

# Kansai Paint Co., Ltd.: Water Security 2023

## W0 Introduction

### (W0.1) Give a general description of and introduction to your organization.

(Overview of Kansai Paint)

Established in 1918, the Kansai Paint Group has grown into Japan's most progressive manufacturer across all fields of coatings. Today, the company enjoys a well-established position as one of the world's leading paint manufacturers. The various products offered by the Kansai Paint Group are highly valued and trusted in a broad variety of fields due to the important role our coatings play in protection and beautification, providing special functionality and environmental sensitivity. Moreover, with Kansai Paint's proprietary research and development capabilities at its core, the company is providing its clients around the world with unparalleled customer service by expanding its manufacturing, distribution, and sales activities globally. We have subsidiaries and affiliates in Japan, India, Europe, Asia, Africa, and the Americas, and are present in 46 countries and regions.

(Group Corporate Philosophy and Mission Statement)

The Kansai Paint Group Mission Statement is to "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." The foundation of our Group's existence is the trust we earn, not only from customers, but from society broadly, through our core coatings business. It is our belief that shareholders, business partners, employees, local communities, and other group stakeholders benefit when corporate value is enhanced through a cycle that involves providing high value to society based on trust, and investing profits realized thereby in activities to enhance global sustainability.

(Outline of operations)

In both Japanese and international markets, we manufacture and sell coatings and provide coating services in the automotive, auto refinish, industrial, architectural, marine, protective, and other fields.

(Sales by region)

Total group net sales in FY2022 were 509.1 billion yen. In regional segment net sales, Japan accounted for 152.5 billion yen (30%); India, 127.5 billion yen (25%); Europe, 112.1 billion yen (22%); Asia, 68.1 billion yen (13%); Africa, 41.8 billion yen (8%); and North America, 7.0 billion yen (1%).

(Company profile)

Company Name: Kansai Paint Co.,Ltd.

Head Office: 6-14, Imabashi 2-chome Chuo-ku, Osaka 541-8523 Japan

Date Established: May 1918

Capital: 25,658 million yen

Number of Employees: Consolidated: 16,236 (as of March 31, 2023)

No change

**(W-CH0.1a) Which activities in the chemical sector does your organization engage in?**

Specialty organic chemicals

**(W0.2) State the start and end date of the year for which you are reporting data.**

Start date	End date
April 1, 2021	March 31, 2022

**(W0.3) Select the countries/areas in which you operate.**

Austria, Bangladesh, Bosnia-Herzegovina, Botswana, Brunei Darussalam, China, Croatia, Czech, Germany, Hungary, India, Indonesia, Italy, Japan, Kenya, Malawi, Malaysia, Mauritius, Montenegro, Namibia, Nepal, North Macedonia, Philippines, Poland, Romania, Russian Federation, Serbia, Singapore, Slovakia, Slovenia, South Africa, Taiwan, Thailand, Türkiye, Uganda, Ukraine, United Kingdom of Great Britain and Northern Ireland (United Kingdom), United Republic of Tanzania, United States, Vietnam, Zambia, Zimbabwe

**(W0.4) Select the currency used for all financial information disclosed throughout your response.**

Japanese Yen (JPY)

**(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.**

Other, please specify

Companies over which financial control is exercised in Japan

**(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?**

No

**(W0.7) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?**

**Change from last year**

No change

**Response options**

Please complete the following table:

(\*column/row appearance is dependent on selections in this or other questions)

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier*
Yes, an ISIN code	JP3229400001

## W1 Current state

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

Water quality and quantity	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Important	<p>In terms of direct use, the main use is as a raw material for paint. It is also used as a raw material for water-based paints, and since product quality is also a factor, we rate the availability of sufficient amounts of good quality fresh water as important.</p> <p>In terms of indirect use, the main applications are cooling and cleaning during paint production. While the availability of sufficient amounts of freshwater is important, the quality of the water is not as important.</p> <p>[Explanation and rationale for whether future water dependence will differ for both direct and indirect use]</p> <p>Our future water dependence is expected to increase further in terms of direct use due to the expected increase in production, especially in water-based paints. Therefore, it is important that sufficient amounts of good quality fresh water be available in the future.</p> <p>In indirect use cases, as the production volume increases, our dependence on water for cooling and cleaning will also increase, and it is important to have sufficient amounts of fresh water available, but quality is not as important.</p>



Sufficient amounts of recycled, brackish and/or produced water available for use	Not very important	Not important at all	<p>In terms of direct use, the main applications are exposure testing of painted surfaces and accelerated weathering tests. Since quality is not so important, we rate the availability of sufficient amounts of recycled, brackish or produced water as not very important.</p> <p>In terms of indirect use, the main use is expected to be for cooling and cleaning by customers and suppliers. However, since it is not necessary to use recycled, brackish or produced water, we rate their availability as not important at all.</p> <p>[Explanation and rationale for whether future water dependence will differ for both direct and indirect use]                  Regarding our future dependence on water, in terms of direct use, the level of importance is not expected to change even if the number of exposure tests and accelerated weathering tests increase, and we judge it to be not very important. In terms of indirect use, we do not anticipate any significant change in the needs of our customers or suppliers, and we judge it to be not important at all.</p>
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**(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?**

Water aspect	% of sites/facilities/operations	Frequency of measurement*	Method of measurement*	Please explain
Water withdrawals – total volume	76-99	Monthly		Tap water and industrial water are purchased from third parties. Monthly metering and purchase slips are tracked by facility. Groundwater pumped is metered monthly for each facility. However, the total amounts to less than 100% because some indirect departments are unable to provide data.

