

Securities Code: 4613

June 8, 2017

To Shareholders with Voting Rights

33-1 Kanzaki-cho, Amagasaki, Hyogo
(Head office: 6-14 Imabashi 2-chome,
Chuo-ku, Osaka)

Hiroshi Ishino

President & Representative Director

Kansai Paint Co., Ltd.

NOTICE OF CONVOCATION OF THE 153RD ORDINARY GENERAL MEETING OF
SHAREHOLDERS

You are cordially invited to attend the 153rd Ordinary General Meeting of Shareholders of Kansai Paint Co., Ltd. (“the Company”). The Meeting will be held as described below.

If you are unable to attend on the day of the Meeting, you may exercise your voting rights in writing or via the Internet. You are therefore requested to review the following Reference Documents for the General Meeting of Shareholders and cast your vote by either method so that your vote arrives by 5 p.m. on Wednesday, June 28, 2017.

1. **Date and Time:** 10 a.m., Thursday, June 29, 2017 (reception starts at 9 a.m.)
2. **Place:** Kansai Paint Head Office
6- 14 Imabashi 2-chome, Chuo-ku, Osaka

3. **Agenda:**

Matters to Be Reported:

1. Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements for the 153rd Fiscal Term (from April 1, 2016 to March 31, 2017)
2. Reports of Audit on the Consolidated Financial Statements for the 153rd Fiscal Term by the Independent Auditor and the Audit & Supervisory Board Members

Proposals of Resolution:

- First Item of Proposal:** Appropriation of Surpluses of the 153rd Fiscal Term
- Second Item of Proposal:** Partial Amendment of the Articles of Incorporation
- Third Item of Proposal:** Election of Ten (10) Board Directors
- Fourth Item of Proposal:** Election of One (1) Audit & Supervisory Board Member
- Fifth Item of Proposal:** Election of One (1) Alternate Audit & Supervisory Board Member
- Sixth Item of Proposal:** Determination of the Amount of Performance-based Stock Compensation for Board Directors and Its Details
- Seventh Item of Proposal:** Continued Approval of Policy concerning Large-Scale Purchases of Kansai Paint Shares (Takeover Defense Measure)

We have decided to stop the practice of giving out souvenirs from last year. Thank you for your understanding.

- ⊙ For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on your arrival at the Meeting.
- ⊙ Regarding the documents that should be attached to this notice, “Major Business,” “Major Offices and Plants,” “Situation of Employees,” “Matters related to the Company’s Stock Acquisition Rights,” “Matters related to Independent Auditors,” and “System and Policy of the Company” of the Business Report, the Statement of Changes in Net Assets (consolidated), the Notes to the Consolidated Financial Statements, the Statement of Changes in Net Assets (non-consolidated) and the Notes to the Non-Consolidated Financial Statements are published on the Company’s website (<http://www.kansai.co.jp/finance/index.html>), and are not included in the attachments to this notice. The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited by the Audit & Supervisory Board Members and the Independent Auditor are published on the Company’s website shown above, in addition to the documents included in the attachments to this notice.
- ⊙ Whenever it is necessary to make amendments to matters that should be stated in the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements or the Reference Documents for the General Meeting of Shareholders, such matters after the amendment will be published on the Company’s website shown above.

Reference Documents for the General Meeting of Shareholders

Proposals and Information

First Item of Proposal: Appropriation of Surpluses of the 153rd Fiscal Term

The Company has a basic policy of distributing profits according to business results while taking into account the need to provide consistent and stable dividends to shareholders, and to strengthen earnings power through the enhancement of the business structure. We intend to use our internal reserves to establish a long-term stable business platform, as well as to invest in research and development and the improvement of our production and distribution system both in Japan and abroad, to achieve further growth.

Based on this policy, we propose to appropriate surpluses of the 153rd Fiscal Term as follows:

Payment of year-end dividends

(1) Amount of dividend:

¥11 per share of the Company's common stock. Total dividends: ¥2,840,459,259

(2) Effective date of appropriation of surpluses:

June 30, 2017

Second Item of Proposal: Partial Amendment of the Articles of Incorporation

1. Reason for Proposal

In order to clarify the management responsibility of Board Directors and establish a management structure that can swiftly respond to changes in the business environment, as well as further strengthen corporate governance to better reflect the intentions of shareholders, the term of office of Board Directors is shortened from two years to one year, and necessary amendments are being made to Article 21 (Term of Office of Board Directors) of the existing Articles of Incorporation.

2. Details of the Change

The details of the change are as below.

(Changes are underlined)

Existing Articles of Incorporation	Proposed changes
<p>(Term of Office of Board Directors) Article 21</p> <p>1. The term of office of Board Directors expires at the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within <u>two years</u> after election.</p> <p><u>2. The term of office of a Board Director who is elected as an alternate or due to an increase in the fixed number is the remainder of the term of office of the other Board Directors.</u></p>	<p>(Term of Office of Board Directors) Article 21</p> <p>1. The term of office of Board Directors expires at the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within <u>one year</u> after election.</p> <p>(Delete)</p>

Third Item of Proposal: Election of Ten (10) Board Directors

The term of office of all nine (9) Board Directors will expire upon the close of this Meeting. We therefore propose the continued election of the current nine (9) Board Directors and the election of one (1) new Board Director in order to accomplish the goals of the current Mid-term Business Plan, as well as further to strengthen global management.

