trade notes and accounts payable	80,999	86,707
Trade notes and accounts receivable, and contract assets	106,785	113,202	Short-term borrowings	73,432	9,653
Securities	8,169	24,209	Short-term borrowings from unconsolidated subsidiaries and affiliates	20	20
Finished goods	54,673	56,765	Current portion of long-term debt	400	258
Work-in-process	7,994	8,917	Short-term bonds payable	44,999	—
Raw materials and supplies	42,942	38,641	Lease obligations	1,146	1,511
Other	16,819	15,234	Accrued expenses	10,142	11,901
Allowance for doubtful receivables	(4,526)	(4,838)	Income and enterprise taxes payable	7,760	17,571
Total current assets	319,832	328,720	Provision for bonuses	4,930	5,854
Non-current assets			Other	41,500	19,370
Property, plant, and equipment			Total current liabilities	265,332	152,849
Buildings and structures, net	65,465	68,517	Non-current liabilities		
Machinery, equipment and vehicles, net	36,976	41,688	Convertible bonds with stock acquisition rights	—	100,592
Tools, furniture, and fixtures, net	8,614	9,883	Long-term debt	2,466	6,108
Land	27,836	27,759	Lease obligations	3,760	4,418
Construction in progress	7,417	11,111	Deferred tax liabilities	37,889	35,589
Total property, plant, and equipment	146,309	158,961	Net defined benefit liability	7,818	7,759
Intangible assets			Retirement benefits for directors and corporate auditors	445	477
Leasehold right	3,101	3,206	Provision for management board incentive plan trust	234	278
Software	2,673	3,221	Other	986	1,381
Software in progress	1,116	3,712	Total non-current liabilities	53,602	156,605
Goodwill	34,905	34,051	Total liabilities		
Other	21,952	21,969		318,934	309,455
Total intangible assets	63,747	66,160	<Net assets>		
Investments and other assets			Shareholder equity		
Investment securities	89,098	70,937	Capital stock	25,658	25,658
Investments in capital	23,750	26,939	Capital surplus	21,056	19,953
Loans receivable	2,452	2,781	Retained earnings	299,019	234,131
Net defined benefit asset	17,824	25,081	Treasury stock, at cost	(79,971)	(2,128)
Deferred tax assets	5,202	5,784	Total shareholder equity	265,762	277,614
Other	8,831	9,914	Accumulated other comprehensive income		
Allowance for doubtful receivables	(5,094)	(5,579)	Net unrealized holding gains on securities	32,744	22,141
Total investments and other assets	142,065	135,860	Deferred losses on derivatives under hedge accounting	(2,045)	3
Total non-current assets	352,122	360,982	Foreign currency translation adjustments	(7,937)	1,537
Total assets	671,954	689,703	Remeasurements of defined benefit plans	4,385	8,659
			Total accumulated other comprehensive income	27,147	32,341
			Non-controlling interests	60,110	70,291
			Total net assets	353,020	380,248
			Total liabilities and net assets	671,954	689,703

