



# Strategy Briefings

November 17, 2021

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# 1. FY2021 2Q Financial Results

# FY2021 1st Half Consolidated Financial Result

( Billion JPY )

	1st H Results	Y-O-Y	Comment
Net sales	203.3	+40.8 (+25%)	FX impacts : +4.8 Billion JPY
Operating income	16.8	+7.6 (+82%)	FX impacts : +0.4 Billion JPY
Ordinary income	20.8	+10.8 (+109%)	FX impacts : +0.7 Billion JPY
EBITDA*	28.9	+9.1 (+46%)	
EBITDA margin	14.2%	+2.0% pt	
Net Income	11.5	+7.2(+168%)	

\*EBITDA=Operating income+ Depreciation + Amortization of goodwill + Equity in earnings of unconsolidated subsidiaries and affiliates

- Largely increased both on sales and income by recovering from drastic sales reduction caused by Covid-19 Impact last year
- Situation worsened for 2<sup>nd</sup> Quarter due to RM inflation and Automobile production decline.
- Not only price increase but also taking various measures to minimize the impact caused by external factors

Fight back to profit declining factors with group's collective effort

# Sales and Ordinary Income By Region

(Billion JPY )

	Sales		Ordinary Income	
	1 <sup>st</sup> H	Y-O-Y	1 <sup>st</sup> H	Y-O-Y
Japan	68.6	+1.6 (+2%)	6.6	+1.2 (+23%)
India	45.5	+16.4(+56%)	3.9	+0 (+1%)
Europe	41.4	+10.6 (+34%)	4.0	+2.3(+136 %)
Asia	28.9	+7.0(+32%)	4.7	+3.9 (+479%)
Africa	16.1	+4.5(+39%)	0.5	+2.5( - )
Others	2.8	+0.7 (+35%)	1.0	+0.9 (+618%)
Total	203.3	+40.8 (+25%)	20.8	+10.8(+109%)

- Sales in all regions increased and profit reduction in India was recovered by profit increase in other regions
- Thanks to structural reforms, Africa secures foothold in profit surplus
- Europe has grown to be the 3<sup>rd</sup> Pillar, next to Japan and India

Offset the drops by improved portfolio

# Revised FY2021 Full Year Estimate

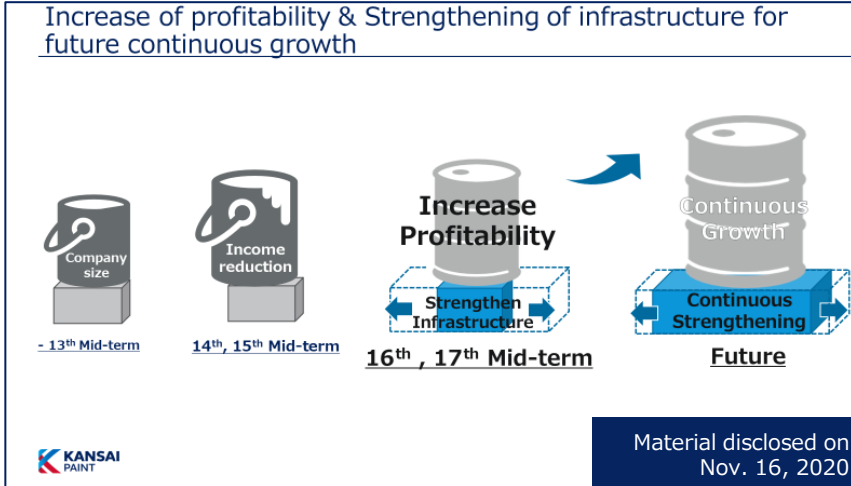
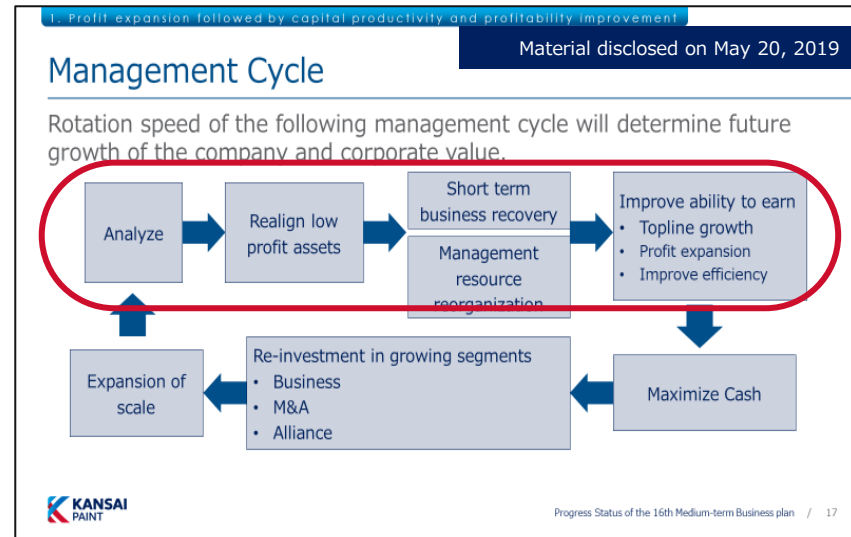
( Billion JPY )

	<b>FY2021 Previous forecast</b>	<b>FY2021 Revised forecast</b>	<b>Difference</b>	<b>Revised forecast VS.FY2020 YOY</b>
Net sales	400.0	410.0	+10.0	+12.4%
Operating income	38.0	34.0	-4.0	+8.9%
Ordinary income	44.0	40.0	-4.0	+11.5%
EBITDA	62.0	58.0	-4.0	+7.4%
EBITDA margin	15.5%	14.1%	-1.4% pt	-0.7% pt
Net Income	26.0	24.0	-2.0	+19.8%

- RM inflation is expected to continue for the time being
- Sales is expected to grow but profit will decline
- Record-high Net income is expected to be secured

Put all our efforts to achieve highest net income ever

# 16th MTP position and progress



## Progress

### Increase Profitability

EBITDA Margin

12.6%

14.1%

Adjusted ROE

8.2%

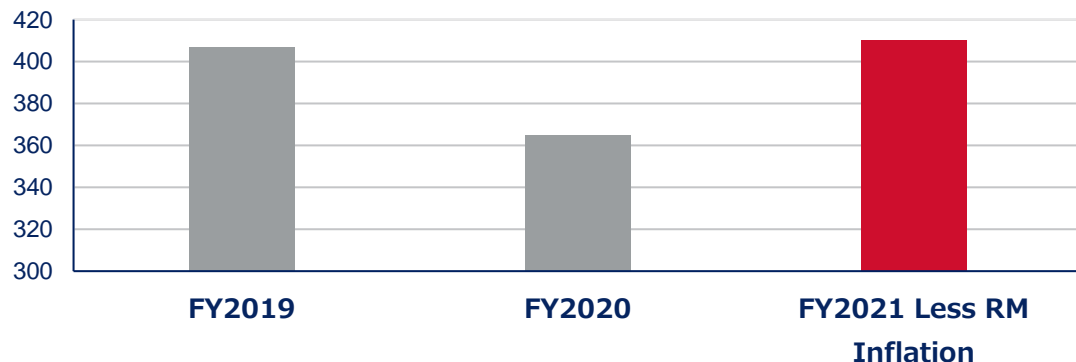
9.5%

### Strengthen Infrastructure

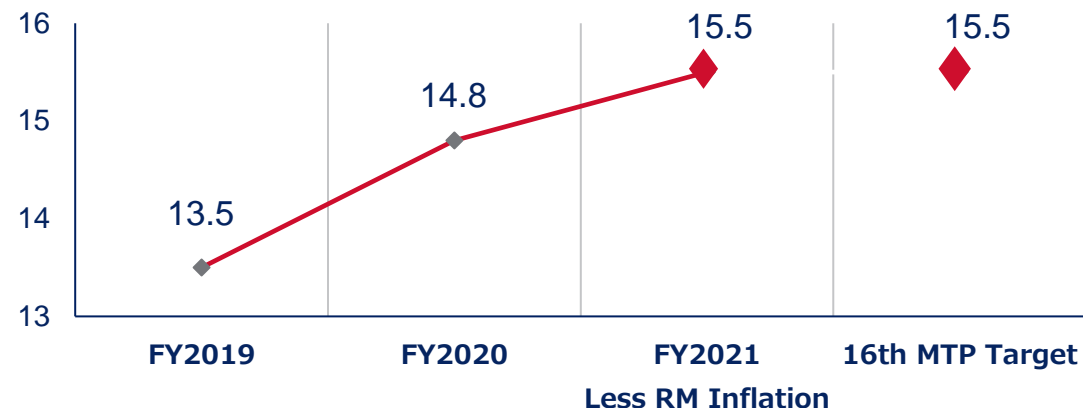
- Disposition of unprofitable assets
- Performance Improvement Committee
- Strengthening the governance to Oversea subsidiaries.
- Assessment for next generation leaders.
- Training for next generation leaders
- Strengthening the Audit function
- Increase of outside directors (foreign, female)
- Foreign Auditors
- Reduction of total assets
- Set up a team engaged in the promotion of Diversity
- Reorganization based on characteristics of each business
- Established Sustainability Promotion Committee
- Expansion of partnerships
- DX -Oversea
- Established M&A team
- Multiple fund-raising method

# What if “No RM inflation”

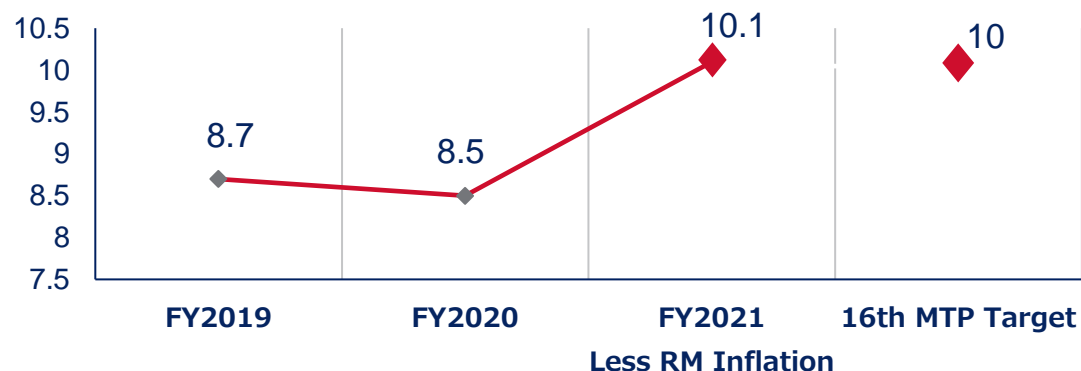
Sales (Billion JPY)



EBITDA Margin(%)



Adjusted ROE(%)



- If RM inflation did not occur, both EBITDA margin and ROE(Adjusted) would have met 16<sup>th</sup> MTP target
- Made substantial progress in deposition of unprofitable assets
- Profitability of overseas business was a top priority task at the launch of 16<sup>th</sup> MTP and the profitability was greatly improved
- Africa secures foothold in net surplus
- Europe has grown to be the 3<sup>rd</sup> pillar

Management structure has certainly been upgraded



# 16<sup>th</sup> MTP “Accomplished issues” & “Remaining issues”

The 16<sup>th</sup> Medium-term Business Plan

Material disclosed on May 20, 2019

## Key Principles:

### 1. Profit expansion followed by capital productivity and profitability improvement

We will steadily implement various measures in an optimum manner by concentrating our Group-wide best practices.

Financial goals	Performance indicator	Specific measures	
Net sales	ROIC	Earnings growth	Share increase
EBITDA margin			Enhance profitability by improving the product mix.
Adjusted ROE			Cost reduction
			Develop high value-added technologies and products through group-wide activities.
			Optimize sales, general, and administrative expenses.
		BS optimization	Reduce logistics expenses, etc.
			Improve low profit assets.
			Optimize working capital.
			Optimize fixed asset turnover ratio, etc.

The 16<sup>th</sup> Medium-term Business Plan

Material disclosed on May 20, 2019

# Key Principles:

## 2. Improve business competitiveness

Analyze external environment and internal factors to optimize portfolio and strength competitiveness

- Leverage business that needs fundamental actions
- Optimize the distribution of assets and management resources
- Promote utilization of know-how and business models within the group.
- Create and explore business opportunities including inter-business.