The nominees for Board Directors are as follows:

No.	Name	Current position	Number of Board of Directors' meetings attended / number held, attendance rate	
1	Hiroshi Ishino	Representative Director, President Reappointment	21/21	100%
2	Kunishi Mori	Representative Director, Managing Executive Officer Reappointment	20/21	95%
3	Masaru Tanaka	Director, Managing Executive Officer Reappointment	21/21	100%
4	Koji Kamikado	Director, Managing Executive Officer Reappointment	21/21	100%
5	Hidenori Furukawa	Director, Managing Executive Officer Reappointment	21/21	100%
6	Jun Senoo	Director, Managing Executive Officer Reappointment	21/21	100%
7	Shinji Asatsuma	Director, Managing Executive Officer Reappointment	21/21	100%
8	Harishchandra Meghraj Bharuka	President, Kansai Nerolac Paints Ltd. New appointment	–	–
9	Shigeaki Nakahara	Outside Director Outside Reappointment Independent Officer	20/21	95%
10	Yoko Miyazaki	Outside Director Outside Reappointment Independent Officer	21/21	100%

<Policy of nomination>

Upon electing Internal Board Directors of Kansai Paint, candidates are nominated based on comprehensive evaluation of their balance, experience and abilities in each of their capacities, such as production, sales, technology and administration. Upon electing Outside Board Directors, candidates are nominated from among those with management experience, and lawyers, accountants, etc. with deep knowledge, a high level of expertise and abundant experience, in accordance with Kansai Paint's independence standards.

<Procedures of election>

Kansai Paint held a meeting of the Nominating Committee, which consists of two Outside Board Directors and two Outside Audit & Supervisory Board Members, where the details that were submitted by the Representative Director were discussed and agreed upon unanimously. It was decided to submit the details of the nomination to this Meeting in a subsequent meeting of the Board of Directors.

Nominee No. 1

Hiroshi Ishino (Born April 10, 1951)

Number of Company

Shares Held: 62,100

Reappointment

Brief Personal History and Position/Responsibilities in the Company (Significant Positions Concurrently Held)

April 1975 Joined Mitsubishi Corporation
March 2003 Joined Kansai Paint
June 2006 Director, Deputy General Manager International Div.
June 2008 Managing Director in charge of Sales Planning Administration, General Manager Sales Management of Coatings Business Div. , General Manager International Div.
April 2010 Senior Managing Director in charge of Sales, International and Procurement
June 2012 Representative Director, Senior Managing Executive Officer in charge of Sales, International and Procurement
April 2013 Representative Director, President (current)

Reason for nomination

Mr. Hiroshi Ishino has long been in charge of overseas operations since before joining the Company, and therefore has a wealth of experience and knowledge in such operations. Since assuming the post of Representative Director and President in 2013, he has carried out an aggressive global strategy, in which he has achieved significant results. In view of his knowledge and track record, Mr. Ishino was nominated as a Board Director since he is deemed most appropriate to lead the entire Company toward further global expansion with his strong leadership, as well as to improve the Group's corporate value in his continued role as Representative Director and President.

(Note: There are no special conflicts of interest between Mr. Hiroshi Ishino and the Company.)

Nominee No. 2

Kunishi Mori (Born March 28, 1958)

Number of Company

Shares Held: 10,000

Reappointment

Brief Personal History and Position/Responsibilities in the Company (Significant Positions Concurrently Held)

April 1981 Joined Kansai Paint
June 2010 Director, Deputy General Manager Coatings Business Div.
June 2015 Representative Director, Managing Executive Officer in charge of Sales and International, General Manager Sales Management of Automotive Refinish, Decorative & Protective Coatings Business, General Manager Automotive Refinish, Decorative & Protective Coatings Business Div.
June 2016 Representative Director, Managing Executive Officer in charge of Sales, General Manager of Japan Segment, General Manager Sales Management of Automotive Refinish, Decorative & Protective Coatings Business, General Manager Automotive Refinish, Decorative & Protective Coatings Business Div. (current)
(Significant position concurrently held) Representative Director, President, Kansai Paint Sales Co., Ltd.

Reason for nomination

Mr. Kunishi Mori has mainly been in charge of sales-related operations since he joined the Company. He currently supervises the Japan Segment as Representative Director, and also serves as Representative Director, President of Kansai Paint Sales Co., Ltd., a Kansai Paint Group company, where he has successfully promoted sales strategies in Japan. In view of his knowledge and track record, Mr. Mori was nominated as a Board Director since he is deemed most appropriate to improve the market share and profitability of the Company through aggressive business expansion and strengthened competitiveness in Japan in his continued role as Representative Director.

(Note: There are no special conflicts of interest between Mr. Kunishi Mori and the Company.)

Nominee No. 3

Masaru Tanaka (Born November 29, 1956)

Number of Company

Shares Held: 16,500

Reappointment

Brief Personal History and Position/Responsibilities in the Company (Significant Positions Concurrently Held)

April 1981 Joined Kansai Paint
June 2010 Director, General Manager Technical Management of Automotive OEM Coatings Div. and Industrial Coatings Div.
June 2013 Director, Managing Executive Officer, General Manager Technical Management of Automotive OEM Coatings Div. and Industrial Coatings Business Div.
April 2016 Director, Managing Executive Officer in charge of Production
April 2017 Director, Managing Executive Officer in charge of Production, General Manager Corporate Production Div. (current)
(Significant position concurrently held) Director, Kansai Nerolac Paints Ltd.