Consolidated Statement of Income/Consolidated Statement of Comprehensive Income

Consolidated Statement of Income			(Millions of yen)	
	Fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)	Fiscal year ended March 31, 2024 (April 1, 2023–March 31, 2024)		
Net sales	509,070	562,277		
Cost of sales	372,018	388,917		
Gross profit	137,052	173,359		
Selling, general and administrative expenses	104,975	121,764		
Operating income	32,077	51,595		
Non-operating income				
Interest income	469	991		
Dividend income	1,667	1,226		
Equity in earnings of unconsolidated subsidiaries and affiliates	5,762	7,643		
Foreign currency exchange gain	771	1,837		
Miscellaneous income	2,128	1,936		
Total non-operating income	10,800	13,636		
Non-operating expenses				
Interest expense	1,328	2,091		
Loss on disposal of inventories	365	391		
Loss on net monetary position	—	3,718		
Miscellaneous expenses	966	1,345		
Total non-operating expenses	2,661	7,547		
Ordinary income	40,216	57,685		
Extraordinary income				
Gain on sale of property, plant, and equipment	360	17,355		
Gain on sale of investment securities	3,566	33,863		
Gain on sale of shares of subsidiaries and affiliates	—	41		
Gain on sale of investments in capital of subsidiaries and affiliates	242	—		
Gain on liquidation of subsidiaries and affiliates	—	31		
Total extraordinary income	4,169	51,291		
Extraordinary losses				
Loss on sale or disposal of property, plant, and equipment	148	369		
Impairment loss	385	69		
Loss on sale of investment securities	2	41		
Write-down of securities and investment securities	0	9		
Loss on sale of shares of subsidiaries and affiliates	20	—		
Loss on liquidation of subsidiaries	—	101		
Early extra retirement payments	358	8		
Total extraordinary losses	915	600		
Income before income taxes and non-controlling interests	43,469	108,376		
Income taxes - current	13,604	30,946		
Income taxes - deferred	351	1,083		
Total income taxes	13,955	32,029		
Net income	29,513	76,347		
Net income attributable to non-controlling interests	4,318	9,237		
Net income attributable to owners of the parent	25,195	67,109		

Consolidated Statement of Comprehensive Income			(Millions of yen)	
	Fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)	Fiscal year ended March 31, 2024 (April 1, 2023–March 31, 2024)		
Net income	29,513	76,347		
Other comprehensive income				
Net unrealized holding gains (losses) on securities	(5,824)	(17,998)		
Deferred losses on derivatives under hedge accounting	(229)	2,025		
Foreign currency translation adjustments	12,562	10,709		
Remeasurements of defined benefit plans	(126)	4,274		
Shares in other comprehensive income of equity method affiliates	4,051	9,827		
Total other comprehensive income	10,433	8,838		
Comprehensive income	39,947	85,185		
(Comprehensive income attributable to:)				
Owners of the parent	32,622	72,303		
Non-controlling interests	7,324	12,881		

Consolidated Statement of Changes in Net Assets

(Millions of yen)

Fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)	Shareholder equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholder equity
Balance at the beginning of the year	25,658	21,277	279,551	(26,187)	300,299
Effects of hyperinflation			1,655		1,655
Restated balance	25,658	21,277	281,206	(26,187)	301,954
Changes during the period					
Cash dividends paid			(7,382)		(7,382)
Net income attributable to owners of the parent			25,195		25,195
Purchase of treasury stock				(53,788)	(53,788)
Disposal of treasury stock				5	5
Purchase of shares of consolidated subsidiaries		(220)			(220)
Net changes of items other than shareholder equity					
Total changes during the period	—	(220)	17,812	(53,783)	(36,191)
Balance at the end of the year	25,658	21,056	299,019	(79,971)	265,762

(Millions of yen)

Fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)	Accumulated other comprehensive income					Non- controlling interests	Total net assets
	Net unrealized holding gains on securities	Deferred losses 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	40,070	(1,790)	(23,071)	4,512	19,719	55,095	375,114
Effects of hyperinflation						2,350	4,006
Restated balance	40,070	(1,790)	(23,071)	4,512	19,719	57,446	379,120
Changes during the period							
Cash dividends paid							(7,382)
Net income attributable to owners of the parent							25,195
Purchase of treasury stock							(53,788)
Disposal of treasury stock							5
Purchase of shares of consolidated subsidiaries							(220)
Net changes of items other than shareholder equity	(7,325)	(255)	15,134	(126)	7,427	2,664	10,091
Total changes during the period	(7,325)	(255)	15,134	(126)	7,427	2,664	(26,100)
Balance at the end of the year	32,744	(2,045)	(7,937)	4,385	27,147	60,110	353,020

(Millions of yen)