Water withdrawals – volumes by source	76-99	Monthly		Tap water and industrial water are purchased from third parties. Monthly metering and purchase slips are tracked by facility. Groundwater pumped is metered monthly for each facility. However, the total amounts to less than 100% because some indirect departments are unable to provide data.
Water withdrawals quality	76-99	Monthly		Tap water and industrial water are purchased from third parties and monitored monthly by the supplier. Groundwater is not monitored.
Water discharges – total volume	76-99	Yearly		Total emissions are calculated annually as the difference between total water withdrawn and the amount used for products.
Water discharges – volumes by destination	76-99	Yearly		Wastewater discharged is monitored at some business sites.
Water discharges – volumes by treatment method	76-99	Yearly		Wastewater discharged is monitored at some business sites.

Water discharge quality – by standard effluent parameters	76-99	Yearly		Wastewater discharged is monitored at some business sites.
Water discharge quality – emissions to water (nitrates, phosphates, pesticides, and/or other priority substances)	Not relevant			Applicable water is classified as wastewater.
Water discharge quality – temperature	No monitoring			When wastewater is discharged into rivers, pH and other parameters are measured. However, temperature is not measured since heated water is not directly discharged.
Water consumption – total volume	76-99	Monthly		The volume of water used as raw a material in manufacturing and discharged as wastewater is monitored on a monthly basis.
Water recycled/reused	NA			No recycling or reuse.

The provision of fully-functioning, safely managed WASH services to all workers	76-99	Monthly		The supplier provides tap water whose quality is guaranteed, and conducts monitoring on a regular basis.
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**(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, how do they compare to the previous reporting year, and how are they forecasted to change?**

Water aspect	Volume (megaliters/year)	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Five-year forecast	Primary reason for forecast	Please explain
Total withdrawals	528	About the same	No reason			
Total discharges	496.4	About the same	No reason			
Total consumption	31.6	About the same	No reason			

**(W1.2d) Indicate whether water is withdrawn from areas with water stress, provide the proportion, how it compares with the previous reporting year, and how it is forecasted to change.**



Withdrawals are from areas with water stress	Identification tool*	Please explain
No	WRI Aqueduct  WWF Water Risk Filter	

**(W1.2h) Provide total water withdrawal data by source.**

Source	Relevance	Volume (megaliters/year)*	Comparison with previous reporting year*	Primary reason for comparison with previous reporting year*	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Not relevant				We do not take water from fresh surface water.
Brackish surface water/Seawater	Not relevant				We do not take water from brackish surface water or seawater.
Groundwater – renewable	Not relevant				We do not take water from renewable groundwater.



Groundwater – non-renewable	Relevant	337	About the same		We pump groundwater within the pumping limits set by municipalities.
Produced/Entrained water	Not relevant				We do not take water from produced/entrained water.
Third party sources	Relevant	191	About the same		We are now able to calculate the amount of water taken from third parties.

**(W1.2i) Provide total water discharge data by destination.**

Destination	Relevance	Please explain
Fresh surface water	Not relevant	
Brackish surface water/seawater	Not relevant	
Groundwater	Not relevant	
Third-party destinations	Relevant but volume unknown	At regional government request, some business sites pump groundwater and treat any water used before river discharge

**(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.**

Highest level of treatment within direct operations	Relevance of treatment level to discharge	Please explain
Tertiary treatment	Not relevant	We do not drain water after tertiary treatment.
Secondary treatment	Relevant but volume unknown	We drain water after secondary treatment as a standard.
Primary treatment only	Not relevant	We do not drain water after primary treatment.
Discharge to the natural environment without treatment	Not relevant	We do not drain water into the natural environment without treatment.
Discharge to a third party without treatment	Not relevant	We do not drain water into a third party without treatment.
Other	Relevant but volume unknown	We drain some water into a third party after secondary treatment.

**(W1.3) Provide a figure for your organization's total water withdrawal efficiency.**

Revenue	Total water withdrawal volume (megaliters)	Total water withdrawal efficiency	Anticipated forward trend
110,269,000,000	528	208,842,803.030303	We expect the water withdrawal volume to decrease as water use becomes more efficient.

**(W-CH1.3) Do you calculate water intensity for your activities in the chemical sector?**

Yes

**(W-CH1.3a) For your top five products by production weight/volume, provide the following water intensity information associated with your activities in the chemical sector.**

**Product type**  
Specialty organic chemicals

**Product name**  
Paint (automotive)

**Water intensity value (m3)**  
5.13

**Numerator: water aspect**  
Total water withdrawals

**Denominator**  
Other, please specify

Production volume

### Comparison with previous reporting year

#### Please explain

[Explanation of the reason for the change in volume from the previous year]

The water intensity of the previous year was "5.33" and there was no significant change in both water consumption and production.