Reason for nomination

Mr. Masaru Tanaka has mainly been engaged in R&D operations since he joined the Company, and has a wealth of experience and knowledge in the Company's technologies and products. He is currently in charge of overall production, and has successfully reviewed production operations based on his technical knowledge. In view of his knowledge and track record, Mr. Tanaka was nominated as a Board Director since he is deemed most appropriate to continuously improve the production capacity and efficiency of production operations.

(Note: There are no special conflicts of interest between Mr. Masaru Tanaka and the Company.)

Nominee No. 4

Koji Kamikado (Born July 3, 1957)

Number of Company

Shares Held: 13,400

Reappointment

Brief Personal History and Position/Responsibilities in the Company (Significant Positions Concurrently Held)

April 1980 Joined Kansai Paint
June 2011 Director, and Managing Executive Officer, General Manager Technical Management of Basic Research, R&D Div.
June 2013 Director, Managing Executive Officer, General Manager R&D Div.
April 2015 Director, Managing Executive Officer in charge of Procurement
April 2016 Director, Managing Executive Officer in charge of Technology Strategy & Administration, General Manager Global Procurement Div.
April 2017 Director, Managing Executive Officer in charge of Technology Strategy & Administration, General Manager Global Procurement Div., General Manager Corporate Procurement Div. (current)

Reason for nomination

Mr. Koji Kamikado has mainly been engaged in R&D operations since he joined the Company, and has a wealth of experience and knowledge in the Company's technologies and products. He is currently in charge of Technical Planning and serves as General Manager Global Procurement Div., where he has successfully procured materials globally and reduced total costs. In view of his knowledge and track record, Mr. Kamikado was nominated as a Board Director since he is deemed most appropriate to continuously promote the further globalization of materials Procurement and reduce total costs in order to improve the Company's business results.

(Note: There are no special conflicts of interest between Mr. Koji Kamikado and the Company.)

Nominee No. 5

Hidenori Furukawa (Born September 4, 1958) Number of Company Shares Held: 10,900 **Reappointment**

Brief Personal History and Position/Responsibilities in the Company (Significant Positions Concurrently Held)

April 1983 Joined Kansai Paint
June 2011 Executive Officer, Deputy General Manager Production Div.
June 2013 Director, Managing Executive Officer, General Manager Production Div.
April 2016 Director, Managing Executive Officer in charge of Technology, Quality & Environment, General Manager Coatings Business Div., General Manager Technical Management of Automotive Refinish, Decorative & Protective Coatings Business, General Manager Technology Strategy & Administration Div.
April 2017 Director, Managing Executive Officer in charge of Technology, Quality & Environment, General Manager Coatings Business Div., General Manager Product Planning Dept., General Manager Corporate Technical Div. (current)
(Significant position concurrently held) Director, Kansai Nerolac Paints Ltd.

Reason for nomination

Mr. Hidenori Furukawa has mainly been engaged in technical and production operations since he joined the Company, and has a wealth of experience and knowledge in the Company's technologies, production operations and products. He is currently in charge of overall technology and quality & environment based on his knowledge, and has achieved results in addressing the needs of the market. In view of his knowledge and track record, Mr. Furukawa was nominated as a Board Director since he is deemed most appropriate to further strengthen the Company's competitiveness by continuously optimizing costs and quality.

(Note: There are no special conflicts of interest between Mr. Hidenori Furukawa and the Company.)

Nominee No. 6

Jun Senoo (Born April 14, 1959) Number of Company Shares Held: 10,980 **Reappointment**

Brief Personal History and Position/Responsibilities in the Company (Significant Positions Concurrently Held)

April 1983 Joined Kansai Paint
June 2011 Executive Officer, General Manager Supply Chain Management Center
April 2013 Executive Officer, General Manager Corporate Planning Office, Deputy General Manager Administration Div.
June 2015 Director, Managing Executive Officer, General Manager Administration Div., General Manager Corporate Planning Office
April 2016 Director, Managing Executive Officer, General Manager Corporate Planning Div., General Manager International Div.
April 2017 Director, Managing Executive Officer, General Manager Corporate Planning Div., General Manager Corporate Management & HR Div., General Manager Corporate Business Development Div. (current)

Reason for nomination

Mr. Jun Senoo has been engaged in operations of various fields such as administration, sales and production since he joined the Company, and has a wealth of experience and knowledge in the overall operations of the Company. He currently serves as General Manager, Corporate Planning Div. and General Manager Corporate Business Development Div., where he has successfully responded to rapid globalization strategies. In view of his knowledge and track record, Mr. Senoo was nominated as a Board Director since he is deemed most appropriate to continue to further accelerate globalization to expand the Company's business.

(Note: There are no special conflicts of interest between Mr. Jun Senoo and the Company.)

Nominee No. 7

Shinji Asatsuma (Born February 2, 1961)

Number of Company

Shares Held: 6,000

Reappointment

Brief Personal History and Position/Responsibilities in the Company (Significant Positions Concurrently Held)

April 1984 Joined Kansai Paint
April 2012 Executive Officer, General Manager Corporate Planning Office
April 2015 Managing Executive Officer, General Manager International Div.
June 2016 Director, Managing Executive Officer, General Manager Administration Div.
April 2017 Director, Managing Executive Officer, General Manager Administration Div., General Manager Corporate Administration Div. (current)

Reason for nomination

Mr. Shinji Asatsuma has mainly been engaged in administrative operations since he joined the Company, and has a wealth of experience and knowledge in finance and accounting. He has been involved in the formulation and implementation of the medium-term management plan as General Manager Corporate Planning Office, as well as in the successful promotion of the Company's globalization as General Manager International Div.. He currently serves as General Manager Administration Div.. In view of his knowledge and track record, Mr. Asatsuma was nominated as a Board Director since he is deemed most appropriate to continue to further promote globalization and enhance the corporate governance of the Company.