Fiscal year ended March 31, 2024 (April 1, 2023–March 31, 2024)	Shareholder equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholder equity
Balance at the beginning of the year	25,658	21,056	299,019	(79,971)	265,762
Effects of hyperinflation			2,397		2,397
Restated balance	25,658	21,056	301,416	(79,971)	268,160
Changes during the period					
Cash dividends paid			(7,585)		(7,585)
Net income attributable to owners of the parent			67,109		67,109
Purchase of treasury stock				(49,139)	(49,139)
Disposal of treasury stock		0		59	59
Cancellation of treasury stock		(0)	(126,921)	126,922	—
Purchase of shares of consolidated subsidiaries		(1,102)			(1,102)
Increase in retained earnings from the deconsolidation of equity method investments			28		28
Impact of the change in functional currency of a consolidated foreign subsidiary			84		84
Net changes of items other than shareholder equity					
Total changes during the period	—	(1,103)	(67,285)	77,842	9,454
Balance at the end of the year	25,658	19,953	234,131	(2,128)	277,614

(Millions of yen)

Fiscal year ended March 31, 2024 (April 1, 2023–March 31, 2024)	Accumulated other comprehensive income					Non- controlling interests	Total net assets
	Net unrealized holding gains on securities	Deferred losses 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	32,744	(2,045)	(7,937)	4,385	27,147	60,110	353,020
Effects of hyperinflation						2,062	4,460
Restated balance	32,744	(2,045)	(7,937)	4,385	27,147	62,173	357,480
Changes during the period							
Cash dividends paid							(7,585)
Net income attributable to owners of the parent							67,109
Purchase of treasury stock							(49,139)
Disposal of treasury stock							59
Cancellation of treasury stock							—
Purchase of shares of consolidated subsidiaries							(1,102)
Increase in retained earnings from the deconsolidation of equity method investments							28
Impact of the change in functional currency of a consolidated foreign subsidiary							84
Net changes of items other than shareholder equity	(10,603)	2,048	9,475	4,274	5,194	8,118	13,313
Total changes during the period	(10,603)	2,048	9,475	4,274	5,194	8,118	22,767
Balance at the end of the year	22,141	3	1,537	8,659	32,341	70,291	380,248

Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)	Fiscal year ended March 31, 2024 (April 1, 2023–March 31, 2024)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	43,469	108,376
Depreciation and amortization	15,771	17,962
Impairment loss	385	69
Amortization of goodwill	3,844	4,573
Increase (decrease) in allowance for doubtful receivables	937	418
Increase (decrease) in net defined benefit liability	(2,134)	(1,329)
Interest and dividend income	(2,137)	(2,218)
Interest expense	1,328	2,091
Loss (gain) in equity in earnings of unconsolidated subsidiaries and affiliates	(5,762)	(7,643)
Loss (gain) on sale of investment securities	(3,563)	(33,821)
Loss (gain) on valuation of investment securities	0	9
Loss (gain) on sales of shares of subsidiaries and associates	20	(41)
Loss (gain) on investments in capital of subsidiaries and associates	(242)	–
Loss (gain) on sale or disposal of property, plant, and equipment, net	(212)	(16,985)
Decrease (increase) in trade notes and accounts receivable	7,060	(1,915)
Decrease (increase) in inventories	(4,061)	10,856
Increase (decrease) in trade notes and accounts payable	6,403	3,176
Other, net	(7,177)	757
Subtotal	53,930	84,336
Interest and dividends received	5,041	6,047
Interest paid	(1,283)	(1,451)
Income taxes paid	(7,457)	(21,847)
Net cash provided by operating activities	50,231	67,084
Cash flows from investment activities		
Payments into time deposits	(3,711)	(5,925)
Proceeds from withdrawal of time deposits	5,350	4,226
Net decrease (increase) in securities	(4,477)	(13,203)
Purchase of property, plant, and equipment	(9,347)	(15,965)
Proceeds from sales of property, plant, and equipment	487	19,738
Purchase of intangible assets	(1,765)	(4,101)
Purchase of investment securities	(185)	(1,017)
Proceeds from sales of investment securities	5,175	37,534
Purchase of shares of subsidiaries affecting scope of consolidation	–	(16,734)
Payments of loans receivable	(88)	(83)
Collection of loans receivable	66	2,068
Balance (net) from settlement of derivatives	–	(14,593)
Payments for acquisition of businesses	(1,316)	(429)
Other, net	(831)	(557)
Net cash used in investment activities	(10,643)	(9,043)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	65,166	(67,589)
Proceeds from long-term debt	486	4,043
Repayments of long-term debt	(1,788)	(453)
Proceeds from issuance of bonds	169,999	195,000
Redemption of bonds	(124,999)	(239,999)
Proceeds from convertible bonds with stock acquisition rights	–	100,600
Redemption of convertible bonds with stock acquisition rights	(60,000)	–
Purchase of treasury stock	(53,443)	(49,027)
Cash dividends paid	(7,382)	(7,585)
Cash dividends paid to non-controlling interests	(3,161)	(3,367)
Proceeds from share issuance to non-controlling shareholders	173	–
Purchase of shares of subsidiaries not affecting scope of consolidation	(2,267)	(2,900)
Other, net	(1,078)	(1,574)
Net cash used in financing activities	(18,296)	(72,856)
Effects of exchange rate changes on cash and cash equivalents	2,262	2,503
Increase (decrease) in cash and cash equivalents	23,554	(12,311)
Cash and cash equivalents at beginning of period	59,709	83,263
Cash and cash equivalents at end of period	83,263	70,952