### Using the Group's resources

Decorative coatings in India

Decorative coatings in Africa

Automotive coatings in Japan

Automotive coatings in Asia

Industrial coatings in Europe

Industrial coatings in Japan

Industrial coatings in Japan

Industrial coatings in Europe

The 16<sup>th</sup> Medium-term Business Plan

Material disclosed on May 20, 2019

## Key Principles:

### 3. Improve comprehensive strength of the group

With the spirit of “One Kansai” we will implement promotion and cultivation of intensive customer focused global talent

#### 1) Promotion of Diversity

- Abolish boundaries: Nationalities/Gender/Age/Company background/others

#### 2) Management of human resources

- Business planning based on KPI tree, coupled with highly transparent evaluation
- Promote global talent
- Optimum deployment of the human resources

#### 3) Change our consciousness

- Assign the highest priority to provide services and products that enrich customers

	<ul style="list-style-type: none"> <li>❑ Disposition of unprofitable assets</li> <li>❑ Increase profitability</li> <li>❑ BS optimization (Reduction of total assets)</li> </ul>
	<ul style="list-style-type: none"> <li>❑ Optimization of SG&amp;A cost</li> <li>❑ Reduction of logistics cost</li> </ul>











	<ul style="list-style-type: none"> <li>❑ Leverage business that needs fundamental actions</li> <li>❑ Optimize assets and management resources</li> </ul>
	<ul style="list-style-type: none"> <li>❑ Utilize K-H within the group</li> <li>❑ Creation of new business opportunities</li> </ul>

	<ul style="list-style-type: none"> <li>❑ Develop and appoint human resources</li> <li>❑ Optimum deployment of human resources</li> <li>❑ Highly transparent evaluation (System designing)</li> </ul>
	<ul style="list-style-type: none"> <li>❑ HR Evaluation (Execution)</li> <li>❑ Mindset reforms</li> </ul>

Remaining issues will be included in 17<sup>th</sup> MTP



# External Environment Change and its relevance with companies

## Market Environment



		Influence to KP
Coatings industry	● Essential business and <b>Stable Growth</b>	
	● Inflation of raw materials and logistics cost due to <b>resource and energy shift</b>	
	● Game change where <b>sustainability is the source of competitive advantage</b>	
	● <b>The slowdown in the Chinese economy</b> and its impact on the global economy	
Business area	 <b>Automotive</b> Volume expansion mainly in China and India	
	 <b>Industrial</b> Green Deal/Innovation start from Europe	
	 <b>Architectural</b> India will keep high growth and Africa will gradually expand	

## Professionalism which companies are asked to have

### Stable-Expansion period(Before COVID-19)

Professionalism for Management  Priority is on "Expansion and governance" based on economies of scale	Professionalism for Paint 
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### Present and future

Professionalism for Management  <ul style="list-style-type: none"> <li>➤ Strategy and Governance vary depending on characteristics of business.</li> <li>➤ Big shift in both demand(sustainability) &amp; supply(Resources/Energy)</li> <li>➤ Utilizing "Professionalism for Paint" to change is a success factor</li> </ul>	Professionalism for Paint 
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# Our Mission

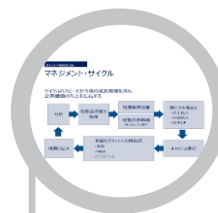


Founder  
IWAI Katsujiro

- ✓ Seek profit and contribute to development of society.
- ✓ Stay faithful and build a relationship of mutual trust with the customer.
- ✓ Make big-picture decisions without chasing short-term profits.
- ✓ Put importance on morality and the public nature.



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



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

**1918–1948**  
Founding Period



•In 1918, Iwai Katsujiro founded the company in Kanzaki, Amagasaki with 500,000 yen in capital.  
•The company made great progress by contributing to the nationalization of paint production, much to the delight of many customers.

**1949–1986**  
Postwar Growth Period



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

**1987 – 2010**  
Overseas Expansion Period



**2011 – 2018**  
Period of Accelerating Globalization

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

**2019 – 2021**  
Carving out the Future for Ourselves



**2021 -**

Long-term outlook (our ideal state and roles)  
↓  
Review of materiality  
↓  
Financial value, social and environmental value  
↓  
Value provided (output)  
↓  
Selection and change of business model

Resource allocation  
↓  
Execution strategy  
↓  
17th Medium-term Business Plan (November 2021)

## Profit and Fairness

# Sustainability Management



Mid-term business plan is an execution plan of sustainability management

# Good to Great

## The 17th Medium-term Business Plan

# 17<sup>th</sup> MTP Highlights

- ❑ Moved into the new growth stage
- ❑ Muscular 3-year-plan with Long-Term Targets and ESG at the core
- ❑ Aggressive investment to growth and appropriate shareholder return through business growth
- ❑ Take advantages of our strength and actively invest in growth area (Industrial, Europe, India)
- ❑ Structural transformation in Japan to thoroughly enrich profitability (10 Billion JPY EBTDA increase in FY2025)
- ❑ Give importance to profitability on capital and growth
- ❑ Strengthen infrastructure that enables sustainable growth (Governance, Talent development, DX)

# ■ Target for FY2024: Final year of 17<sup>th</sup> MTP

## Net Sales

**500 Billion JPY**

- FY2020 Actual 364.6 Billion JPY
- FY2021 Forecast 410 Billion JPY

## EBITDA margin

**17%**  
**85 Billion JPY**

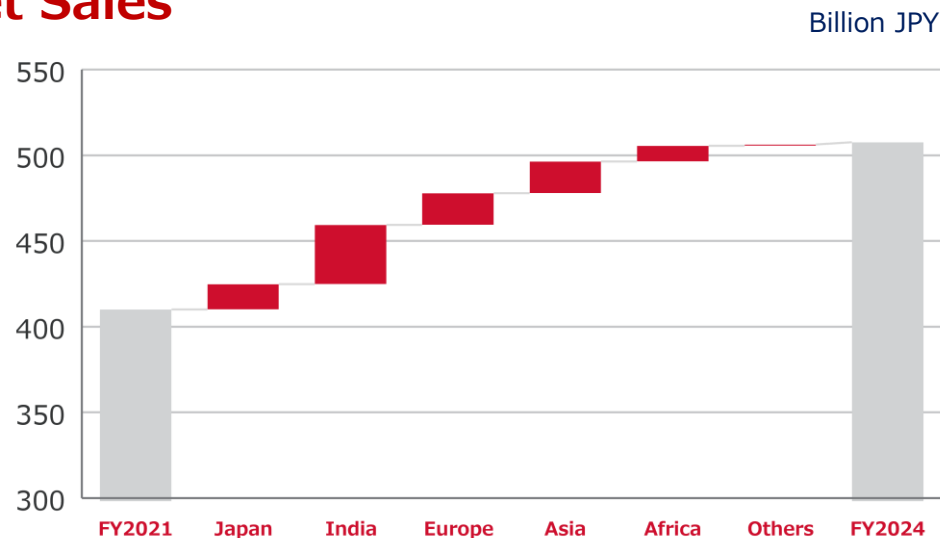
- FY2020 Actual 14.8%
- FY2021 Forecast 14.1%

## ROE(Adjusted)

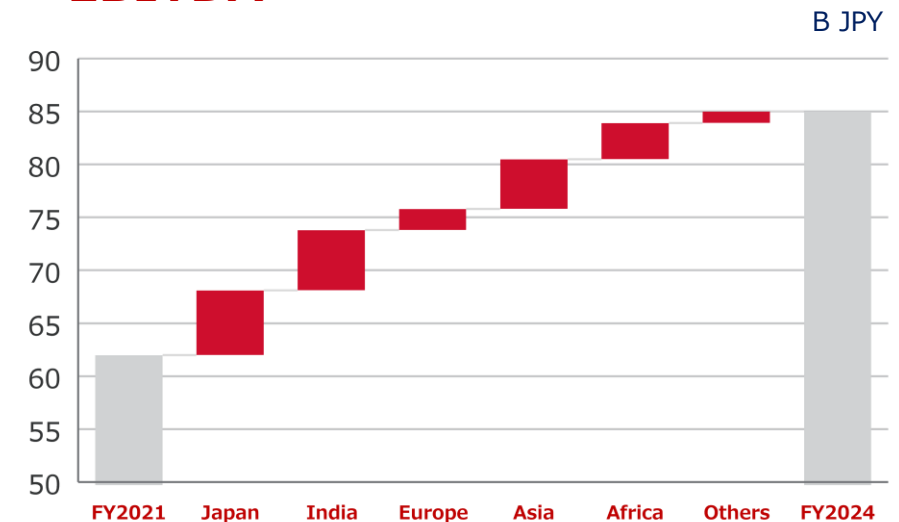
**13%**

- FY2020 Actual 8.5%
- FY2021 Forecast 9.5%

## ■ Net Sales



## ■ EBITDA



# Target for FY2024: Final year of 17<sup>th</sup> MTP (Each BU)

## International Business Unit

**263** Billion JPY

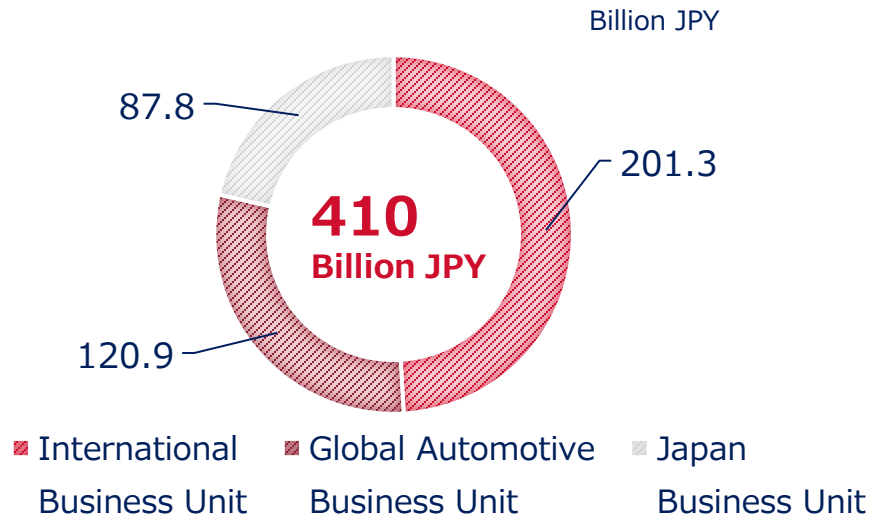
## Global Automotive Business Unit

**146** Billion JPY

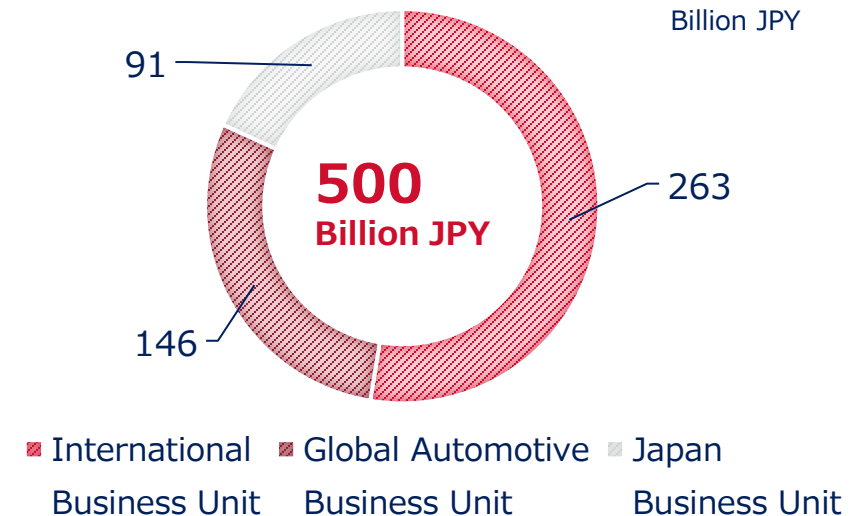
## Japan Business Unit

**91** Billion JPY

### ■ FY2021 (Plan)



### ■ FY2024 (Target)

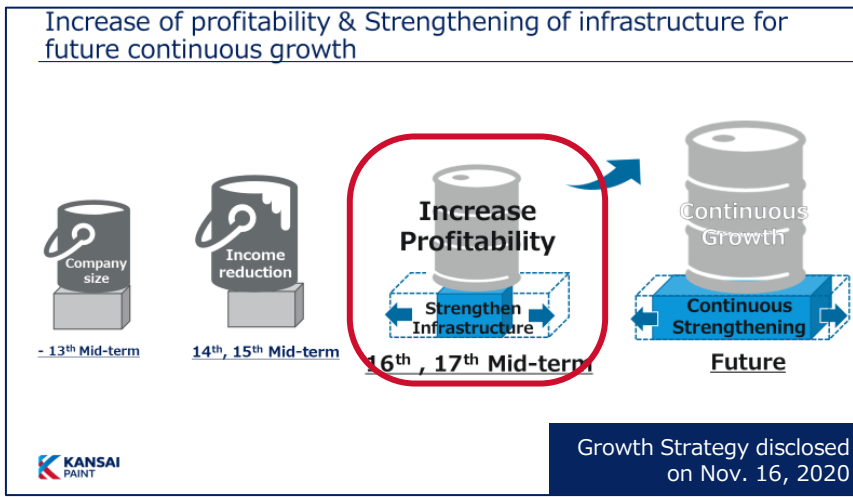
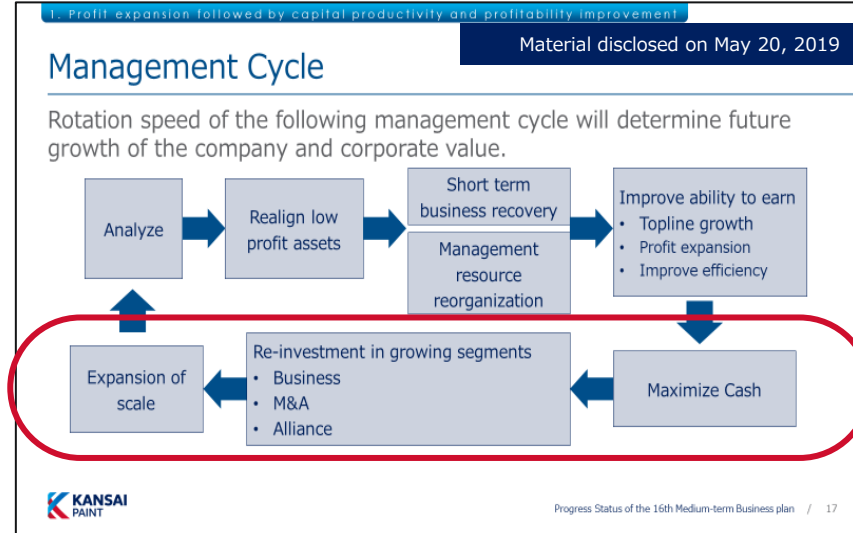