(Note: There are no special conflicts of interest between Mr. Shinji Asatsuma and the Company.)

Nominee No. 8

Harishchandra

Meghraj Bharuka (Born June 22, 1960)

Number of Company

Shares Held: N/A

New appointment

Brief Personal History and Position/Responsibilities in the Company (Significant Positions Concurrently Held)

October 1985 Joined Goodlass Nerolac Paints Ltd. (currently Kansai Nerolac Paints Ltd.)
July 1997 Director, General Manager Procurement Div., General Manager Powder Coatings Business Div.
April 1999 Director, Executive Vice President
April 2001 Director, President (current)
(Significant position concurrently held) Director, President, Kansai Nerolac Paints Ltd.

Reason for nomination

Mr. Harishchandra Meghraj Bharuka is Director, President of our Indian group company Kansai Nerolac Paints Ltd. Kansai Nerolac Paints has significantly contributed to the Company's business results as our largest subsidiary, as well as establishing a solid business base in India. Mr. Bharuka has been involved in multi-faceted reviews from a global perspective upon the Group's overseas business expansion as a Global Steering Committee member. In view of his knowledge and track record, Mr. Bharuka was newly nominated as a Board Director since he is deemed most appropriate to contribute to further expansion of the Company's business results as well as to the management of the entire Kansai Paint Group from a global perspective and a more in-depth position than a Global Steering Committee member.

(Note: Kansai Nerolac Paints Ltd., of which nominee Mr. Harishchandra Meghraj Bharuka is Director and President, is engaged in similar business to the Company. The Company sells paints to Kansai Nerolac Paints on a continuous basis.)

Nominee No. 9

Shigeaki Nakahara (Born June 28, 1941)

Number of Company
Shares Held: N/A

**Outside; Reappointment
Independent Officer**

Brief Personal History and Position/Responsibilities in the Company (Significant Positions Concurrently Held)

April 1966	Joined Tokuyama Soda Co., Ltd. (currently Tokuyama Corporation)
June 1995	Director, General Manager Chemicals Business Div., Tokuyama Corporation
June 2000	Managing Director, General Manager Chemicals Business Div. in charge of branches, Tokuyama Corporation
April 2002	Representative Director, President, Tokuyama Corporation
January 2009	Director, Chairman, Tokuyama Corporation
June 2012	Advisor, Tokuyama Corporation (retired March 2016)
June 2013	Outside Director (current)

Reason for nomination as Outside Board Director and term of office

Mr. Shigeaki Nakahara has reflected his experience in the chemical industry as well as his deep insight as a manager into the management of the Company, and monitored the Company's management from a fair and neutral position. In view of his knowledge and track record, Mr. Nakahara was nominated as an Outside Board Director since he is deemed most appropriate to continue to enhance the corporate governance of the Company.

Mr. Nakahara's term of office as an Outside Board Director will be four years at the conclusion of this Meeting.

Independence as Outside Board Director nominee

Mr. Shigeaki Nakahara had served as Advisor for Tokuyama Corporation, a client of a Kansai Paint Group company, but retired in March 2016. Since the amount of business with said client during the last fiscal year was very small, at less than 0.01% of the Company's consolidated net sales and less than 0.01% of said client's consolidated net sales, there is no risk of conflict of interest with general shareholders, and his independence will not be affected. Furthermore, Mr. Nakahara fulfills the "Standards concerning the Independence of Outside Board Directors and Outside Audit & Supervisory Board Members" stipulated by the Company and stated on page 14.

The Company has designated Mr. Nakahara as an independent officer pursuant to the provisions of the Tokyo Stock Exchange, and registered him as such at the Exchange.

Limited liability agreement with the Outside Board Director nominee

The Company has concluded a limited liability agreement with Mr. Shigeaki Nakahara. The outline of the agreement is as stated in the Business Report. Furthermore, in the event that Mr. Nakahara is elected and appointed, the Company plans to renew said agreement with Mr. Nakahara.

(Note: Mr. Shigeaki Nakahara is a nominee for Outside Board Director. There are no special conflicts of interest between him and the Company.)

Nominee No. 10

Yoko Miyazaki (Born February 11, 1955)

Number of Company
Shares Held: N/A

**Outside; Reappointment
Independent Officer**

Brief Personal History and Position/Responsibilities in the Company (Significant Positions Concurrently Held)

April 1982	Registered as a lawyer (Osaka Bar Association)
June 2005	Outside Audit & Supervisory Board Member (retired June 2015)
June 2015	Outside Director (current) (Significant position concurrently held) Lawyer

Reason for nomination as Outside Board Director and term of office

Ms. Yoko Miyazaki has monitored our business from a legal perspective based on the advanced knowledge and experience she has gained as a lawyer in order to secure sound management and enhance corporate governance, as well as monitoring the Company's management from a fair and neutral position. In view of her knowledge and track record, Ms. Miyazaki was nominated as an Outside Board Director, since she is deemed most appropriate to continue to enhance the corporate governance of the Company.

Ms. Miyazaki's term of office as an Outside Board Director will be two years at the conclusion of this Meeting. Her term of office as an Outside Audit & Supervisory Board Member, her previous position, was 10 years, resulting in a total of 12 years in office.