[Internal use of evaluation criteria]

To be used as one of the measures to improve the efficiency of water consumption.

[Projected future trends in water intensity value]

We expect to gradually reduce our water consumption rate by improving the efficiency of water consumption.

[Details of strategies being implemented to reduce water intensity value]

We are working to reduce water consumption by improving processes to increase water consumption efficiency.

We are shifting our water intake from third-party to groundwater. The data is based on the water intensity value at our production sites in Japan.

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#### Product type

Specialty organic chemicals

#### Product name

Paint (industrial)

#### Water intensity value (m3)

2.37

#### Numerator: water aspect

Total water withdrawals

**Denominator**

Other, please specify  
Production volume

**Comparison with previous reporting year**

About the same

**Please explain**

[Explanation of the reason for the change in volume from the previous year]

The water intensity of the previous year was "2.33" and there was no significant change in both water consumption and production.

[Internal use of evaluation criteria]

To be used as one of the measures to improve the efficiency of water consumption.

[Projected future trends in water intensity value]

We expect to gradually reduce our water consumption rate by improving the efficiency of water consumption.

[Details of strategies being implemented to reduce water intensity value]

We are working to reduce water consumption by improving processes to increase water consumption efficiency.

We are shifting our water intake from third-party to groundwater.

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**Product type**

Specialty organic chemicals

**Product name**

Paint (general purpose)

**Water intensity value (m3)**



3.6

**Numerator: water aspect**

Total water withdrawals

**Denominator**

Other, please specify  
Production volume

**Comparison with previous reporting year**

About the same

**Please explain**

The previous year's water intensity was "3.68," because there was no significant change in either water consumption or production.

[Internal use of evaluation criteria]

To be used as one of the measures to improve the efficiency of water consumption.

[Projected future trends in water intensity value]

We expect to gradually reduce our water consumption rate by improving the efficiency of water consumption.

[Details of strategies being implemented to reduce water intensity value]

We are working to reduce water consumption by improving processes to increase water consumption efficiency.

We are shifting our water intake from third-party to groundwater.

**(W1.4) Do any of your products contain substances classified as hazardous by a regulatory authority?**

Products contain hazardous substances	Comment
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Yes	
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**(W1.4a) What percentage of your company's revenue is associated with products containing substances classified as hazardous by a regulatory authority?**

Regulatory classification of hazardous substances	% of revenue associated with products containing substances in this list	Please explain
Water Pollution Prevention Act (Japan Regulation)	Less than 10%	Hexavalent chromium present in products sold was 7.41 metric tonnes in FY2021, a significant reduction of 88.4% relative to FY2003. The reduction target was achieved, and going forward, we will aim for further reduction.
Other, please specify: Products containing Toluene (T), Xylene (X) and Ethylbenzene (EB)	41-60%	These substances are hazardous air pollutants (substances for priority action) under the Air Pollution Control Act. Our total for FY2021 was 21,400 metric tonnes, less than the FY2015 result. Going forward, we will aim for further reduction.
Annex XVII of EU REACH Regulation	Less than 10%	Alkylphenol ethoxylates are surfactants. Nonylphenol ethers are a variety of surfactant. Nonylphenol, which is the raw material for these substances, is regulated by the United States Environmental Protection Agency and REACH. As such, the Kansai Paint Group is working to phase out nonylphenol ethers progressively.



**(W1.5) Do you engage with your value chain on water-related issues?**

Value chain stakeholder	Engagement	Primary reason for no engagement*	Please explain*
Suppliers	No		
Other value chain partners (e.g., customers)	Yes		

**(W1.5e) Provide details of any water-related engagement activity with customers or other value chain partners.**

Type of stakeholder	Type of engagement	Details of engagement	Rationale for your engagement	Impact of the engagement and measures of success
Customers	Innovation & collaboration	Collaborate with stakeholders on innovations to reduce water impacts in products and services	Discussion and prioritization of ways to reduce water consumption with customers who use the most water in the coating process	

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## W2 Business impacts

**(W2.1) Has your organization experienced any detrimental water-related impacts?**

No

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**(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?**

Water-related regulatory violations	Fines, enforcement orders, and/or other penalties*	Comment
No		

## W3 Procedures

**(W3.1) Does your organization identify and classify potential water pollutants associated with its activities that could have a detrimental impact on water ecosystems or human health?**

Identification and classification of potential water pollutants	How potential water pollutants are identified and classified*	Please explain*
<p>Yes, we identify and classify our potential water pollutants</p>	<p>[Details of policies and processes in place to identify and classify potential water pollutants]</p> <p>We established our Corporate Policies on Environmental Conservation: Policies and System on Environmental Conservation out of consideration for the safety and health of customers who use our products and employees who handle chemicals used as raw materials, as well as the reduction of the environmental impacts generated by product use and business activities, and are conducting Responsible Care activities based on this policy. Responsible Care activities are voluntary activities undertaken by companies that handle chemical substances across all processes, from their development to their manufacturing, distribution, use, final consumption and disposal to protect the environment and health and safety. We also disclose the results of these activities and engage in dialogue and communication with society, and include issues related to water ecosystems and potential water pollutants.</p> <p>We also believe that potential water pollutants associated with our activities in the chemical sector that could have a detrimental impact on water ecosystems or human health would be caused by the spillage or improper disposal of our paint products under circumstances we do not anticipate, rather than wastewater generated in the manufacturing process (direct operations).</p> <p>[As to whether we follow the standards of the set regulations]</p> <p>Potential water pollutants include organic solvents and heavy metals contained as ingredients in paints, and these are identified and classified at the product formulation design stage.</p> <p>Rather than managing these contaminants individually, the risk management approach we take is to ensure that the products themselves are developed in ways that minimize or prevent the generation of water pollution, are</p>	