# Positioning of 17MTP



# Towards Long-term growth



## Plan

**Increase Profitability**

Net Sales **410** Billion JPY

EBITDA Margin **14.1%**

Adjusted ROE **9.5%**

➔

**Continuous Growth**

Net Sales **500** Billion JPY

EBITDA Margin **17%**

Adjusted ROE **13%**

## Strengthen Infrastructure

- Strengthen Overseas governance & Compliance
- Renewed Materiality –Global expansion
- Support TCFD and Risk analysis –CO-work with Kyoto University\*(Planned)
- Decarbonization/Sophisticated circular SCM
- Business model shifts based on business characteristics
- Explore new channels
- 2<sup>nd</sup> term of Performance Improvement Committee

- Reviewing Executive Remuneration
- Succession Plan
- Promotion of New HR system
- Talent Development Program
- Culture Cultivation
- Global Digital Platform
- Reorganization of IT team

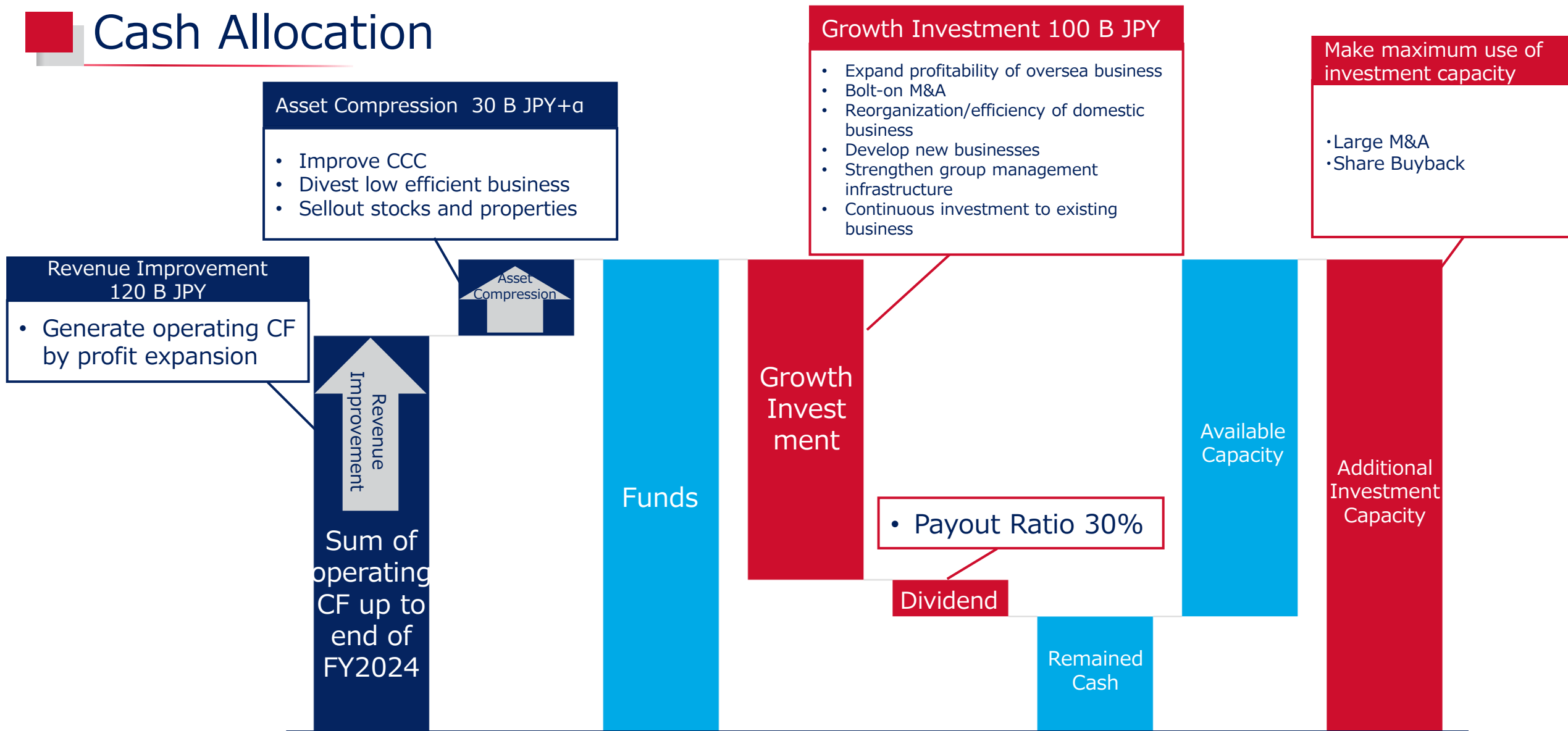
\*Graduate School of Management Professor Nobuyuki Isagawa and others

# Basic Strategy

	16 <sup>th</sup> MTP	17 <sup>th</sup> MTP	
Overseas	<b>Structural Reform/ Increase profitability</b> <ul style="list-style-type: none"> <li>☑ Disposition of unprofitable assets</li> <li>☑ Structural Reform in Africa</li> <li>☑ Increase profitability in Europe</li> <li>☑ Review Business portfolio</li> <li>☑ Improvement of compliance/governance</li> </ul>	<b>Keep &amp; Increase profitability/Expansion</b> <ul style="list-style-type: none"> <li>☐ Europe: to be the 3rd Pillar, next to Japan and India</li> <li>☐ India : Grow along with Market growth</li> <li>☐ Africa : Complete structural Reform</li> <li>☐ Area/Business portfolio Adjustment</li> <li>☐ Bolt-on M&amp;A (Mainly in Europe/India)</li> </ul>	<p>←Overseas business is essentially risky, but has high profitability and growth potential, and is therefore a growth driver for the 17th MTP</p> <p>Strengthen global risk management</p>
Japan	<b>Regain Global HQ function</b> <ul style="list-style-type: none"> <li>☑ Strengthen Strategic function</li> <li>☑ Review in Global communication</li> <li>☑ Financial structural reform</li> <li>☑ Reorganization</li> <li>☑ Re-establish M&amp;A structure</li> </ul>	<b>Structural Reform/ Improve profitability</b> <ul style="list-style-type: none"> <li>☐ Strengthen Global HQ function</li> <li>☐ Structural Reform which will increase EBITDA by 10 Billion JPY in FY2025 (Compared with FY2020)</li> </ul>	<p>←Japan business will be a cash cow, and structural reforms will be implemented to thoroughly increase profitability</p>

Business growth and profitability increase

# Cash Allocation



Aggressively invest in growth and make proper shareholder return through business growth

# “Paint Expertise” we shall apply

- High technical capability
- Correspondence to client enterprise (Service capability)
- Capability to supply paint to customers
- **Sound and honest employees / corporate culture**



## Where to apply

### [High technical capability]

- Expand product to reduce CO2 (Automotive/Industrial)
- Make a charge to EV related market
- Develop products to improve decarbonization/QOL (Focus on mobility/life/infrastructure)

### [Service capability]

- Expand Automotive Parts Coatings business(Global)
- Expand Industrial Coatings(Europe/India)
- Challenge B to C business through E-Commerce (Japan/India/Turkey/others)

### [Capability to supply paint to customers]

- Expand Automotive/Automotive Parts Coatings business
- Expand Industrial Coatings business
- PMI Driver for M&A

Human Resources and strength tempered by B to B business



- Success rate for Automotive related M&A is quite-high
- Challenge is **M&A of Non-Automotive business**

- ⚠ PMI one-sided on operational items
- ⚠ Japanese conception (belief, mentality, feeling)
- ⚠ Each M&A was one-shot, not linked to others

## Actions to be taken

### [Countermeasures to challenges]

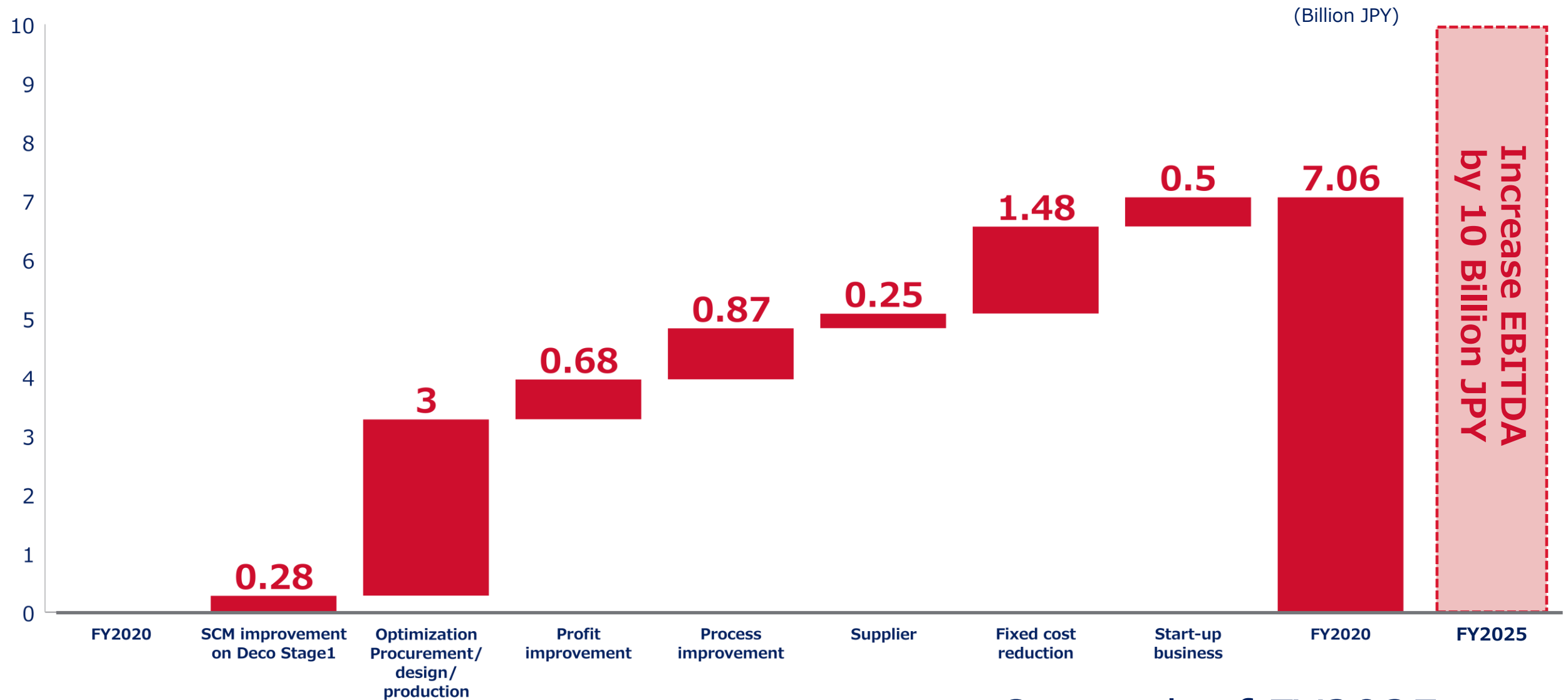
- 🕒 PMI plan and execution based on priority
- 🕒 Break away from Japanese conception
- 🕒 Structure to accumulate success/failure experience

### [M&A concept for 17<sup>th</sup> MTP]

1. Bolt-on M&A within growth investment budget
  - Apply through oversea group companies (Helios/KNPL, etc.)
2. Large M&A levered by strong financial strength
  - Lead by global HQ (Coordinate with BU and group companies)