The reason for determining that the nominee can properly execute the duties as an Outside Board Director

Ms. Yoko Miyazaki does not have experience dealing directly with corporate management, but it is believed that her professional knowledge and experience as a lawyer and considerable insights into guiding corporate management will enable her to fulfill the duties of an Outside Board Director.

Independence as an Outside Board Director nominee

There are no special conflicts of interest between the law firm to which Ms. Miyazaki belongs and the Company, nor are there any factors in particular that would affect her independence. Furthermore, Ms. Miyazaki fulfills the "Standards concerning the Independence of Outside Board Directors and Outside Audit & Supervisory Board Members" stipulated by the Company and stated on page 14.

The Company has designated Ms. Miyazaki as an independent officer pursuant to the provisions of the Tokyo Stock Exchange, and registered her as such at the Exchange.

Limited liability agreement with the Outside Board Director nominee

The Company has concluded a limited liability agreement with Ms. Miyazaki. The outline of the agreement is as stated in the Business Report. Furthermore, in the event that Ms. Miyazaki is elected and appointed, the Company plans to renew said agreement with Ms. Miyazaki.

(Note: Ms. Yoko Miyazaki is a nominee for Outside Board Director. There are no special conflicts of interest between her and the Company.)

Fourth Item of Proposal: Election of One (1) Audit & Supervisory Board Member

The term of office of a current Audit & Supervisory Board Member, Hiroe Nakai, will expire upon the close of this Meeting. We therefore propose the election of one (1) Audit & Supervisory Board Member.

The Audit & Supervisory Board has given its prior accord to this Fourth Item of Proposal. The nominee for Audit & Supervisory Board Member is as follows:

Seiichiro Azuma (Born July 23, 1951)	Number of Company Shares Held: N/A	Outside; New appointment Independent Officer
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Brief Personal History and Position in the Company (Significant Positions Concurrently Held)

- December 1975 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
- March 1980 Registered as a certified public accountant
- July 1991 Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
- June 2016 Retired from Deloitte Touche Tohmatsu LLC
- June 2016 Outside Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal Corporation (current)
- April 2017 Visiting Professor, Ashiya University (current)
(Significant position concurrently held) Outside Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal Corporation; Visiting Professor, Ashiya University

Reason for nomination as an Outside Audit & Supervisory Board Member

Mr. Seiichiro Azuma has advanced and broad expertise in finance and accounting as a certified public accountant, and was nominated as an Outside Audit & Supervisory Board Member, since it is determined that his audit function will be valuable to the Company from an accounting perspective in securing sound and transparent management.

The reason for determining that the nominee can properly execute the duties as an Outside Audit & Supervisory Board Member

Mr. Seiichiro Azuma does not have experience dealing directly with corporate management, but it is believed that his professional knowledge and experience as a certified public accountant and adequate insights into guiding corporate management will enable him to fulfill the duties of an Outside Audit & Supervisory Board Member.

Independence as an Outside Audit & Supervisory Board Member nominee

Mr. Seiichiro Azuma serves as an Outside Audit & Supervisory Board Member of Nippon Steel & Sumitomo Metal Corporation, a client of a Kansai Paint Group company. Since the amount of business with said client during the last fiscal year was very small, at less than 0.5% of the Company’s consolidated net sales and less than 0.01% of said client’s consolidated net sales, there is no risk of a conflict of interest with general shareholders, and his independence will not be affected. Furthermore, there are no special conflicts of interest between the certified public accountants’ office to which Mr. Seiichiro Azuma belongs and the Company, and Mr. Azuma fulfills the “Standards concerning Independence of an Outside Board Director and an Outside Audit & Supervisory Board Member” stipulated by the Company and stated on page 14. Subject to the approval of this Proposal, the Company has designated Mr. Azuma as an independent officer pursuant to the provisions of the Tokyo Stock Exchange, and registered him as such at the Exchange.

Limited liability agreement with the Outside Audit & Supervisory Board Member nominee

In the event that Mr. Seiichiro Azuma is elected and appointed, the Company intends to conclude a limited liability agreement with him that sets out his liability for failure to perform his duties in the amount prescribed by laws and ordinances, pursuant to the provisions of Article 427, Paragraph 1, of the Companies Act.

(Note: Mr. Seiichiro Azuma is a nominee for Outside Audit & Supervisory Board Member. There are no special conflicts of interest between him and the Company.)

Fifth Item of Proposal: Election of One (1) Alternate Audit & Supervisory Board Member

There is currently no Alternate Audit & Supervisory Board Member at the Company since Ms. Hiroe Nakai, who was elected as an Alternate Audit & Supervisory Board Member at the 152nd Ordinary General Meeting of Shareholders held on June 29, 2016, assumed the post of Outside Audit & Supervisory Board Member on August 22, 2016. We therefore propose the election of one (1) Alternate Audit & Supervisory Board Member.

The Audit & Supervisory Board has given its prior accord to this Fifth Item of Proposal.

The nominee for the Alternate Audit & Supervisory Board Member is as follows:

Hiroe Nakai (Born May 20, 1961)	Number of Company Shares Held: N/A	Outsider
Brief Personal History and Position in the Company (Significant Positions Concurrently Held)		
April 1988	Registered as a lawyer (Osaka Bar Association)	
August 2016	Outside Audit & Supervisory Board Member of Kansai Paint (current)	
June 2017	Retired from Outside Audit & Supervisory Board Member of Kansai Paint (schedule) (Significant position concurrently held) Lawyer	

Reason for nomination as an Alternate Outside Audit & Supervisory Board Member and term of office

Ms. Hiroe Nakai has monitored our business from a legal perspective based on the advanced knowledge and experience she has gained as a lawyer in order to secure sound management and enhance corporate governance, as well as monitoring the Company's management from a fair and neutral position. In view of her knowledge and track record, Ms. Nakai was nominated as an Alternate Outside Audit & Supervisory Board Member since she is deemed most appropriate to continue to enhance the corporate governance of the Company.