	<p>properly manufactured and stored, and are delivered to customers or disposed of. Specifically, in development, we promote the design of formulations that do not contain pollutants, such as water-based paints and lead-free paints, and in manufacturing and storage, we take measures to ensure that products do not leak, and if they do, that they do not flow into rivers or the soil. During delivery and disposal, we provide information on product hazards and handling precautions to ensure safe handling in case of spillage. Each business site has a person in charge of environmental management activities and conducts external audits such as ISO 14001.</p> <p>In addition, we treat and discharge wastewater appropriately in accordance with the Water Pollution Prevention Act and local government ordinances regarding sewage systems.</p> <p>[As to whether our policies and procedures differ across the value chain, and if so how]</p> <p>While our manufacturing processes (direct operations) and our suppliers of raw materials, who are upstream in the value chain, have similar impacts on water-related issues, the downstream of the value chain, the use, storage, processing, and disposal of our products by the purchasers of our products, may have different impacts on water-related issues. We share information on the potential risks associated with the use, storage, processing, and disposal of our products through our product SDSs (Safety Data Sheets).</p>	
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**(W3.1a) Describe how your organization minimizes the adverse impacts of potential water pollutants on water ecosystems or human health associated with your activities.**

Water pollutant category	Description of water pollutant and potential impacts	Value chain stage	Actions and procedures to minimize adverse impacts	Please explain
Other, please specify:	Water pollution due to unexpected spillages of products or	Direct operations	Assessment of critical infrastructure and storage condition (leakages, spillages, pipe erosion etc.) and their resilience	The likelihood of water pollution occurring during the manufacturing process is low. Factors that could



<p>Organic solvents, Heavy metals</p>	<p>lack of proper treatment</p>	<p>Supply chain Product use phase</p>	<p>Beyond compliance with regulatory requirements Industrial and chemical accidents prevention, preparedness, and response Provision of best practice instructions on product use Reduction or phase out of hazardous substances Requirement for suppliers to comply with regulatory requirements Discharge treatment using sector-specific processes to ensure compliance with regulatory requirements Procedure(s) under development/ R&amp;D Other, please specify: Establishment of guidance for responding to spill accidents during the transportation.</p>	<p>cause water pollution include spillage or improper disposal of paint. The greatest concern in terms of potential impact is spillage. As a management approach, we are promoting measures to prevent spills at manufacturing sites. Specifically, members of our management team accompany regular employees in conducting diagnostics and audits in compliance with ISO 14001. Success or failure is measured by the number of incidents of spills outside the factory. No spills into rivers have occurred.</p>
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**(W3.3) Does your organization undertake a water-related risk assessment?**

Yes, water-related risks are assessed

**(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.**

**Value chain stage**

Direct operations

**Coverage**

Full

**Risk assessment procedure**

Water risks are assessed in an environmental risk assessment

**Frequency of assessment**

Annually

**How far into the future are risks considered?**

3 to 6 years

**Type of tools and methods used**

Tools on the market

International methodologies and standards

**Tools and methods used**

WRI Aqueduct

WWF Water Risk Filter

India Water Tool

ISO 14001 Environmental Management Standard

**Contextual issues considered**

Water availability at a basin/catchment level

Water quality at a basin/catchment level

Stakeholder conflicts concerning water resources at a basin/catchment level

Implications of water on your key commodities/raw materials

Water regulatory frameworks

Status of ecosystems and habitats

Access to fully-functioning, safely managed WASH services for all employees

**Stakeholders considered**

- Customers
- Employees
- Investors
- Local communities
- Suppliers
- Water utilities at a local level
- Other water users at the basin/catchment level

**Comment**

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**Value chain stage**

- Supply chain

**Coverage**

- Partial

**Risk assessment procedure**

- Water risks are assessed in an environmental risk assessment

**Frequency of assessment**

- Annually

**How far into the future are risks considered?**

- More than 6 years

**Type of tools and methods used**

- International methodologies and standards
- Databases

**Tools and methods used**

ISO 14001 Environmental Management Standard  
Other, please specify  
Internal methods

**Contextual issues considered**

Implications of water on your key commodities/raw materials  
Water regulatory frameworks  
Other, please specify: From a BCP perspective, considering and responding to whether the supply chain is affected by wate risks.

**Stakeholders considered**

Customers  
Employees  
Local communities  
Suppliers  
Water utilities at a local level

**Comment**

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**Value chain stage**

Other stages of the value chain

**Coverage**

Partial

**Risk assessment procedure**

Water risks are assessed in an environmental risk assessment

**Frequency of assessment**

Annually





**How far into the future are risks considered?**

3 to 6 years

**Type of tools and methods used**

International methodologies and standards

Databases

**Tools and methods used**

ISO 14001 Environmental Management Standard

Other, please specify

Internal methods

**Contextual issues considered**

Other, please specify

Effects of spills, etc.