# Structural Change in Japan

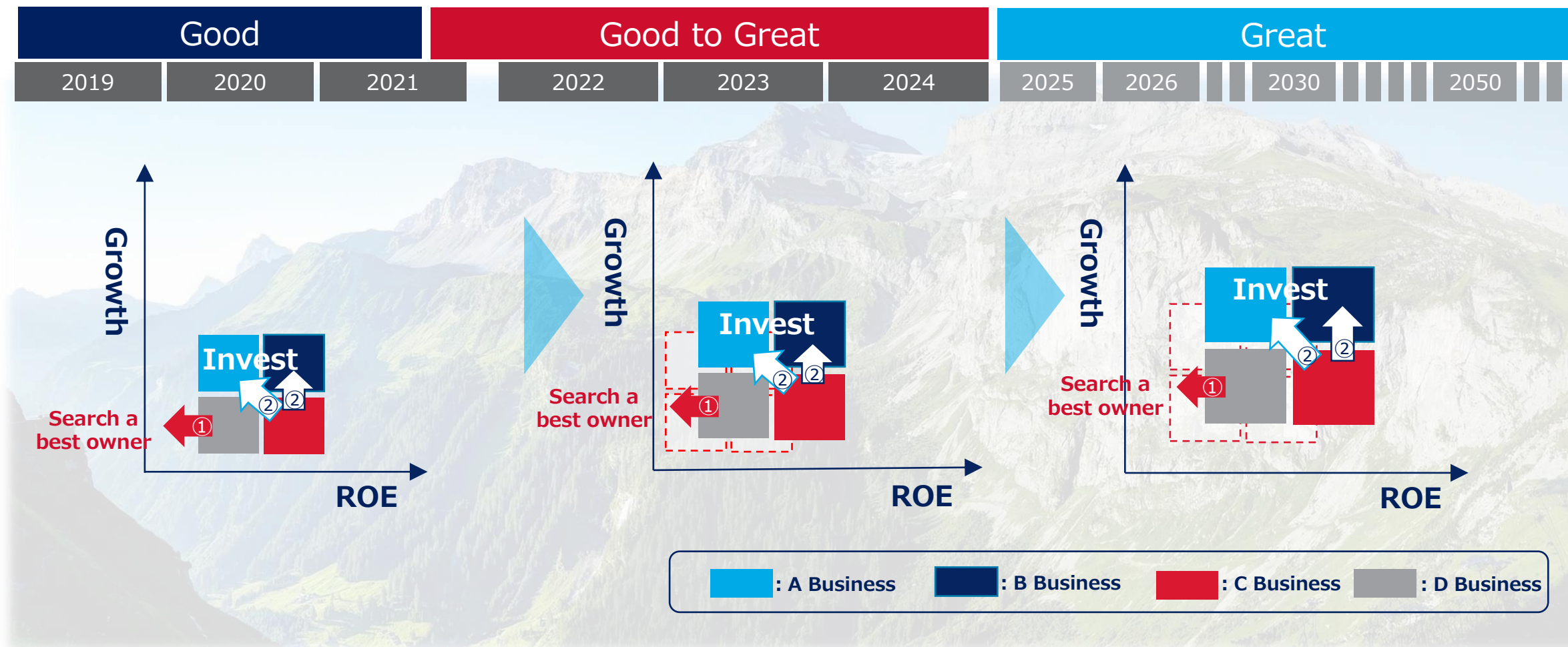
\* Does not include topline items (Sales expansion/price increase, etc.)



On track of FY2025 target



# Continuous Improvement of Portfolio

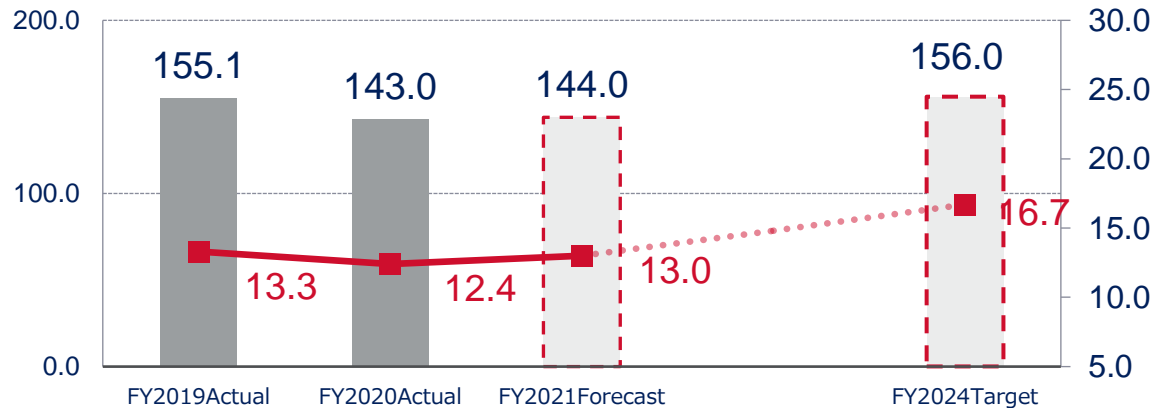


Give importance to profitability on capital and growth



# 17<sup>th</sup> MTP Target and Measures (Japan)

<Japan> Sales (Billion JPY), EBITDA Margin (%)



## Market/Competitive Environment

- Overall paint market volume to slightly decline
- RM cost remain high and logistic cost to inflate
- Automobile production to recover
- Accelerate CASE and carbon neutral shift at Auto industry
- Our Automotive share remain at its highest level
- Longer housing lifespan and increase renovation demand for Architectural paint
- Environmental measures to advance (both paint and coated objects) for Industrial paint

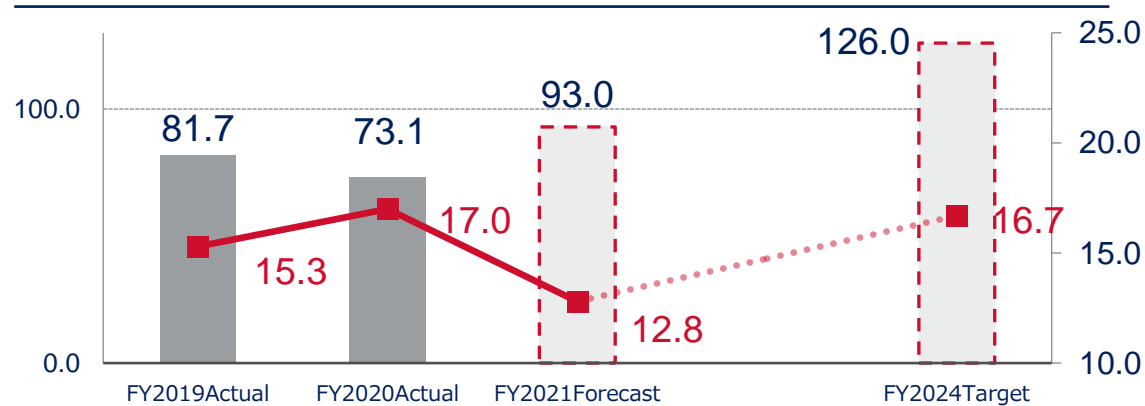
## Actions to be taken

- ▣ Thorough enhancement of strength centering on Automotive
- ▣ Procure/design/produce with minimized cost
- ▣ Consolidation of duplicative functions within group companies
- ▣ Adaption to short process/low baking/multi-substrate
- ▣ Focus on environmental products (Waterborne/Powder)
- ▣ Profit increase by product mix improvement
- ▣ Supply chain renovation to enhance safety and economical value and meet carbon neutral/BCP
- ▣ Explore new market/channel

Enhance strength and push through structural reform

# 17<sup>th</sup> MTP Target and Measures (India)

<India> Sales (Billion JPY), EBITDA Margin (%)



## Market/Competitive Environment

- Paint market CAGR to be 9 to 10%, smoothly expand
- Demand let by personal spending thanks to increase of disposal income
- 75% of paint market portion is Architectural paint. Competition expected to intensify due to a new comer entering the market
- Huge RM inflation impact, seeking for uniqueness to win under severe competition
- Auto/Industrial demand extended thanks to increase of disposal income

## Actions to be taken

### [Architectural]

- ▣ Dealers 27,000 -> 35,000 (5-year plan)
- ▣ Strengthen brand by utilizing digital
- ▣ New customer acquisition by E-commerce
- ▣ Challenge apply and supply to target new demand acquisition

### [Auto]

- ▣ Auto production to largely expand. Maintain/improve market share
- ▣ Countermeasure to RM inflations (Price increase/cost reduction)
- ▣ Expand Auto-refinish paint

### [Industrial]

- ▣ Put energy as future potential market
- ▣ Growth utilizing strength such as ACEs\*
- ▣ New customer acquisition by coordination within group companies

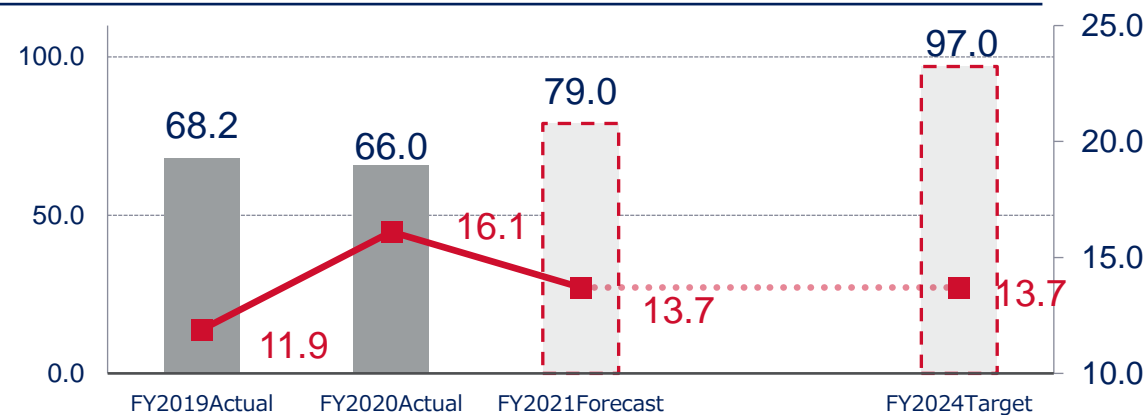
\*Agricultural, Construction, Earthmoving Equipment

Severe competition for Architectural market/expand Automotive and Industrial market

# 17<sup>th</sup> MTP Target and Measures (Europe)



<Europe> Sales (Billion JPY), EBITDA Margin (%)



## Market/Competitive Environment

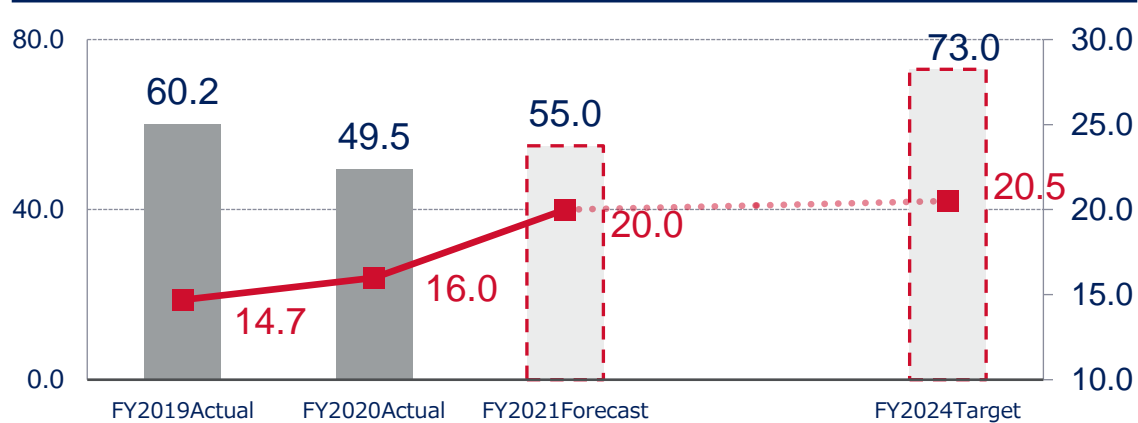
- No.2 market size for paint next to China. About 3% CAGR is expected continuously.
- Leading the world by sustainability demand and technologies
- Automobile production to recover gradually but growth is limited.
- Accelerate electrification/carbon neutral in Mobility and Industrial area
- 50% of market demand is for architectural paint in Turkey
- Turkish architectural paint market was heavily damaged by COVID-19 and TRY currency depreciation in 2018.
- Demand for architectural paint after 2021 is at recovering trend. Wait to see the recovery.