Ms. Nakai's term of office as an Alternate Outside Audit & Supervisory Board Member will be 10 months at the conclusion of this Meeting.

Attendance of the meetings of the Board of Directors and the Audit & Supervisory Board

Board of Directors' meetings: 11 out of 12 (91%); Audit & Supervisory Board's meetings: 7 out of 8 (87%)

* Ms. Hiroe Nakai was elected as an Alternate Audit & Supervisory Board Member at the 152nd Ordinary General Meeting of Shareholders held on June 29, 2016, but assumed the post of Outside Audit & Supervisory Board Member on August 22, 2016, since Mr. Hidetaka Kishi, who was an Outside Audit & Supervisory Board Member of the Company, passed away on that day and thus retired from the post. Furthermore, the meetings of the Board of Directors and the Audit & Supervisory Board, which Ms. Nakai did not attend, were both held on August 25, 2016. She was absent from these meetings since she could not make arrangements as the timing was immediately after her assumption of the post.

The reason for determining that the nominee can properly execute her duties as an Outside Audit & Supervisory Board Member

Ms. Hiroe Nakai does not have experience dealing directly with corporate management, but it is believed that her professional knowledge and experience as a lawyer and adequate insights into guiding corporate management will enable her to fulfill the duties of an Outside Audit & Supervisory Board Member.

Independence as an Outside Audit & Supervisory Board Member nominee

Ms. Hiroe Nakai fulfills the "Standards concerning the Independence of Outside Board Directors and Outside Audit & Supervisory Board Members" stipulated by the Company and stated on page 14. Furthermore, there are no special conflicts of interest between the law firm to which Ms. Nakai belongs and the Company. The Company has designated Ms. Nakai as an independent officer pursuant to provisions of the Tokyo Stock Exchange and registered her as such at the Exchange. In the event that Ms. Nakai is appointed as an Outside Audit & Supervisory Board Member once more, we intend to once again designate her as an independent officer pursuant to the provisions of the Tokyo Stock Exchange, and notify the Exchange of her appointment.

Limited liability agreement with the Outside Audit & Supervisory Board Member nominee

The Company has concluded a limited liability agreement with Ms. Hiroe Nakai. The outline of the agreement is as stated in the Business Report. Furthermore, in the event that Ms. Nakai is elected and appointed as an Outside Audit & Supervisory Board Member, the Company plans to conclude a similar agreement with Ms. Nakai.

(Notes: 1. Ms. Hiroe Nakai's name on her family register is Hiroe Asami.

2. Ms. Hiroe Nakai is a nominee for an Alternate Outside Audit & Supervisory Board Member. There are no special conflicts of interest between her and the Company.)

<Reference> **Standards concerning the Independence of Outside Board Directors and Outside Audit & Supervisory Board Members**

Article 1 These regulations set out the standards concerning independence for appointing Outside Board Directors and Outside Audit & Supervisory Board Members (hereinafter collectively referred to as “Outside Officers”) at the Company.

Article 2 Outside Officers of the Company must not fall under any of the following descriptions:

- (1) A board director (excluding outside board directors of the Company or its consolidated subsidiary), executive director, audit & supervisory board member (excluding outside audit & supervisory board members of the Company or its consolidated subsidiary), executive officer, accounting advisor (in the case where said accounting advisor is a corporation, including corporate employees required to perform work for the corporation), manager or other employee of the Company or its consolidated subsidiary
- (2) An individual for whom the Company or its consolidated subsidiary is a major business partner or who serves as an executive in an entity for which the Company is a major business partner
- (3) An individual who is a major business partner of the Company or its consolidated subsidiary or who serves as an executive in an entity that is a major business partner of the Company
- (4) A major shareholder of the Company (in the case where said major shareholder is a corporation, an individual who serves as an executive in said corporation)
- (5) An individual who receives a large amount of donations from the Company or its consolidated subsidiary (in the case where said individual who receives a large amount of donations is a corporation, an individual who serves as an executive in said corporation)
- (6) A consultant, accounting expert or law expert who receives a large amount of cash or other assets from the Company or its consolidated subsidiary in addition to the officer’s remuneration (in the case where the individual who receives said assets is an entity such as a corporation or a union, an individual who belongs to said entity)
- (7) An individual to whom any of the items numbered (1) to (5) above has applied in the past
- (8) An individual to whom item (6) above has applied within the last three years
- (9) A relative within the second degree of kinship or spouse of an individual described in any of the items numbered (1) to (8) above (applies only to important individuals)

Article 3 Outside Officers of the Company shall not be subject to any circumstances in addition to those stipulated in the previous Article that might potentially cause a substantial conflict of interest with general shareholders of the Company.

Article 4 Outside Officers of the Company shall endeavor to maintain their independence as prescribed in these regulations. Outside Officers shall notify the Company immediately if these regulations have been violated and there is a risk that they no longer qualify as independent.

Notes:

Article 1 The contents of these standards are pursuant to the Companies Act and the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange.