Corporate Information (As of March 31, 2024)

Corporate overview

Name	Kansai Paint Co., Ltd.
Head Office	28F, Osaka Umeda Twin Towers South 13-1 Umeda 1-chome, Kita-ku, Osaka 530-0001, Japan Tel: +81-6-7178-5531 (main)
Established	May 1918
Representative	MORI Kunishi, Representative Director and President
Capital	¥25,658 million

Employees (consolidated)	16,844
Fiscal year end	March 31
Main lines of business	• Manufacture and sale of paints and coatings • Color design • Manufacture and sale of biotech products and products related to electronic materials
Net sales (consolidated)	¥562,277 million

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. (Yodogawa-ku, Osaka)
Kanpe Trading Co., Ltd. (Ota-ku, Tokyo)
KAT Co., Ltd. (Yokohama, Kanagawa Prefecture)
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 Co., Ltd. (Taiwan)
P.T. Kansai Paint Indonesia (Indonesia)
Sime Kansai Paints Sdn. Bhd. (Malaysia)
Kansai Paint (China) Investment Co., Ltd. (China)
83 other companies

Equity method 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)
28 other companies

Websites

For more information, see the websites below.



Corporate website: <https://www.kansai.com>



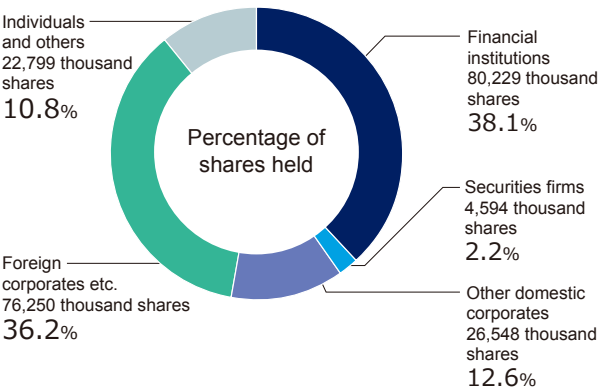
Investor relations site:
<https://www.kansai.com/investor-relations/index.html>

Information for Shareholders and Investors
(As of March 31, 2024)

Share information

Listed exchange	Tokyo Stock Exchange, Prime Market
Securities code	4613
Total authorized number of shares	793,496,000 shares
Total shares issued and outstanding	210,421,470 shares (including 191 shares of treasury stock)
Number of shareholders	18,102

Breakdown of shareholders by type



Major shareholders (Top 10)

