

# Details of the Value Creation Process

## Inputs

Capital	Input
<b>Financial capital</b>	Net assets, interest-bearing debt, free cash flow, net income, equity ratio, issuer credit rating (A: Stable)
<b>Manufacturing capital</b>	Manufacturing bases (whole Group): 90 locations Capital investment: ¥14,536 million
<b>Human capital</b>	Number of employees (consolidated): 15,670, Ratio of managers who are locally hired: 95%
<b>Intellectual capital</b>	R&D expenses: ¥6,776 million, Number of patents: 1,323 (783 in Japan and 540 overseas) R&D offices: 6 (whole Group), Joint development with industry, academia, and government
<b>Social and relationship capital</b>	Relationships with customers, stakeholder engagement Number of countries/regions where products are sold: 121
<b>Natural capital</b>	Energy consumption and water usage

## Business Activities

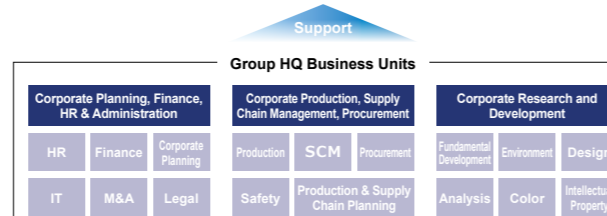
Kansai Paint is a diversified paint manufacturer with operations worldwide. During our 14th and 15th Medium-term Management Plans, we expanded significantly in size and regional presence. Today, around 70.3% of our net sales originate from outside of Japan. Concurrently, there is rising uncertainty in the business environment caused by climate change and heightened geopolitical risks.

To address this external environment, we are transforming our business through multi-faceted dialogue with stakeholders including customers, investors, suppliers, and employees. We are promoting a paradigm shift from the conventional profit-seeking approach to one that balances environmental and economic value.

In April 2021, we reorganized our organization, adopting a business unit structure.

In formulating our Growth Strategy to 2025, we reanalyzed our business and organization, and also examined the business model, market, customer needs, applied technology, industry practices, and commercial channels. As a result, based on the characteristics of the business, we decided to restructure the automotive business as the "Global Automotive Business Unit" (composed of global operations), and the non-automotive business as the "Japan Business Unit" and the "International Business Unit," as there are significant business culture differences between Japan and other regions. The three Group HQ business units of "Corporate Planning, Finance, HR & Administration," "Corporate Production, Supply Chain Management, Procurement," and "Corporate Research and Development" support the three business units mentioned above. This structure makes it possible to globally expand corporate functions and governance. The business unit system has enabled us to respond more quickly and accurately than ever before, according to the characteristics of each business, while avoiding organizational silos due to spin offs.

	Automotive	Industrial	Architectural	Marine & protective	Auto refinish
Japan			Japan Business Unit		
India					
Europe	Global Automotive Business Unit				
Asia					
China					
Africa					
North America					



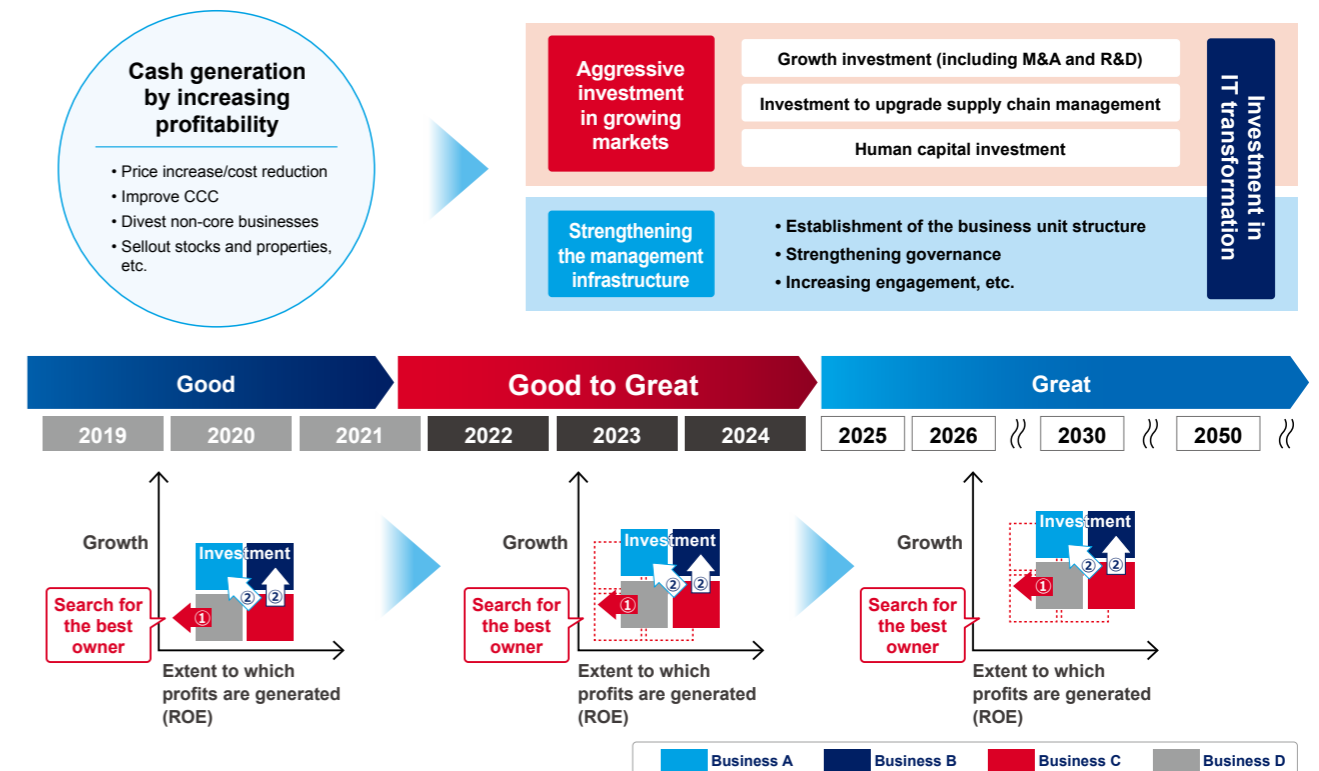
## Outcomes

Capital	Outcome
<b>Financial capital</b>	Increase in shareholder value and company profits
<b>Manufacturing capital</b>	Increase in production volume and improvement in manufacturing efficiency
<b>Human capital</b>	Improvement in experience and skills of employees, technical capabilities and organizational strengths
<b>Intellectual capital</b>	Enhancement of the company's know-how and culture
<b>Social and Relationship capital</b>	Promotion of information sharing, declining transaction costs, and improvement of brand power owing to increased trust Economic growth across the value chain and network with customers Contribution to a sustainable society
<b>Natural capital</b>	Environmental conservation

## Strategy and Asset Allocation

We will implement the management cycle detailed in the 16th Medium-term Management Plan to determine whether we are the best owner of each business, while taking comprehensive steps

to strengthen the profitability of each business. For businesses where we are not the best owner, we will search for the best owner to continually improve our business portfolio.



We will implement a cycle to increase profitability by withdrawing from businesses that do not generate sufficient profits and investing management resources such as people,

goods, and money into businesses that generate greater value. Using the profits generated, we will invest in areas with high growth potential to achieve continuous growth as a company.