

# Review and Analysis of Major Consolidated Business Results

## Business Environment

Segment performance by Region

Segment	Net sales				Ordinary income/losses			
	FY2020 (Million yen)	FY2021 (Million yen)	Rate of change (%)	FY2022 (forecast) (Million yen)	FY2020 (Million yen)	FY2021 (Million yen)	Rate of change (%)	FY2022 (forecast) (Million yen)
Japan	142,999	138,620	(3.1)	152,500	15,532	14,391	(7.3)	12,500
India	73,084	97,133	32.9	115,000	10,198	7,240	(29.0)	9,000
Europe	66,002	84,320	27.8	85,000	5,220	5,608	7.4	2,000
Asia	49,504	57,631	16.4	65,000	4,638	7,259	56.5	8,000
Africa	27,917	36,131	29.4	37,000	(858)	1,354	—	2,500
Others	5,112	5,352	4.7	5,500	1,149	1,756	52.8	2,000
Total	364,620	419,190	15.0	460,000	35,880	37,611	4.8	36,000

Business Segment

Segment	Automotive Coatings		Industrial Coatings		Architectural Coatings		Auto-Refinish, Marine and Protective Coatings		Others		Total	
	Amount (Million yen)	Rate of change (%)	Amount (Million yen)	Rate of change (%)	Amount (Million yen)	Rate of change (%)	Amount (Million yen)	Rate of change (%)	Amount (Million yen)	Rate of change (%)	Amount (Million yen)	Rate of change (%)
Japan	52,025	0.8	32,025	7.0	23,308	(1.8)	28,146	3.6	3,114	(70.5)	138,620	(3.1)
India	23,867	34.7	13,916	43.0	56,428	28.4	1,552	31.3	1,368	176.4	97,133	32.9
Europe	5,360	3.2	40,867	31.0	5,692	2.5	9,769	18.0	22,631	43.5	84,320	27.8
Asia	31,937	15.3	11,832	22.2	8,439	7.3	2,482	10.5	2,940	46.8	57,631	16.4
Africa	546	45.3	3,574	23.5	25,929	29.6	2,128	(12.6)	3,952	79.8	36,131	29.4
Others	5,352	6.5	—	(100.0)	—	—	—	—	—	—	5,352	4.7
Total	119,089	10.7	102,215	22.4	119,797	18.5	44,079	6.7	34,007	9.6	419,190	15.0

Coatings for automotive parts, which had been classified as industrial coatings until FY2020 have been classified as automotive coatings from FY2021. Auto-Refinish coatings, which had been classified as automotive coatings until FY2020, have been classified as Auto-Refinish, Marine and Protective Coatings from FY2021. In addition, the rate of change for FY2020 is calculated based on the revised classification.

### 1) Net Sales and Operating Income

Net sales for FY2021 increased by 15.0% compared to the previous year (54,570 million yen), to 419,190 million yen, and operating income decreased by 3.6% (1,132 million yen) to 30,096 million yen. Net sales exceeded the announced figure that was revised in November of the previous year. This increase is mainly attributable to increased sales volumes and price increases. Operating income decreased due to the negative

impact of the price hike of raw materials. Japan and India are struggling to increase prices due to the strict market situation, leading to a drop in operating income. However, with Europe developing as the third pillar, improved results in Asia and Africa (which has regained its profitability thanks to reconstruction), and a recovery in automobile demand in North America, the Kansai Paint Group recorded an increase in sales but a decrease in profit.

### 2) Non-operating Income/Expenses and Ordinary Income

Non-operating income/expenses for FY2021 increased by 2,862 million yen compared to FY2020 to 7,514 million yen. The main reasons for the increase were a rise in equity in earnings of unconsolidated subsidiaries and affiliates and an increase in

foreign currency exchange gains. As a result, ordinary income for FY2021 increased by 4.8% (1,731 million yen) from FY2020 to 37,611 million yen.

### 3) Extraordinary Profit and Current Net Income before Tax and Adjustment

Extraordinary profit for FY2021 increased by 1,278 million yen from FY2020 to 6,224 million yen. The main reason for the increase was a rise in sales of fixed assets due to the sale of

property, plant and equipment. As a result, net income before tax and adjustments for FY2021 increased by 7.4%, or 3,010 million yen, to 43,836 million yen.

### 4) Income Taxes (including deferred income taxes) and Net Income Attributable to Owners of the Parent

Income taxes for FY2021 decreased by 5,668 million yen from FY2020 to 11,591 million yen. The main reason for the decrease was a drop in tax expenses at the company. As a result, net

income attributable to owners of the parent increased by 32.4%, or 6,498 million yen, from the previous fiscal year to 26,525 million yen.

### Analysis of Financial Condition

(Million yen)

	As of March 31, 2022	Compared to March 31, 2021	Main factor
Current assets	276,650	Decreased by 23,821	Decrease in cash and deposits, etc.
Fixed assets	323,407	Increased by 17,298	Increase in investment securities, etc.
Current liabilities	173,083	Increased by 16,726	Despite a decrease in current portion of long-term debt, current portion of convertible bonds with stock acquisition rights, etc. increased.
Fixed liabilities	51,859	Decreased by 59,504	Decrease in convertible bonds with stock acquisition rights, etc.
Net assets	375,114	Increased by 36,255	

### Business Risks

The Kansai Paint Group manufactures and sells paints for a wide range of applications, including automotive, industrial, architectural, marine, and protective coatings. While domestic demand for paints has remained almost flat, we have been actively developing our overseas businesses, and the proportion of sales that come from overseas sales has exceeded our domestic sales. In the future, the scale of our overseas business activities is expected to continue to expand, and the laws, regulations, political factors, etc., of the regions and countries in which we operate will have an impact on the Group's business activities and performance. Under these circumstances, in order to survive and grow amid fierce global competition, we will create synergies throughout the Group and enhance our corporate governance system.

The Group has established manufacturing bases in various countries to conduct its business activities. However, when

procuring products and raw materials from other locations, fluctuations in foreign exchange rates may affect the Group's business activities and performance. In addition to promoting the transfer of product manufacturing and local procurement of raw materials, we will address risks through the implementation of forward exchange contracts and other measures.

The Group's raw materials are mainly affected by fluctuations in the prices of crude oil and naphtha. Therefore, the Group's business activities and business performance will be affected if sudden changes in raw material costs are not adequately reflected in sales prices. We will strive to reduce costs through global procurement, efforts to integrate products, etc., and strengthen relationships with raw material suppliers so that we can respond quickly.