**Stakeholders considered**

Local communities

Regulators

**Comment**

**(W3.3b) Describe your organization’s process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.**

Rationale for approach to risk assessment	Explanation of contextual issues considered	Explanation of stakeholders considered	Decision-making process for risk response
With respect to direct operations, we	Since they could pose a significant	The stakeholders assessed above	The Sustainability Promotion

<p>consider our response to the increased maintenance costs due to, for example, decline in water quantity and quality, and use this as a factor when selecting candidate sites for new facilities. We also assess the value chain from suppliers to customers. We do not assess in detail materials used by raw material manufacturers to produce their products, and for some raw material manufacturers, we are unable to assess the geographical origin of some products. We used AQUEDUCT and the Water Risk Filter to determine water stress in regions that are unevenly distributed globally. We used interviews and other means to assess physical risks, such as water damage.</p>	<p>business risk, we assessed these issues. We have concluded that the risk to our business in Japan due to these issues is extremely small at this time</p>	<p>were included in the assessment because they have the potential to significantly raise direct and the reputational risks to our business</p>	<p>Committee formulates a framework scenario, identifies and evaluates risks and opportunities for each business unit, and examines proposed countermeasures. Having done so, it summarizes the information from a company-wide perspective and submits it to the Board of Directors for authorization. In this process, we obtain feedback from external evaluation organizations and institutional investors from a third-party standpoint to verify that the content is acceptable from an external perspective</p>
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## W4 Risks and opportunities

**(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes, both in direct operations and the rest of our value chain

**(W4.1a) How does your organization define substantive financial or strategic impact on your business?**

### Change from last year

[Definition of substantive financial or strategic impact]

- (1) Loss in excess of 3% of the consolidated net assets of the Group.
- (2) A change of 10% or more in the consolidated net sales of the Group compared to the most recently announced forecast.
- (3) A change of 30% or more in the consolidated operating income, consolidated ordinary income, or consolidated net income of the Group compared to the most recently announced forecast.

[Explanation of quantitative indicators for the definition of substantive financial or strategic impact]

We have established the Corporate Governance Committee, which regularly discusses and reports on important issues related to compliance promotion, risk management, and sustainability promotion.

Quantitative indicators are defined in accordance with such legislation as the Cabinet Office Order on Disclosure of Corporate Affairs and the Enforcement Rules for Securities Listing Regulations.

**(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?**

Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment



0	Less than 1%	In Japan we have no manufacturing facilities with significant risks of taking water. We also have no manufacturing facilities with significant risks of draining water because we manage our drainage in compliance with local governments' guidelines.
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**(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive financial or strategic impact on your business, and what is the potential business impact associated with those facilities?**

**Country/Area & River basin**

Japan  
 Other, please specify  
 Sakai River

**Number of facilities exposed to water risk**

0

**% company-wide facilities this represents**

Less than 1%

**% company's total global revenue that could be affected**

Less than 1%

**Comment**

**(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.**

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**Country/Area & River basin**

Japan

Other, please specify

Sakai River

**Type of risk & Primary risk driver**

Acute physical

Pollution incident

**Primary potential impact**

Loss of license to operate

**Company-specific description**

There is a possibility that the municipality in which the production site is located would order us to suspend operations in the event of a serious accident or other incident.

**Timeframe**

More than 6 years

**Magnitude of potential impact**

Low

**Likelihood**

Exceptionally unlikely

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

**Potential financial impact figure - maximum (currency)**

**Explanation of financial impact**

**Primary response to risk**

Improve pollution abatement and control measures

**Description of response**

We carry out regular monitoring, take preventive measures against unforeseen events, and have these measures overseen and evaluated by a professional organization with the participation of management in order to make improvements.

**Cost of response**

0

**Explanation of cost of response**

The cost of responding to these risks is included in the environmental damage cost (zero in FY2022).

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**Country/Area & River basin**

Japan

Other, please specify

Sagarai River

**Type of risk & Primary risk driver**

Acute physical

Flood (coastal, fluvial, pluvial, groundwater)

**Primary potential impact**

Reduction or disruption in production capacity

**Company-specific description**

There is a risk that production facilities will be affected by flooding of Sagara River.

**Timeframe**

Unknown

**Magnitude of potential impact**

High

**Likelihood**

Exceptionally unlikely

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

**Potential financial impact figure - maximum (currency)**

**Explanation of financial impact**

**Primary response to risk**

**Description of response**

Take measures such as moving the specific equipment which has a large impact to upper floors.

**Cost of response**

## Explanation of cost of response

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**(W4.2a) Provide details of risks identified within your value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.**

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### Country/Area & River basin

Japan

Other, please specify

Sakai River

### Stage of value chain

Supply chain

### Type of risk & Primary risk driver

Regulatory

Other, please specify

Risk of suspension of operations or other disciplinary action by municipalities due to environmental pollution

### Primary potential impact

Fines, penalties or enforcement orders

### Company-specific description

In the supply chain, there may be cases where incidents such as paint spillages or inappropriate disposal occur due to unforeseen circumstances or accidents, which may adversely affect water resources. However, in such cases, whether or not appropriate measures are taken to rectify the situation after the occurrence is more important than the loss of the spilled product, etc. If it were a case of negligence, there is a risk of our company being subject to disciplinary action by the municipality in question, such as suspension of our operations.