## Actions to be taken

- ❑ Promote product/technology development in Europe centered by Helios
- ❑ Promote business opportunity expansion and profit improvement by horizontal expansion of Kansai Paint and Helios technologies
- ❑ Promote Cooperation among group companies within Europe (Including BCP items)
- ❑ Invest in Industrial segment (New business / seeking M&A opportunities)
- ❑ Study on cooperation expansion within EMEA region (Mitsui Co.)
- ❑ Acquire new demand created by customers pursuing to improve environmental value such as circular economy/decarbonation

# 17<sup>th</sup> MTP Target and Measures (Asia)

<Asia> Sales (Billion JPY), EBITDA Margin (%)



## Market/Competitive Environment

- Production reduction at Automotive OEM and Parts manufacturers and chronic shortage of semi-conductors. Focus point is when it will recover from severe external environment.
- Accelerate decarbonation trends such as expansion of EV.
- Electricity supply restriction in China, Increased difficulty of cost control and substituting RMs due to RM inflation.
- Around 6% growth rate is expected for areas where we operate
- Due to stringent Chinese environmental regulation, demand for environmental product such as waterborne will expand

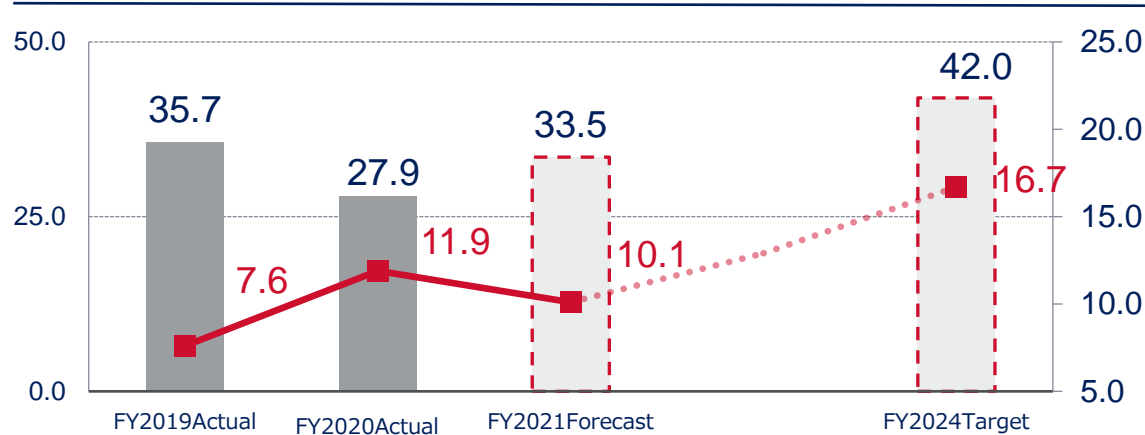
## Actions to be taken

- ❑ Attack low-share Automotive OEM customers
- ❑ Expand Automotive parts paint business
- ❑ Promote disposition of remaining unprofitable assets
- ❑ Improve efficiency of management capital, product competitiveness and marketing activities for Architectural paint business in all ASEAN regions
- ❑ Improve product competitiveness of environmental products and explore new customers for Industrial coatings business
- ❑ Focus local development of environmental products and expand business with local customers for Industrial coatings business in China

Grow Auto parts and Industrial business by applying Automotive OEM/environmental technologies

# 17<sup>th</sup> MTP Target and Measures (Africa)

<Africa> Sales (Billion JPY), EBITDA Margin (%)



## Market/Competitive Environment

- Architectural paint accounts for 70% of SA Paint market. 3% market decline in last 3 years
- At SA Architectural paint market, shifting to Mid-Tier segment at an accelerated rate
- 10% or more market growth expected, mainly Architectural paint, in East African market (Uganda/Kenya/Tanzania)
- We are No.1 in Uganda, No.2 in Tanzania and No.3 in Kenya.
- Overall African market growth speed is slower than anticipated

## Actions to be taken

### [South Africa]

- ❑ Through promotion of structural reform such as abolish or merge plant/logistic warehouse, layoffs and organizational restructuring
- ❑ Accelerate new product launch at SA Architectural Mid-tier segment, share expansion by strengthen branding
- ❑ Apply method used at SA to CSA, accelerate profit expansion

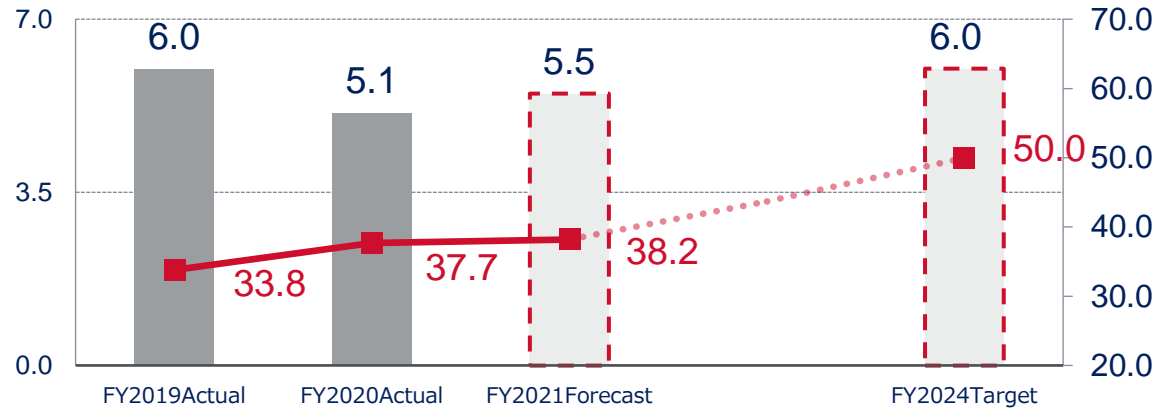
### [East Africa]

- ❑ Establish one-sided No.1 position in Uganda to lead business performance
- ❑ Establish No.1 position in Tanzania by 2024.
- ❑ Increase market position in Kenya

Grow into the region contributing to group performance

# 17<sup>th</sup> MTP Target and Measures (North America)

<North America> Sales (Billion JPY), EBITDA Margin (%)



## Market/Competitive Environment

- Automobile production to recover to pre-Covid level gradually
- Shift to electrification and carbon neutral to be accelerated
- RM cost remain high and logistic cost to inflate

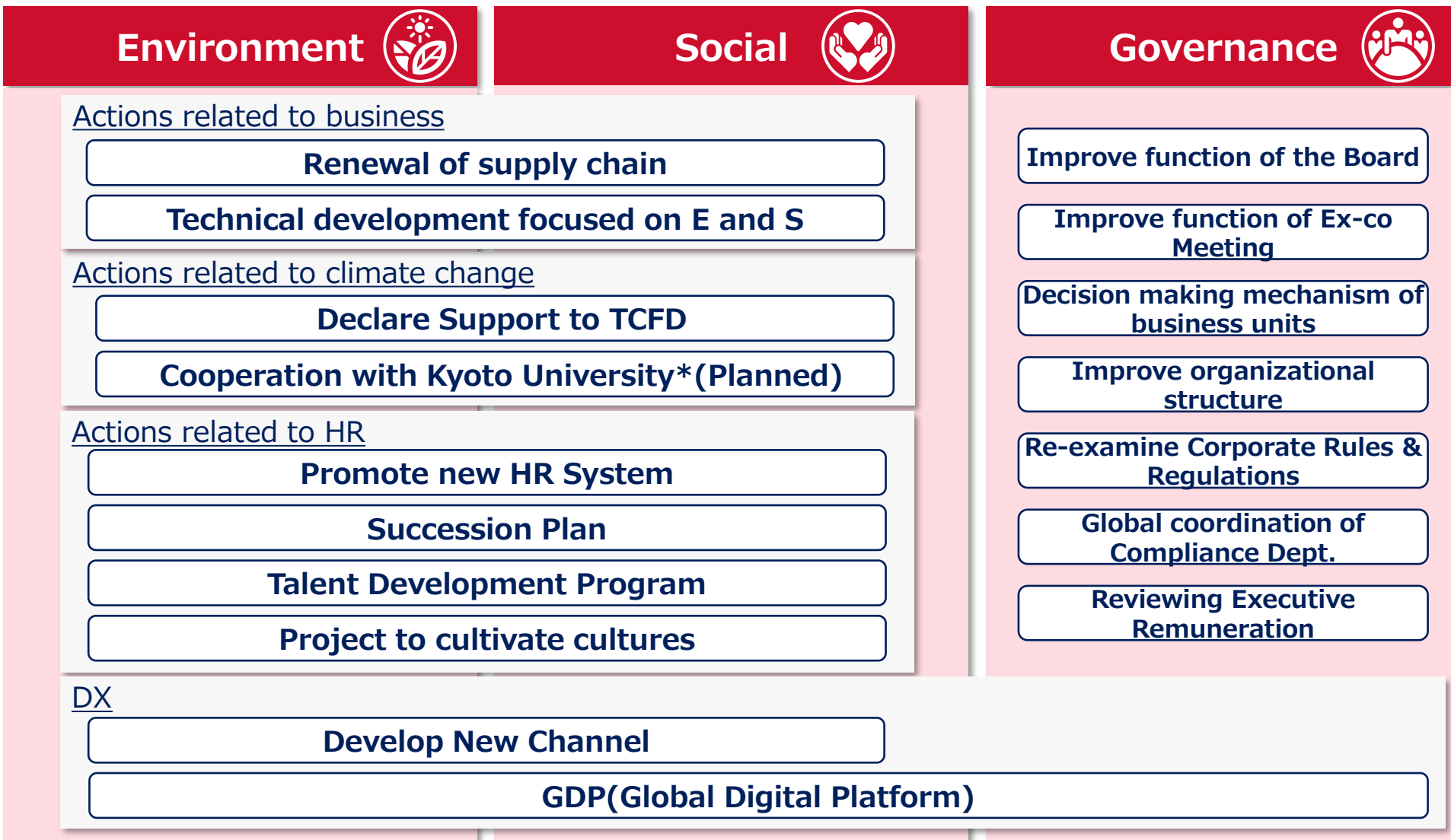
## Actions to be taken

- ❑ Maximize profitability of Japanese Automotive OEM business
- ❑ Expand Automotive parts paint business
- ❑ Aggressively deploy environmental products

Expand profit contribution

# Actions in place to strengthen infrastructure

※Please refer to Appendix



\*Graduate School of Management  
Professor Nobuyuki Isagawa and others

## Strengthen infrastructure based on ESG perspectives





# Thank you.

Forecasts of financial results stated in this document are forecasts based on currently available information that includes potential risks and uncertain elements. Therefore, actual financial results may differ from the forecast figures.



# Appendix

– Sustainability Management / Materiality

– **E S** G

– E S **G**

– **D X**

# Sustainability Management / Materiality

# Sustainability Management

## FY2025 Target

### "Good to Great"

Target for FY2025

EBITDA% over **18%**

ROE over **13%**

Growth Strategy disclosed  
on Nov. 16, 2020



1. Continuous  
Profitable Growth



2. Strategic concentrated  
Investment



3. Expansion of  
Partnerships



4. Thorough Improvement  
of Profitability



5. Reorganization based on  
characteristic of each business



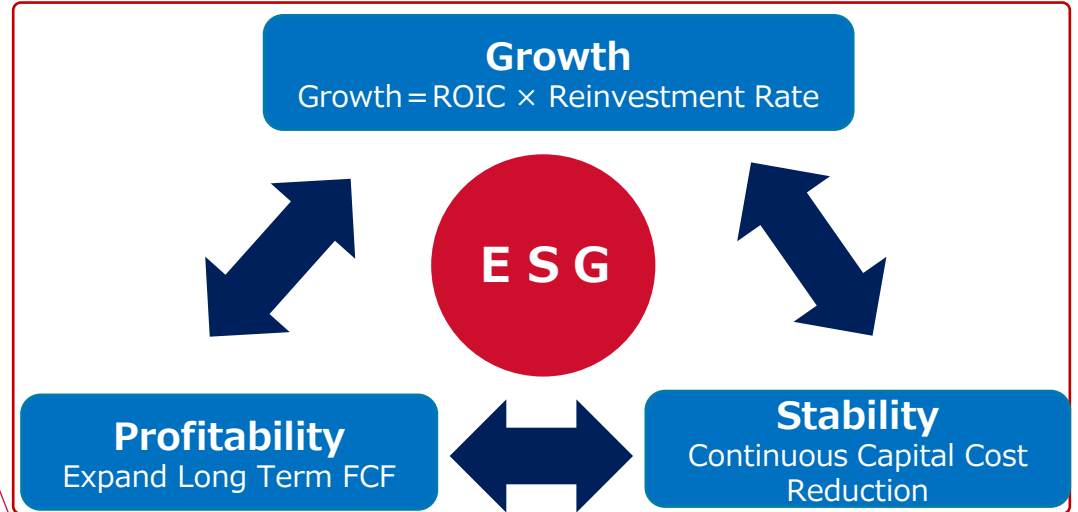
6. Talent  
Development



7. Strengthening  
Infrastructure

Target for FY2025 &  
7 Keys to "Good to Great"

## 17<sup>th</sup> MTP



### [Main Policy]

1. Cash generation by increasing profitability
2. Aggressive investment into growing markets
3. Strengthening the management infrastructure

### 1. 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 to use from decarbonization point of view. (de-fossil fuel, renewable energy, next generation energy, etc.)
- Drastically reduce the energy amount to use by optimizing the business activities from a medium-term perspective.
- Reduce CO2 emission through the whole product lifecycle, with our customers and suppliers
- Transform the way to use energy, at the capital investment opportunities
- With above actions, aim the carbon-neutral by 2050



### 2. Improvement of QOL (Quality of Life)

#### Commitment (To-be Society and Our Role)

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

- Improve the quality of life for people by making the whole society beautiful and strong with painting/coating
- Improve the quality of life for users by providing the paints which contribute to health and hygiene.
- Improve the safety of users, suppliers and employees, by preparing the occupational safety and health environment and the working environment.
- Contribute to reduce the health damage (high temperature damage, deterioration of hygiene, etc.) behind the climate change



### 3. Enhancement of achieving resources and economic circulation

#### Commitment (To-be Society and Our Role)

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

- Keep sophisticating the resource circulation of whole society, by reviewing the all phases of raw material, production, usage, and the painted finished goods.
- Aim "Break-through" of the balance of the resource circulation and the economic circulation
- Challenge to improve the recycle rate of the painted material and the paint itself.
- Promote the thorough and effective resource utilization and recycle within the group.