Article 2

- (2) “Individual for whom the Company or its consolidated subsidiary is a major business partner” denotes a business partner whose sales as a consolidated group to the Company’s consolidated group account for more than 2% of the consolidated net sales of the business partner for the most recent fiscal year.
- (3) “Major business partner” denotes a business partner for whom the sales of the Company’s consolidated group to the consolidated group account for more than 2% of the Company’s consolidated net sales for the most recent fiscal year.
- (4) “Major shareholder” denotes an individual who directly or indirectly owns 10% or more of the total voting rights.
- (5) “Large amount” denotes the receiving of assets that exceed the larger of ¥10 million or 2% of sales of the individual in the most recent fiscal year.
- (6) “Large amount” denotes the receiving of assets that exceed the larger of ¥10 million or more or 2% of sales of the individual in the most recent fiscal year.
- (9) “Important” denotes the officer class or equivalent of each business partner.

Sixth Item of Proposal: Determination of the Amount of Performance-based Stock Compensation for Board Directors and Its Details

Compensation for the Company’s Board Directors (excluding Outside Board Directors; hereinafter the same shall apply in this Proposal), Managing Executive Officers, Senior Executive Officers and Executive Officers (hereinafter collectively referred to as “Board Directors, etc.,” excluding non-residents in Japan) consists of “basic compensation” and “performance-based compensation.” However, we ask for your approval of the introduction of a performance-based stock compensation plan for the Company’s Board Directors, etc. that is to deliver Company shares according to the achievement of performance targets (hereinafter referred to as the “Plan”), as a new incentive plan to replace the existing long-term incentive plan.

The aim of introducing the Plan is to further clarify the link between compensation for Board Directors, etc. and the Company’s stock value, as well as to further raise awareness of contributing to the improvement of the Company’s medium- to long-term business results and the increase in corporate value, in addition to awareness of corporate management that places emphasis on shareholders. Therefore, we believe the introduction of the Plan to be reasonable.

This Proposal proposes that stock compensation is paid to Board Directors, etc. in addition to the remuneration limit for Board Directors (an annual amount of up to 700 million yen; however, this does not include the portion of employee’s salary for Directors who concurrently serve as employees), which was approved at the 146th Ordinary General Meeting of Shareholders held on June 29, 2010.

The number of Board Directors subject to the Plan will be seven (7), if the Third Item of the Proposal: “Election of Ten (10) Board Directors” is approved in its original form. Furthermore, as mentioned above, Managing Executive Officers, Senior Executive Officers and Executive Officers are also subject to the Plan (the number of Managing Executive Officers, Senior Executive Officers and Executive Officers who are eligible for the Plan is 14 at present); therefore, compensation based on the Plan includes compensation for Managing Executive Officers, Senior Executive Officers and Executive Officers. However, this Proposal proposes the amount and details of compensation, etc. for Board Directors as the entire compensation based on the Plan, in view of the possibility that the aforementioned Managing Executive Officers, Senior Executive Officers and Executive Officers would be newly appointed as Board Directors during the target period (defined in (2) below; hereinafter the same shall apply).

Amount and details of compensation, etc. of the Plan

(1) Outline of the Plan

This Plan is a stock compensation plan that is funded by the amount of compensation for Board Directors, etc. contributed by the Company, and delivers and provides (hereinafter referred to as “delivers/delivery, etc.”) Company shares as well as money in an amount equivalent to Company shares converted into cash (hereinafter referred to as “Company Shares, etc.”) to Board Directors, etc. through a trust that is set up by the Company and that has acquired Company shares. (Details are as stated in (2) and onward.)

<p>[1] Persons eligible for delivery, etc. of Company Shares, etc. that are subject to this Plan</p>	<ul style="list-style-type: none"> • Board Directors, Managing Executive Officers, Senior Executive Officers and Executive Officers of the Company (excluding Outside Board Directors and non-residents of Japan)
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[2] Impact of Company shares subject to this Proposal on the total number of outstanding shares	
The upper limit of money contributed by the Company (as per (2) below)	<ul style="list-style-type: none"> • 270 million yen for the target period that comprises three fiscal years • For the initial target period that starts from this fiscal year, 190 million yen for two fiscal years
The upper limit of the number of Company shares that are delivered, etc. to Board Directors, etc. (including the number of shares subject to conversion to cash), and the method of acquiring Company shares (as per (2) and (3) below)	<ul style="list-style-type: none"> • The annual upper limit of the total number of points (number of shares) granted to Board Directors, etc. is 40,000 points. • The percentage of the number of Company shares equivalent to the aforementioned annual upper limit of the total number of points granted to Board Directors to the total number of outstanding shares (excluding treasury stock as of March 31, 2017) is less than approx. 0.02%. • There will be no dilution, since the Company shares are planned to be acquired from the stock market.
[3] Details of the performance requirements (as per (3) below)	<ul style="list-style-type: none"> • Subject to change according to the degree of achievement of business performance target indicators (EBITDA, etc.) of each fiscal year
[4] Timing of delivery, etc. of Company Shares, etc. to Board Directors, etc. (as per (4) below)	<ul style="list-style-type: none"> • Upon retirement, in principle

(2) Upper limit of money that the Company contributes

This Plan is applied to three fiscal years that correspond to the target period of the Company's medium-term management plan (hereinafter referred to as the "Target Period").

The initial Target Period of the Plan that starts from this fiscal year, however, will be two fiscal years from the fiscal year that ends on March 31, 2018 to the fiscal year that ends on March 31, 2019 (hereinafter referred to as the "Initial Target Period"), which is the remaining period of the current medium-term management plan.