### Timeframe



More than 6 years

**Magnitude of potential impact**

Low

**Likelihood**

Exceptionally unlikely

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

**Potential financial impact figure - maximum (currency)**

**Explanation of financial impact**

The financial impact is expected to vary depending on the scale of the event and the extent of the effects, and it is difficult to predict the magnitude of the impact in advance.

**Primary response to risk**

Downstream

Improve pollution abatement and control measures

**Description of response**

Improve measures to control the risk of product leakage during transportation in cooperation with the companies transporting our products.

**Cost of response**

100,000

**Explanation of cost of response**

This is the cost of having representatives travel to provide guidance and audits to the transport companies, etc., but the amount is small and would have little impact on our business performance.

**(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

No

**(W4.3b) Why does your organization not consider itself to have water-related opportunities?**

Primary reason	Please explain
Opportunities exist, but none with potential to have a substantive financial or strategic impact on business	Japan is a country with abundant water resources to begin with, so we recognize that there are few water-related opportunities.

## W6 Governance

### (W6.1) Does your organization have a water policy?

No, but we plan to develop one within the next 2 years

### (W6.2) Is there board level oversight of water-related issues within your organization?

Yes

### (W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual or committee	Responsibilities for water-related issues
President	<p>The Board of Directors oversees ESG management issues, including water-related issues. In addition, we have established the Sustainability Promotion Committee under the Corporate Governance Committee, which works directly under the President and Representative Director as an organization to formulate the Group's strategies, policies, and promotion activities related to ESG management at the executive level and to evaluate the progress of these activities. The President and Representative Director reports to the Board of Directors at least once every quarter on the progress of ESG management promotion, including climate-related issues.</p> <p>In addition, the President reports to the Board of Directors on a case-by-case basis on major issues, including water-related issues, as they arise.</p> <p>Our progress in furthering ESG management is as follows.</p> <p>In FY2023, we appointed an executive officer responsible for sustainability management, and established a standing organization for</p>

	<p>sustainability planning and promotion. We are accelerating action with respect to various initiatives by bolstering our executive organization, and striving to optimize our decision-making through sufficient discussion of important policies and resolutions at board meetings and off-site discussions. We also pay particular attention to incorporating the diverse knowledge and experience of Outside Directors and Outside Audit &amp; Supervisory Board members into our management execution.</p>
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**(W6.2b) Provide further details on the board’s oversight of water-related issues.**

Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Scheduled - some meetings	<ul style="list-style-type: none"> <li>Reviewing and guiding major plans of action</li> <li>Reviewing and guiding risk management policies</li> <li>Reviewing and guiding strategy</li> </ul>	<p>The Board of Directors oversees ESG management issues, including water-related issues. In addition, we have established the Sustainability Promotion Committee under the Corporate Governance Committee, which works directly under the President and Representative Director as an organization to formulate the Group's strategies, policies, and promotion activities related to ESG management at the executive level and to evaluate the progress of these activities. The President and Representative Director reports to the Board of Directors at least once every quarter on the progress of ESG management promotion, including water-related issues. In addition, the President reports to the Board of Directors on a case-by-case basis on major issues, including water-related issues, as they arise.</p> <p>Our progress in promoting ESG management is as follows.</p> <p>In FY2021, we established the Sustainability Promotion Committee. In FY2021, we continued to</p>

		<p>promote RC activities and made a summary report on FY2021 at the Management Committee meeting in June 2022. From FY2022, the functions of the RC Committee, which had focused on Japan, were transferred to the Sustainability Promotion Committee, which is responsible for global activities, thus creating a company-wide, medium-term strategic flow.</p> <p>As an example of climate-related decision-making, the Board of Directors made a decision in August 2021 to set four materialities: "Realizing decarbonization," "Improvement of quality of life (QOL)," "Enhancement of achieving resources and economic circulation," and "Transformation into a Group where diverse people play active roles." This decision was announced at a strategy briefing in November of the same year.</p>
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**(W6.2d) Does your organization have at least one board member with competence on water-related issues?**

Board member(s) have competence on water-related issues	Primary reason for no board-level competence on water-related issues*	Explain why your organization does not have at least one board member with competence on water-related issues and any plans to address board-level competence in the future*
No, but we plan to address this within the next two years	Other, please specify	In Japan, where our headquarters is located, water resources are abundant and water-related issues are not a major concern, so we have not appointed a director with expertise in water-related issues. However, as we promote global sustainability management in the future, we will consider appointing a director who is well versed in water-related issues, since water-related issues may lead to significant risks and opportunities in some of our overseas affiliates.