### 4. Transform into a Group where diverse people play active roles

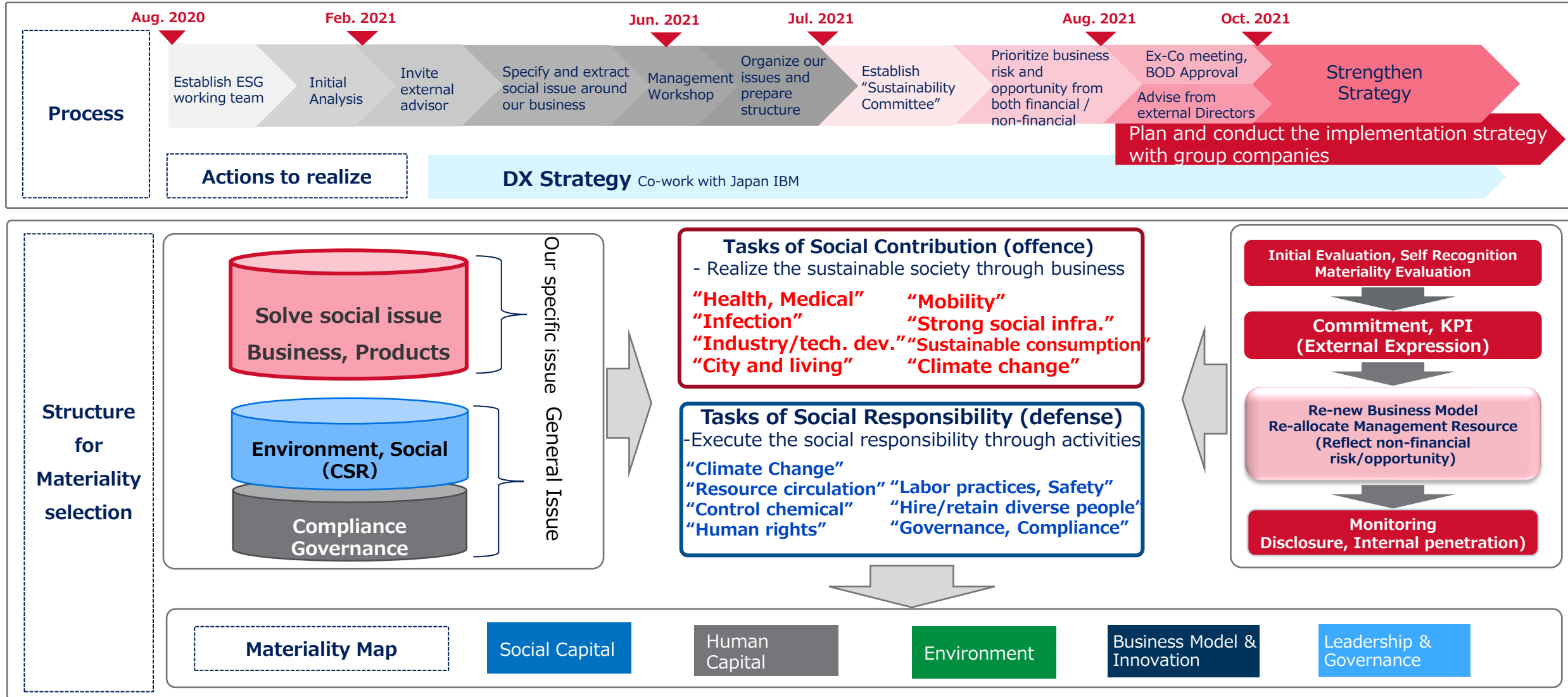
#### Commitment (To-be Society and Our Role)

##### 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 to localize the operation
- Aim 20% of women's ratio among the global employees and 15% of women's ratio among the global manager positions (by 2030), by the fair human resource development and promotion
- Aim 25% of women's ratio among BOD members (by 2030) via the promotion of women's carrier development.
- Promote the diverse people to play an active role, through the realization of the diverse way of working
- Keep customers' trust to Kansai Paint group, by the succession of technique and know-how over ages.



# Appendix Materiality selection process and structure



Revision made based on long-term perspective and stakeholder expectations

# Appendix

## Materiality Map of Kansai Paint

Social Capital	A. Human Rights & Community Relations B. Data Security & Customer Privacy C. Product Quality & Safety
Human Capital	D. Labor Practice E. Employee Health & Safety F. Employee Engagement, Diversity & Inclusion
Business Model & Innovation	G. Business Model Resilience H. Supply Chain Management I. Material Sourcing & Efficiency J. Product Design & Lifecycle Management
Environment	K. GHG Emissions L. Energy Management M. Waste & Hazardous Materials Management N. Water & Wastewater Management
Leadership & Governance	O. Business Ethics P. Management of the Legal & Regulatory Environment Q. Systemic Risk Management

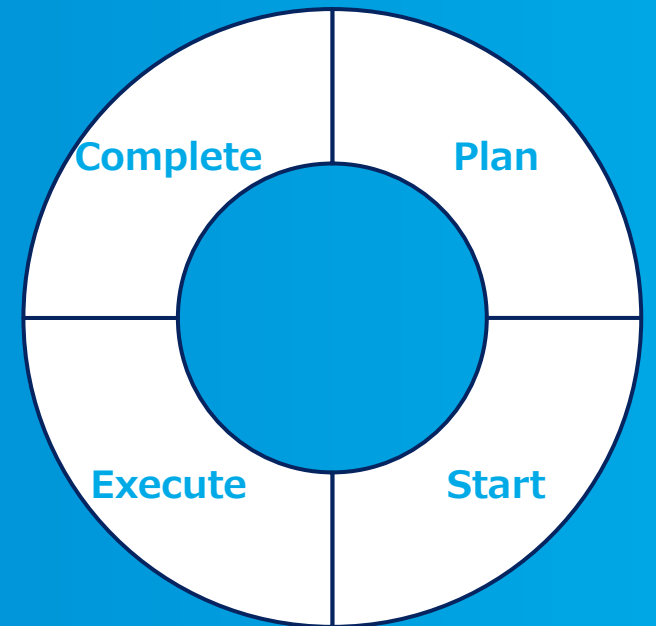


### Our Materiality

Realizing Decarbonation	K. GHG Emissions
Improvement of QOL	C. Product Quality & Safety, F. Employee Engagement, Diversity & Inclusion, E. Employee Health & Safety, J. Product Design & Lifecycle Management
Enhancement of achieving resources and economic circulation	H. Supply Chain Management, J. Product Design & Lifecycle Management, M. Waste & Hazardous Materials Management, N. Water & Wastewater Management
Transform into a Group where diverse people play active roles	F. Employee Engagement, Diversity & Inclusion

Select Materiality highly important to both stakeholders and us

ESG



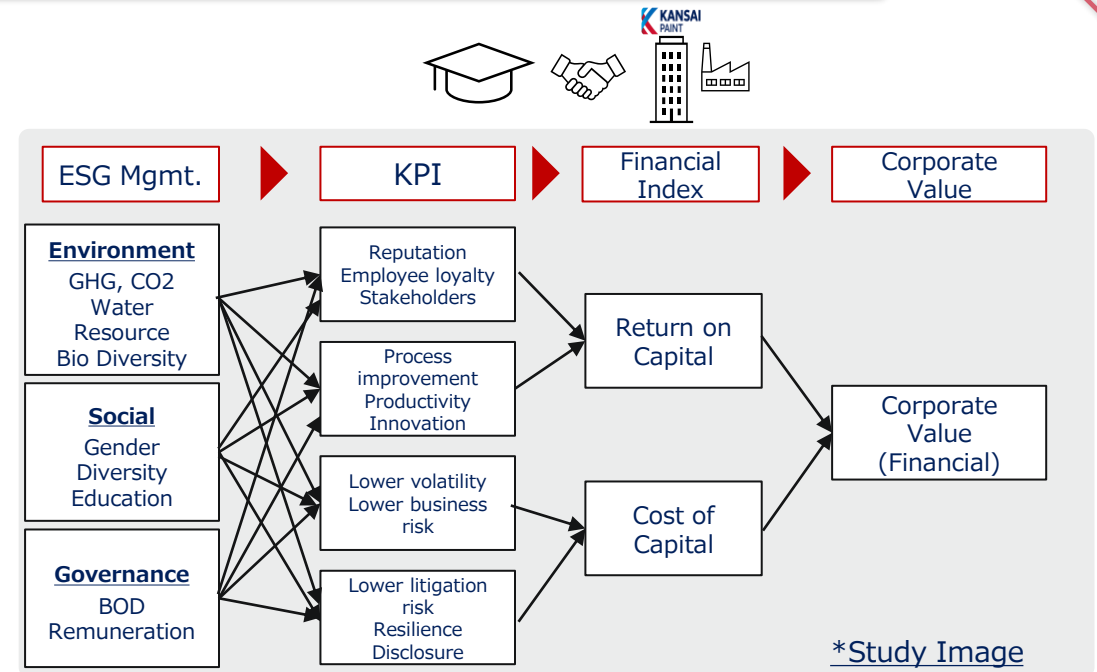
## Decided to Support TCFD

### TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

**TCFD**

TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES

## Cooperation with Kyoto University\* (Planned)



- Support for TCFD scenario analysis
- Provide SDGs/ESG data
- Approach to quantitative analysis ESG activities
- Co-research on specific important topics

*\*Graduate School of Management Professor Nobuyuki Isagawa and others*

Support TCFD, Cooperate with Academy to reflect on supply chain renewal



# Appendix Supply Chain Renewal Concept



~2025

~2030

~2040

~2050

17<sup>th</sup> MTP ~ 19<sup>th</sup> MTP

Move into action to build next generation supply chain model in Japan (Social value / Economical Value compatible model)

Next generation supply chain model to be deployed globally

**Production/Logistic Transformation**

- Review design idea
- Review procurement
- Review Plant/Warehouse/Logistic
- Optimize sales network

**Contribute to Sustainability**

- Realize carbon neutral
- Enhance economical circulation
- Improve QOL of all stakeholders
- Realize satisfactory work environment

**Efficient Operation By DX**

- Production Management System
- WMS/EDI High Level Coordination
- Promote Smart Factory

Global Deployment

**Supply Chain we aim**

**Sustainability POV (Social Value)**

- |                         |  |
|-------------------------|--|
| <b>Decarbonization</b>  | Achieve carbon neutral on global base                                |
| <b>Circular Economy</b> | Zero waste (Global)<br>Water re-use 100%                             |
| <b>Safety Ease</b>      | Zero hazardous chemical release, completely safe working environment |



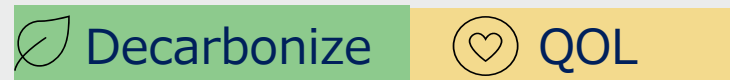
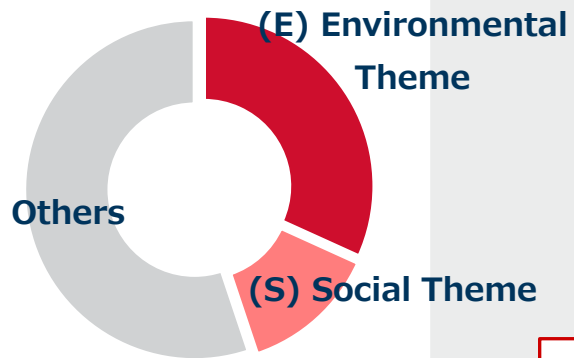
**Business POV (Economic Value)**

- |                             |   |
|-----------------------------|---|
| <b>Operation Efficiency</b> | Automation (Robot utilization),<br>Operation (Data mining)            |
| <b>Product Value</b>        | Stable quality, Storage /Logistic Management, RM ~ Product Management |
| <b>Operational Value</b>    | Minimize lead time, multiple products mass production                 |

Plan with back casting

**Build Social/Economical value compatible model by 2050**

## Mid-Term Theme



Innovative  
Technology

**Green Digital**  
High energy efficiency, Comfortable,  
High Hygiene, Easy Maintenance,  
Safety

## Long-Term Theme

(S) Social  
Theme

(E) Environmental  
Theme



Promote strategic R&D with high regards for Social and Environment

## NEROLAC India



- Energy management by utilizing solar panels and bio fuel based boiler



- Tree plantation and Green belt development

## Plascon South Africa



- Use paint buckets for premium range products, up to 70% upcycled material (recycling old buckets)



“Plascon DOUBLE VELVET” interior paint with air purifying technology



“Plascon TRADE PRO ROOF&MORE”, first APEO-free roof paint in Africa



## KANSAI HELIOS Slovenia



- Build and operate solar power plant that generates 290K kWh of energy per year



- At the Rembrandtin Lack, coatings to protect backsheets for solar energy



All group companies come together and aggressively act in each regions

Environment	Social	Governance
<b>Actions related to business</b>		
Renewal of supply chain		
Technical development focused on E and S		
<b>Actions related to climate change</b>		
Declare Support to TCFD		
Cooperation with Kyoto University*(Planned)		
<b>Actions related to HR</b>		
Promote new HR System		
Succession Plan		
Talent Developing Program		
Project to cultivate cultures		
<b>DX</b>		
Develop New Channel		
GDP(Global Digital Platform)		