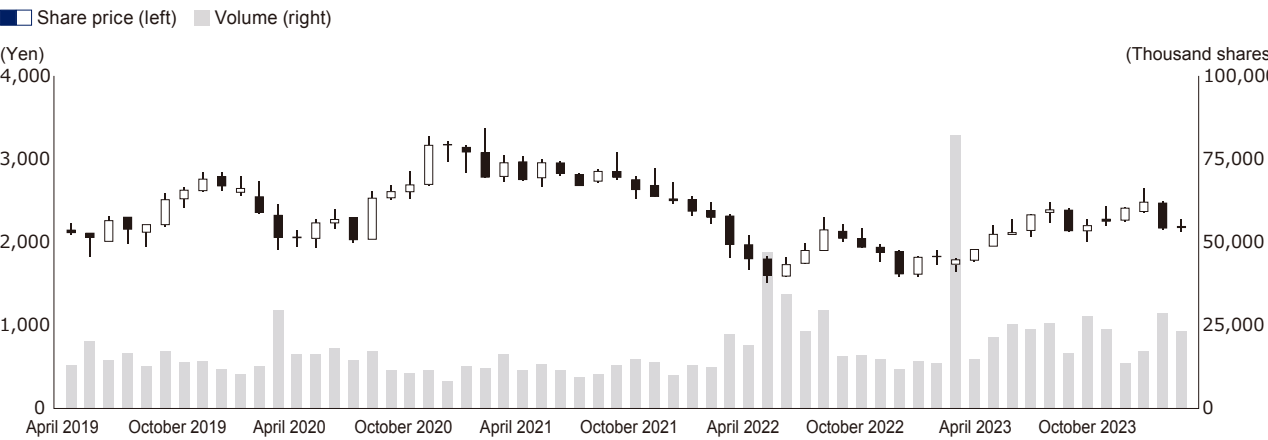
Name	Shares held (thousand)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	31,211	14.83
Nippon Life Insurance Company	12,490	5.93
The Dai-ichi Life Insurance Company, Limited	12,485	5.93
Custody Bank of Japan, Ltd. (trust account)	9,891	4.70
JP MORGAN CHASE BANK 380055	8,511	4.04
Kansai Paint Employee Stock Ownership Plan	4,304	2.04
SSBTC CLIENT OMNIBUS ACCOUNT	4,233	2.01
STATE STREET BANK AND TRUST COMPANY 505223	4,086	1.94
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,136	1.49
MUFG Bank Ltd.	2,859	1.35

Notes:

- Numbers of shares held are rounded down to the nearest thousand shares.
- Percentages of shares held are calculated without including treasury stock (191 shares).
- Effective June 30, 2023, the company extinguished 34,000,000 shares of treasury stock under a resolution passed by the Board of Directors at its May 11, 2023 meeting. In addition, effective March 29, 2024, the Company extinguished 28,201,800 shares of treasury stock under a resolution passed by the Board of Directors at its March 22, 2023 meeting. As a result, the total number of shares issued and outstanding is now 210,421,470 shares.

Trends in share price and trading volume

	March 2020	March 2021	March 2022	March 2023	March 2024
Total shareholder returns (%)	98.9	142.8	97.7	90.4	110.7
Index for comparison: TOPIX, dividend included	90.5	128.6	131.2	138.8	196.2



External ESG ratings

2024 CONSTITUENT MSCI Japan
Empowering Women (WIN) Select Index



2024 CONSTITUENT MSCI Japan
ESG Select Leaders Index

2024 CONSTITUENT MSCI Japan
ESG Select Leaders Index



FTSE Blossom
Japan Sector
Relative Index

ESG ratings



External assessment of IR activities

Named one of the most improved Integrated Reports for two consecutive years by the Government Pension Investment Fund (GPIF)

Editors’ postscript

Thank you for reading Integrated Report 2024. Kansai Paint Group employees played a central role in producing this Report, which is intended to communicate the Group's actions to achieve the targets of the 17th Medium-term Management Plan and continuing growth thereafter and to make further contributions to society. We hope it will help readers better understand the Group and provide opportunities for dialogue. We will continue to strive to boost corporate value through deliver timely and appropriate disclosures while seeking out opportunities to engage in dialogue with all stakeholders.



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