**(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).**

Name of the position(s) and/or committee(s)	Water-related responsibilities of this position*	Frequency of reporting to the board on water-related issues*	Please explain
President	Assessing water-related risks and opportunities  Managing water-related risks and opportunities	Annually	<p>The Board of Directors oversees ESG management issues, including water-related issues. In addition, we have established the Sustainability Promotion Committee under the Corporate Governance Committee, which works directly under the President and Representative Director as an organization to formulate the Group's strategies, policies, and promotion activities related to ESG management at the executive level and to evaluate the progress of these activities. The President and Representative Director reports to the Board of Directors at least once every quarter on the progress of ESG management promotion, including water-related issues.</p> <p>In addition, the President reports to the Board of Directors on a case-by-case basis on major issues, including water-related issues, as they arise.</p> <p>From FY2023 onwards, we have decided to appoint an officer in charge of sustainability promotion and make the promotion organization permanent. In August 2022, the board of directors decided to appoint an officer in charge of sustainability promotion and establish a permanent promotion organization. From April 2023, the Sustainability Planning Department and Sustainability Promotion Department have been made permanent.</p>

**(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?**

Provide incentives for management of water-related issues	Comment
No, not currently but we plan to introduce them in the next two years	Text field [maximum of 1,000 characters]

**(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?**

Yes, trade associations

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**(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?**

Our company is a member of the Japan Paint Manufacturers Association. Our President is currently the chairman of the association. We basically intend to run our business according to the association's guidelines and requests for cooperation. On that basis, we have been involved in drafting and deciding on the guidelines through sending the association our president as chairman and our employees as members in the special committees. In addition, we agree to the declaration of coating care by the association.

**(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?**

**Change from last year**

Yes (you may attach the report – this is optional)

## W7 Business strategy

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

Aspect of strategic business plan	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	5-10	<p>[Water-related issues integrated into the strategy]</p> <p>Reduction of water consumption in production processes. Provision of paints that help customers reduce water consumption in their paint use processes.</p> <p>[Examples of issues integrated into strategic business plan]</p> <p>We are working to convert to water-based paints for automotive and architectural paints, as well as to improve the efficiency of water use in the production process. At our overseas bases, in regions with high water stress, such as India and South Africa, we are stepping up efforts to recycle water. In India, in particular, we have achieved zero wastewater in our new plant facilities.</p> <p>We are also working to switch to materials that reduce the load on water, such as powder coatings.</p>
Strategy for achieving long-term	Yes, water-related issues are integrated	5-10	<p>[Water-related issues integrated into the strategy]</p> <p>Increased interest in water use.</p>



<p>objectives</p>			<p>[Examples of issues integrated into strategic business plan]</p> <p>One of our materialities is the "Enhancement of achieving resources and economic circulation," and we are promoting water recycling as a consistent part of this. In terms of water intake, we are working to improve the efficiency of water use by optimizing the use of groundwater, tap water, industrial water, etc.</p> <p>In addition, some of our business sites contribute to local industries by using groundwater and purifying it before discharging it into rivers for reuse as water for agriculture.</p>
<p>Financial planning</p>	<p>No, water-related issues were reviewed but not considered as strategically relevant/significant</p>	<p>5-10</p>	<p>[Water-related issues integrated into the strategy]</p> <p>Reflecting growing environmental awareness in our business plans, such as expanding sales of water-based paints.</p> <p>[Examples of issues integrated into strategic business plan]</p> <p>We are expanding sales of water-based paints, which is reflected in our financial and business plans. Specifically, we are expanding sales of architectural paints and self-repair paints by converting them to water-based products. In automotive paints, among other things, we are trying the conversion of key materials to water-based materials.</p>

**(W7.2) What is the trend in your organization’s water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?**

Water-related CAPEX(+/- % change)	Anticipated forward trend for CAPEX (+/- % change)	Water-related OPEX (+/- % change)	Anticipated forward trend for OPEX (+/- % change)	Please explain

**(W7.3) Does your organization use scenario analysis to inform its business strategy?**

Use of scenario analysis	Comment
Yes	

**(W7.3a) Provide details of the scenario analysis, what water-related outcomes were identified, and how they have influenced your**

Type of scenario analysis used	Parameters, assumptions, analytical choices	Description of possible water-related outcomes	Influence on business strategy
Climate-related Socioeconomic	[Parameters] Population statistics are based on population projections by country/region published by the United Nations. For GDP, figures estimated by SSP are used to calculate GDP per capita by country/region through 2050. The amount of architectural paints based on country/region is calculated from the ACA forecast. Automobile sales are estimated from	We conducted evaluations, but could not identify any possible water-related	The influence on our business strategy has not

	<p>figures published by JAMA.</p> <p>[Assumptions] As scenario axes, our global warming avoidance scenario is based on SSP1 and our global warming progression scenario is SSP2.</p> <p>[Analytical choices] We are analysing GDP per capita and business sectors based on a time frame up until 2050 by country/region, and are quantifying the results using an ordinary logarithmic regression model. We have identified qualitative risks and opportunities for the scenarios, and are conducting a series of simulations to further quantify them.</p>	outcomes.	been significant.
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**(W7.4) Does your company use an internal price on water?**

Does your company use an internal price on water?	Please explain
No, and we do not anticipate doing so within the next two years	In Japan, where water resources are abundant, there is not a high need for an internal price, such as water pricing

**(W7.5) Do you classify any of your current products and/or services as low water impact?**

<b>Products and/or services classified as low water impact</b>	<b>Primary reason for not classifying any of your current products and/or services as low water impact*</b>	<b>Please explain</b>
<p>No, but we plan to address this within the next two years</p>	<p>Important but not an immediate business priority</p>	<p>In Japan, where our headquarters is located, water resources are abundant and water-related issues are not a major concern. However, as we promote global sustainability management in the future, we plan to reflect water-related impacts in our product classifications, as some of our overseas affiliates have significant water-related impacts in certain regions.</p>

## W8 Targets

### (W8.1) Do you have any water-related targets?

Yes

### (W8.1a) Indicate whether you have targets relating to water pollution, water withdrawals, WASH, or other water-related categories.