## Culture Cultivation Project



BRUNSWICK  
ブルンズウィック

**Profit and Fairness**

**Understanding and driving  
force to company policy  
and measures**

**Mindset to  
transformation**

**Diversity  
&  
Inclusion**

**Challenging Spirit**

# Transform culture to become a Great Company



# Succession Plan

External Assessment

Next Gen. Management Leadership Program

Skill Map

New HR  
system

"Disastrous" Experience

## Select/Promote

- ❑ Manage Affiliate Companies
- ❑ Performance Improvement Committee
- ❑ Start-up Business
- ❑ Projects and others

Determination

Experience

Knowledge

Gathering necessary "Knowledge"

## Training

- ❑ Managerial View, Management Control
- ❑ Diversity & Inclusion
- ❑ Governance
- ❑ Awareness raising project, others

Culture Cultivation

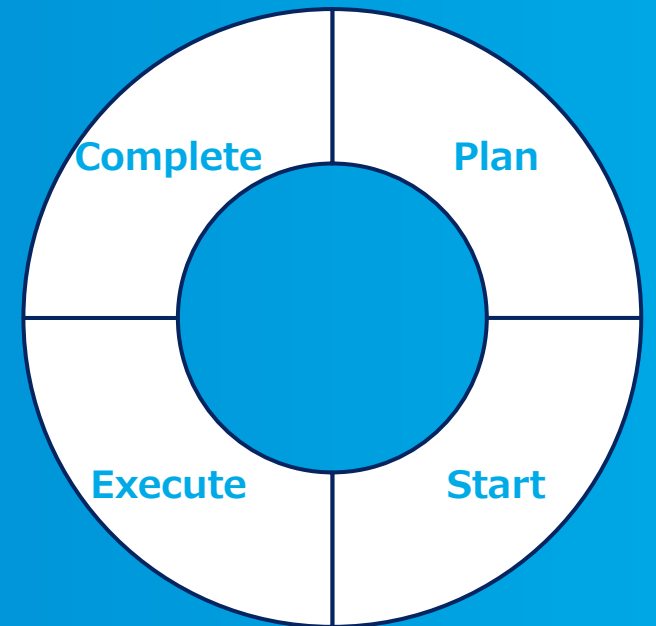
Paint/Paint Business

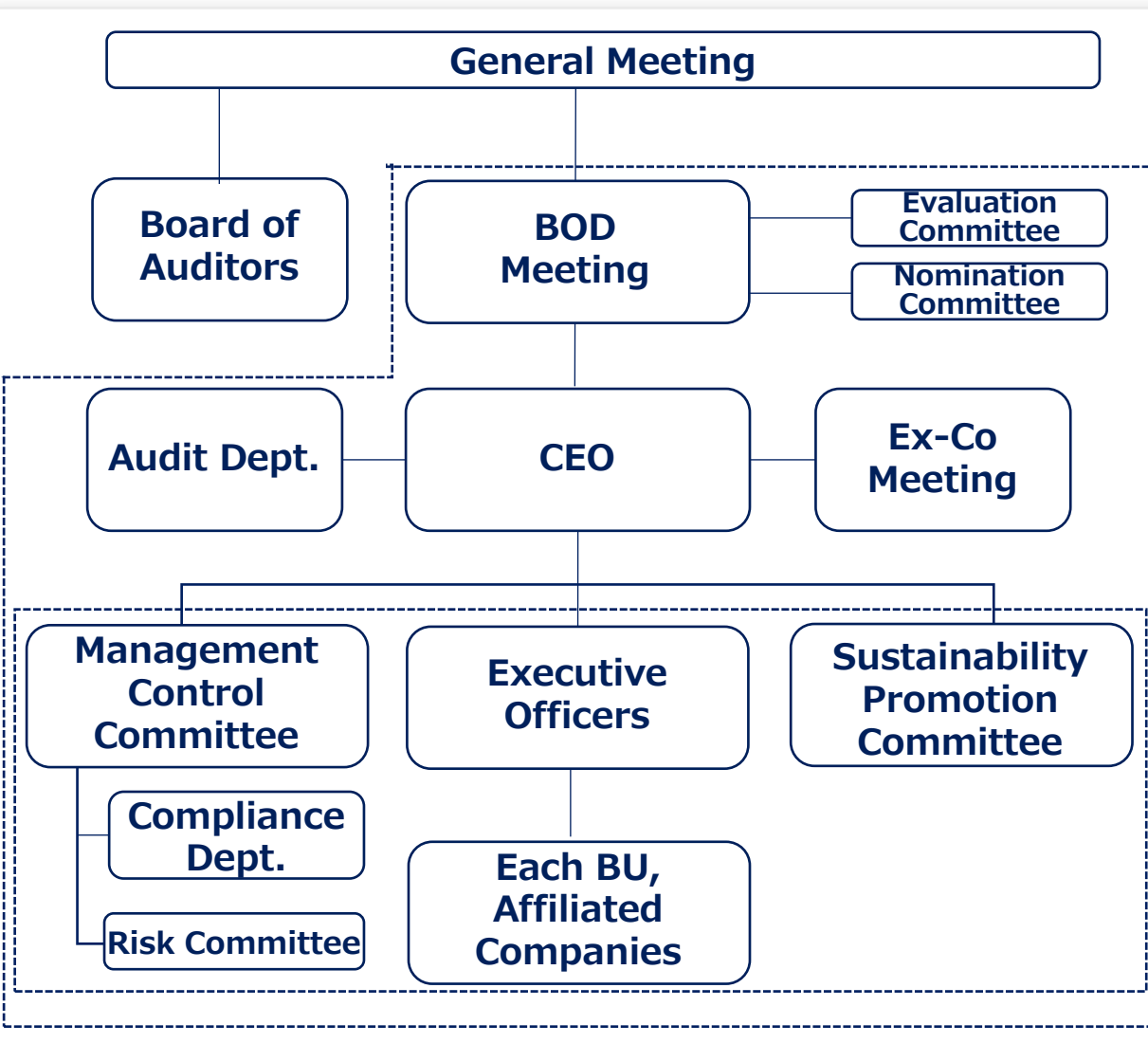
## Paint Practice

Career Development of each Employees

Develop global talent with managerial view

ESG





## Progress

- ❑ Reducing politically held shares (cont. from last year)
- ❑ Organizational re-form to 6 Units and Functions
- ❑ Periodic strategy discussion at BOD meeting
- ❑ Established Sustainability Promotion Committee
- ❑ Draw-up Skill Matrix for BODs
- ❑ Training program for next generation Executives
- ❑ Starting Engagement Survey
- ❑ Establishing Compliance Dept.(Appointment of external talent)

Ceaseless approaches for improvement



# Appendix Reviewing Executive Remuneration



Extracted from FY2021  
Integrated Report

## Executive compensation

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

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

## Basic compensation

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

## Performance-linked compensation

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

## Performance-linked, stock-based compensation

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

(Breakdown and purpose of points)  
Fixed portion: A certain number of points will be granted each fiscal year for the purpose of further enhancing management awareness of the importance of shareholders.

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

## Composition of compensation

### Compensation for internal directors

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

### Compensation for outside directors

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

### Compensation for audit & supervisory board members

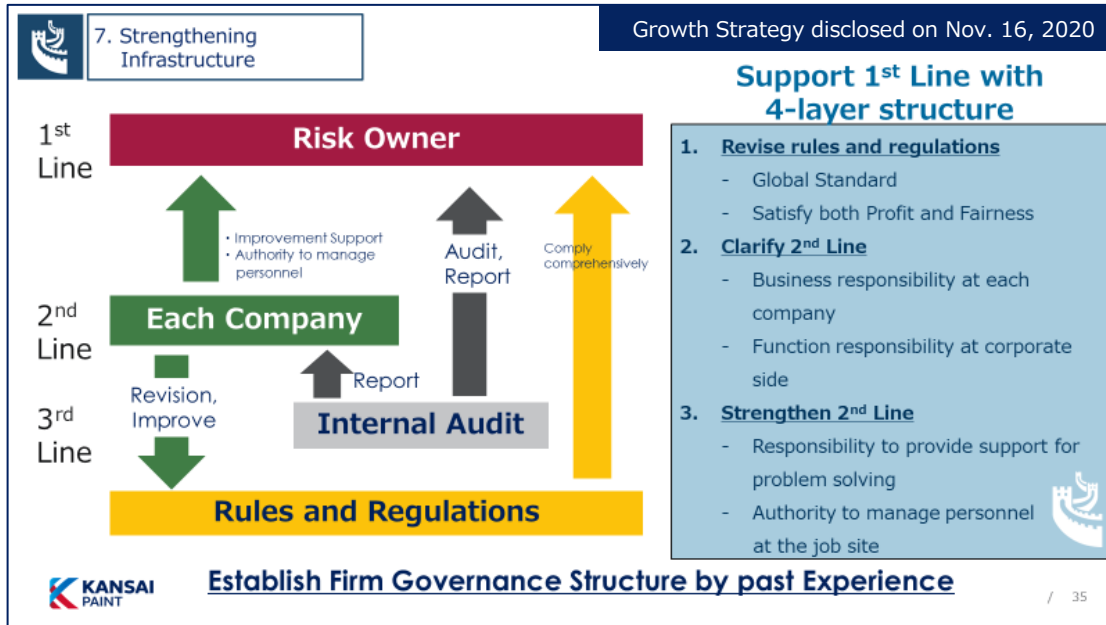
Compensation for audit & supervisory board members is determined taking into consideration the job content according to whether the audit & supervisory board member is an internal or an outside audit & supervisory board member, and consists mainly of a fixed amount of basic compensation.

## Point of Review

- ❑ Institutional design that gives a boost to "Realize Managerial Judgements for Long Term Business Growth"
- ❑ Clear policy for determining Remuneration
- ❑ Coupled with Business Performance in a suitable range (Management Index , Short/Long term)
- ❑ Adopting highly reasonable remuneration structure and calculation method
- ❑ Transparent system operation
- ❑ Adequate disclosure

Initiated analysis and study, to be updated properly

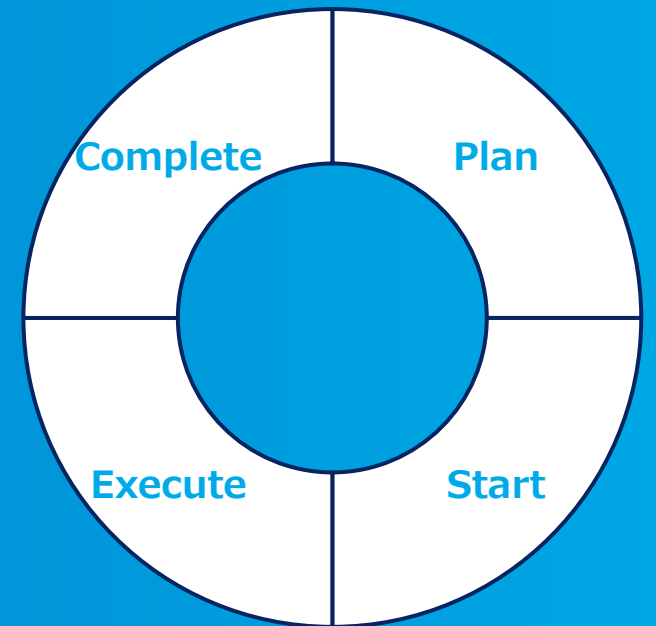
## Design



## Items under Execution

- ❑ Project to Re-examine Corporate Rules & Regulations
- ❑ Establish Compliance Dept.
- ❑ Cooperation between Compliance Dept. and Business Units
- ❑ Strengthen coordination between Audit Dept. and Business Units
- ❑ Coordination between Compliance Dept. and Audit Dept.
- ❑ Coordination between Business Units and Corporate Functions
- ❑ Commence establishment of global 2<sup>nd</sup> line Network
- ❑ Enhance crisis management capabilities