Category of target	Target set in this category	Please explain*
Water pollution	Yes	
Water withdrawals	Yes	
Water, Sanitation, and Hygiene (WASH) services	No, but we plan to within the next two years	
Other		

### (W8.1b) Provide details of your water-related targets and the progress made.

**Target reference number**

Target 1

**Category of target**

Water pollution reduction

**Level**

Site/facility

**Quantitative metric**

Other, please specify

Zero soil and groundwater contamination incidents

**Year target was set**

2022

**Baseline year**

2021

**Base year figure**

0

**Target year**

2030

**Target year figure**

0

**Please explain**

Many of our paint products, are in liquid form, and if they spill, there is a risk of polluting soil, rivers, and groundwater. In manufacturing and storage, we take measures to ensure that products do not leak, and if they do, that they do not flow into rivers or the soil in accordance with the Water Pollution Prevention Act and local ordinances regarding sewage systems. However, because of the significant environmental impact of spills, we have set the target of zero pollution incidents.

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**Target reference number**

Target 2

**Category of target**

Water, Sanitation and Hygiene (WASH) services in the community

**Level**

Site/facility

**Quantitative metric**

Other, please specify

Enhanced employee engagement and quality of life. Increased availability of freshwater for users/natural environments within the watershed.

**Year target was set**

2022

**Base year**

2021

**Base year figure**

**Target year**

2030

**Target year figure**

**Please explain**

We promote the improvement of Water, Sanitation and Hygiene (WASH) services at our facilities.

In addition, some of our business sites contribute to local industries by using groundwater and purifying it before discharging it into rivers for reuse as water for agriculture.

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**Target reference number**

Target 3

**Category of target**

Water withdrawals

**Level**

Company-wide (direct operations only)

**Quantitative metric**

Reduction in total water withdrawal

**Year target was set**

2022

**Base year**

2021

**Base year figure**

539,170

**Target year**

2030

**Target year figure**

431,336

**% of target achieved relative to base year**

10.0107572751

**Target status in reporting year**

Underway

**Please explain**





## W9 Verification

**(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?**

No, we do not currently verify any other water information reported in our CDP disclosure

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## W10 Plastics

**(W10.1) Have you mapped where in your value chain plastics are used and/or produced?**

Plastics mapping	Value chain stage*	Please explain
Yes	Direct operations Supply chain Product use phase	We use this material for packaging and containers for the raw materials and products. Packaging and containers are disposed of after use. Waste plastic from raw materials packaging amounted to 609 metric tonnes in FY2022. With respect to product packaging, 0.7% of such packaging was plastic.

**(W10.2) Across your value chain, have you assessed the potential environmental and human health impacts of your use and/or production of plastics?**

Impact assessment	Please explain
Not assessed - but we plan to within the next two years	Since raw material containers are disposed of as waste plastic after use, we believe the impact must be assessed.

**(W10.3) Across your value chain, are you exposed to plastics-related risks with the potential to have a substantive financial or strategic impact on your business? If so, provide details.**

Risk exposure	Value chain stage*	Type of risk*	Please explain
Not assessed - but we plan to within the next two years			

**(W10.4) Do you have plastics-related targets, and if so what type?**

Targets in place	Please explain
No – but we plan to within the next two years	Our target for waste reduction is 30% by FY2030, compared to FY2021. Waste plastic is included in this target.

**(W10.5) Indicate whether your organization engages in the following activities.**

Activity	Activity applies	Comment
Production of plastic polymers	No	
Production of durable plastic components	No	
Production / commercialization of durable plastic goods (including mixed materials)	No	



Production / commercialization of plastic packaging	No	
Production of goods packaged in plastics	No	
Provision / commercialization of services or goods that use plastic packaging (e.g., retail and food services)	No	

## W11 Signoff

**(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

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**(W11.1) Provide details for the person that has signed off (approved) your CDP water response.**

Job title	Corresponding job category
Representative Director of the Board, Vice President Executive Officer	Director on board



## SW Supply chain

**(SW0.1) What is your organization’s annual revenue for the reporting period?**

Annual revenue

**(SW1.1) Could any of your facilities reported in W5.1 have an impact on a requesting CDP supply chain member?**

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**(SW2.1) Please propose any mutually beneficial water-related projects you could collaborate on with specific CDP supply chain members.**

Requesting member	Category of project	Type of project	Motivation	Estimated timeframe for achieving project	Details of project	Projected outcome

**(SW2.2) Have any water projects been implemented due to CDP supply chain member engagement?**

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**(SW3.1) Provide any available water intensity values for your organization's products or services.**

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