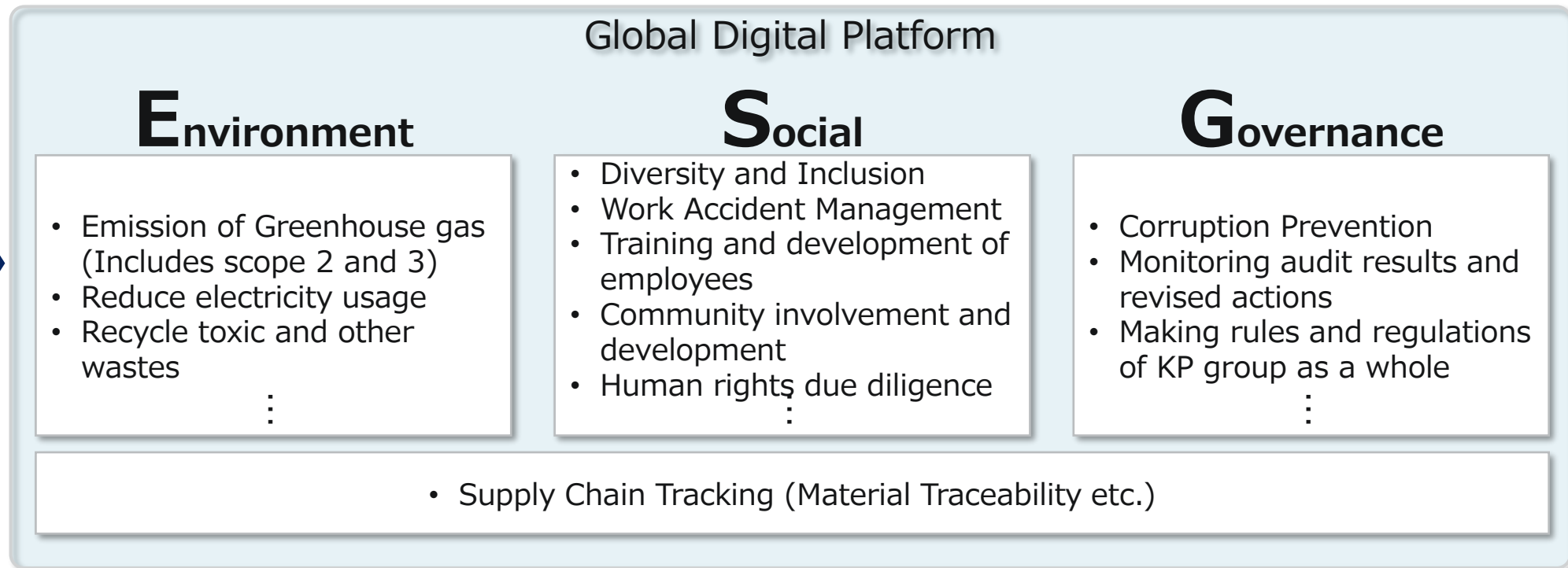
# DX



## Visualize ESG-related Actions and other relevant data of KP Group to Increase Corporate Value as KP Group

Company Policy/Strategy

Economic Value of Non-  
Financial Data

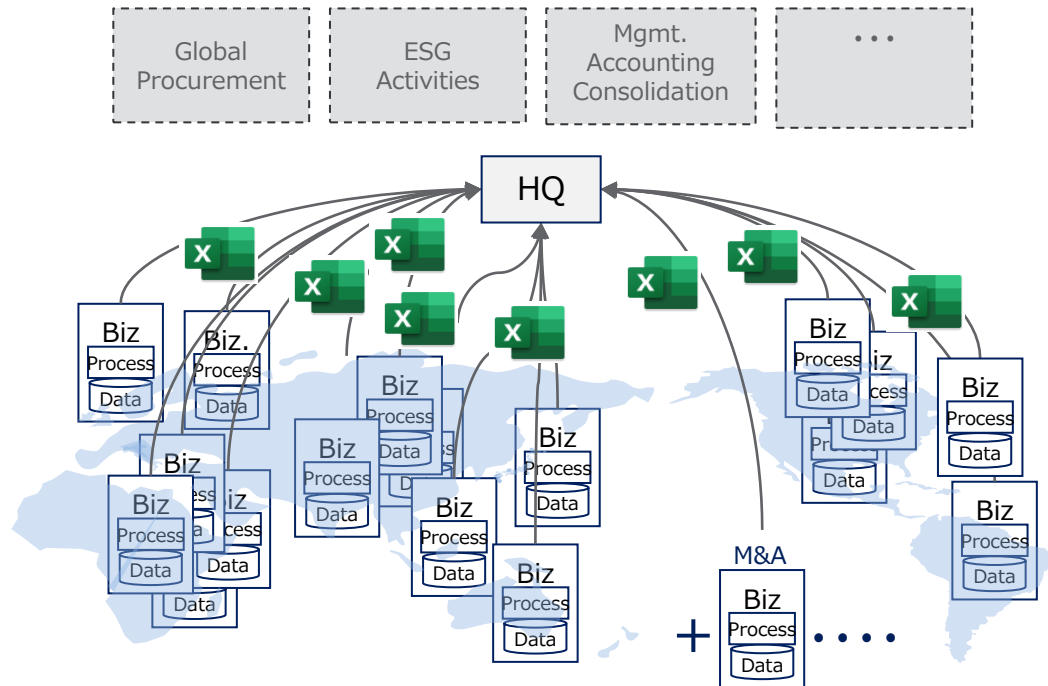


Cooperation with  
Kyoto  
University\*(Planned)

DX enhances visualization, target management, reproducibility of ESG activities

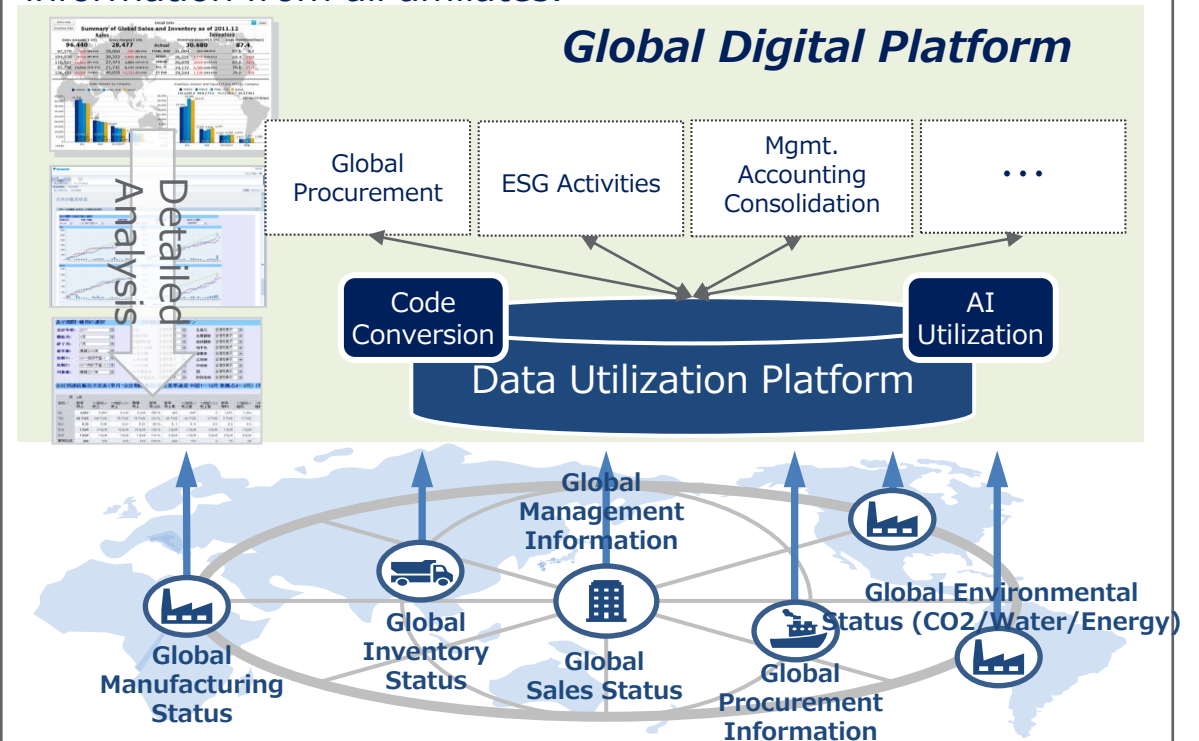
## As-Is

Divided operations/systems/codes in affiliates due to aggressive M&A and data collection by Excel file prevent KP group from utilizing global data.

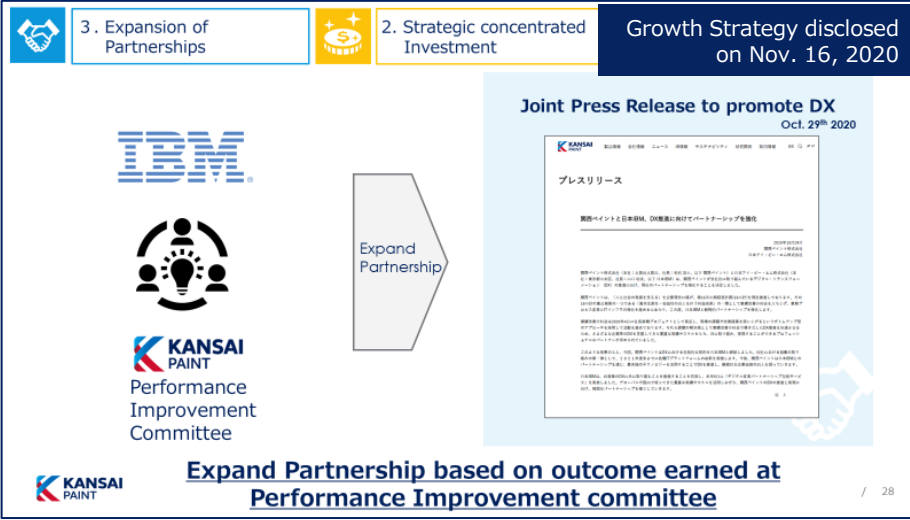
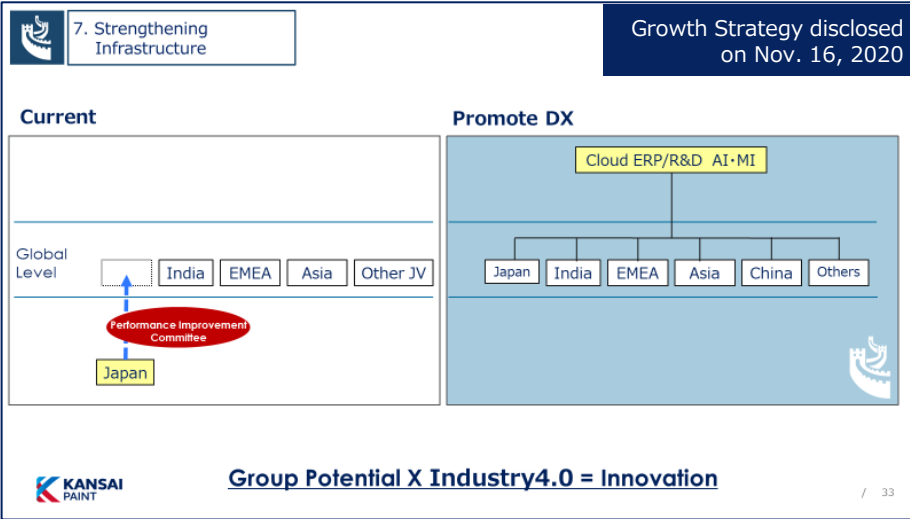


## To-Be

Realize global digital transformation by GDP with establishing global unified codes and automatically collecting sales, manufacturing, inventory, procurement, and environmental information from all affiliates.



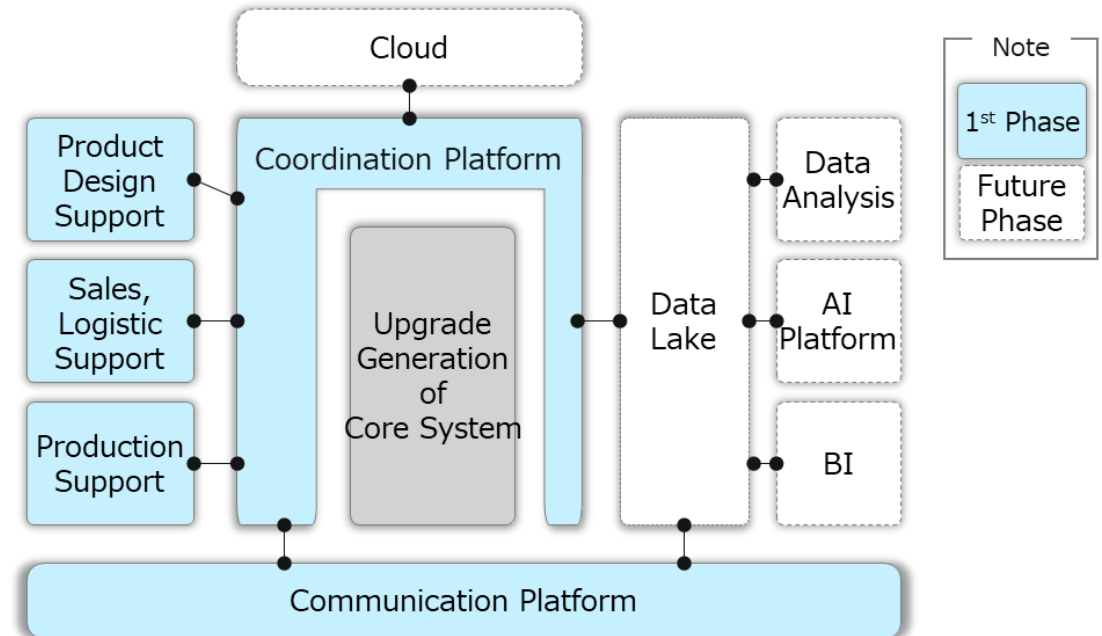
Establish a Network by taking advantages of progressive approaches at Overseas Group Companies



## Progress

**Initiated Overall Review by launching IT Planning Dept.**

- Effectively utilize **solutions already available**
- Avoid ventor lock in** and selecting right options in right place



# Make a recovery during 17<sup>th</sup> MTP term