The Company contributes money of up to a total of 270 million yen (a total of 190 million yen for the Initial Target Period) for each Target Period as compensation for Board Directors, etc., and sets up a trust for a trust period of three years (two years for the Initial Target Period), with the beneficiaries being Board Directors, etc. who meet the beneficiary requirements (hereinafter referred to as the "Trust").

The Trust acquires Company shares from the stock market according to instructions by the trust administrator using money held in trust as capital.

During the trust period, the Company grants points (defined in (3) below) to Board Directors, etc. and delivers, etc. Company Shares, etc. equivalent to accumulated points granted (hereinafter referred to as the "Accumulated Number of Points") from the Trust upon the retirement of Board Directors, etc. (if the Board Director, etc. has deceased, upon his/her death; hereinafter the same shall apply in this Proposal), in principle.

The Trust may be continued at expiry of the trust period of the Trust by changing the trust agreement or making additions to the trust, instead of setting up a new Trust. In such cases, the trust period of the Trust will be extended for three years to set the three fiscal years after the extension of the trust period as the new target period. For each extended trust period, the Company makes an additional contribution of up to 270 million yen in total, and continues to grant points to Board Directors, etc. during the extended trust period. However, when making such additional contribution, if there are any remaining Company shares (excluding Company Shares, etc. equivalent to the points granted to Board Directors, etc. that have not yet been delivered, etc.) and money (hereinafter referred to as the "Remaining Shares, etc.") in the trust assets on the last day of the trust period before the extension, the sum of the value of the Remaining Shares, etc. and the additionally contributed trust money shall be up to 270 million yen.

If the trust agreement will not be changed or additions to the trust will not be made at the time of expiry of the trust period, points will not be granted to Board Directors, etc. thereafter. However, when a Board Director, etc. who may satisfy beneficiary requirements at said time is in office, the trust period of the Trust may be extended up to 10 years until said Board Director, etc. retires and the

delivery, etc. of Company shares is completed.

- (3) Method of computation and maximum number of Company shares (including shares subject to conversion into cash) to be obtained by Board Directors, etc.

The Company grants points that were computed based on the formula detailed below to Board Directors, etc. who are in office on the last day of each fiscal year (including Board Directors, etc. who retire on the same day due to the expiry of their term of office) during the trust period (the first year is the fiscal year ending March 31, 2018) at the designated timing after the end of said fiscal year. The granted points are accumulated each year. Company Shares, etc. are delivered, etc. according to the Accumulated Number of Points upon the retirement of the Board Directors, etc.

Points that are granted to Board Directors, etc. are computed by aggregating the fixed portion that is equivalent to half of the stock compensation base amount by position that is predetermined according to the position of the Board Director, etc. (hereinafter referred to as the “Fixed Base Amount”) and the remaining half, which is the performance-based portion (hereinafter referred to as the “Performance-Based Base Amount”), multiplying it by the performance-based coefficient and dividing it by the closing price of the Company shares at the Tokyo Stock Exchange on July 1 (or the following business day if this day is not a business day; July 3, 2017 for the Initial Target Period) of the first year of the target period of the Trust (hereinafter referred to as the “Underlying Share Price”).

One point is equivalent to one Company share, with fractions of less than one point rounded down. However, when a stock split or reverse stock split of Company shares is carried out during the trust period, the number of Company shares per point will be adjusted according to the split ratio and reverse split ratio, etc. of Company shares.

(Formula for computing points of the fixed portion)

Fixed Base Amount / Underlying Share Price (Fractions after the decimal point are rounded down.)

(Formula for computing points of the performance-based portion)

Performance-Based Base Amount / Underlying Share Price × performance-based coefficient* (Fractions after the decimal point are rounded down.)

* The performance-based coefficient changes within a range from 0 to 150% based on the degree of achievement of targets such as EBITDA, etc. in each fiscal year.

The maximum total number of points per year that Board Directors, etc. may be granted by the Trust is 40,000. Furthermore, the maximum number of Company shares that the Trust acquires during the trust period to be delivered to Board Directors is the number of shares equivalent to the total number of such points per year (40,000 points) multiplied by three, the number of years of the trust period (120,000 shares). However, the maximum number for the Initial Target Period will be the number of shares equivalent to points multiplied by two, the number of years of the trust period (80,000 shares). This maximum total number of points granted is established by using the latest share price, etc. as reference, in view of the maximum trust money of (2) above.

- (4) Timing of delivery, etc. of Company Shares, etc. to Board Directors, etc.

Board Directors, etc. who meet beneficiary requirements are delivered Company shares (shares less than a unit are rounded down) equivalent to a certain percentage of the Accumulated Number of Points that are computed based on (3) above at the time of retirement of the relevant Board Director. Company shares equivalent to the remaining Accumulated Number of Points will be converted into cash within the Trust. Money equivalent to the amount of the conversion into cash will be provided to the relevant Board Director. If a Board Director, etc. who meets the beneficiary requirements is deceased during the trust period, Company shares equivalent to the Accumulated Number of Points computed at that time will be converted into cash within the Trust. Money equivalent to the amount of the conversion into cash will be provided to the heir of the relevant Board Director by the Trust. If it has been decided during the trust period that a Board Director, etc. who meets the beneficiary requirements will become a non-resident of Japan, Company shares equivalent to the Accumulated Number of Points computed at that time will be converted into cash within the Trust, and money equivalent to the amount of conversion into cash will be promptly provided to the relevant Board Director by the Trust.

(5) Voting rights on Company shares in the Trust

In order to secure neutrality in business management, voting rights on the Company shares in the Trust will not be exercised during the trust period.

(6) Other details of the Plan

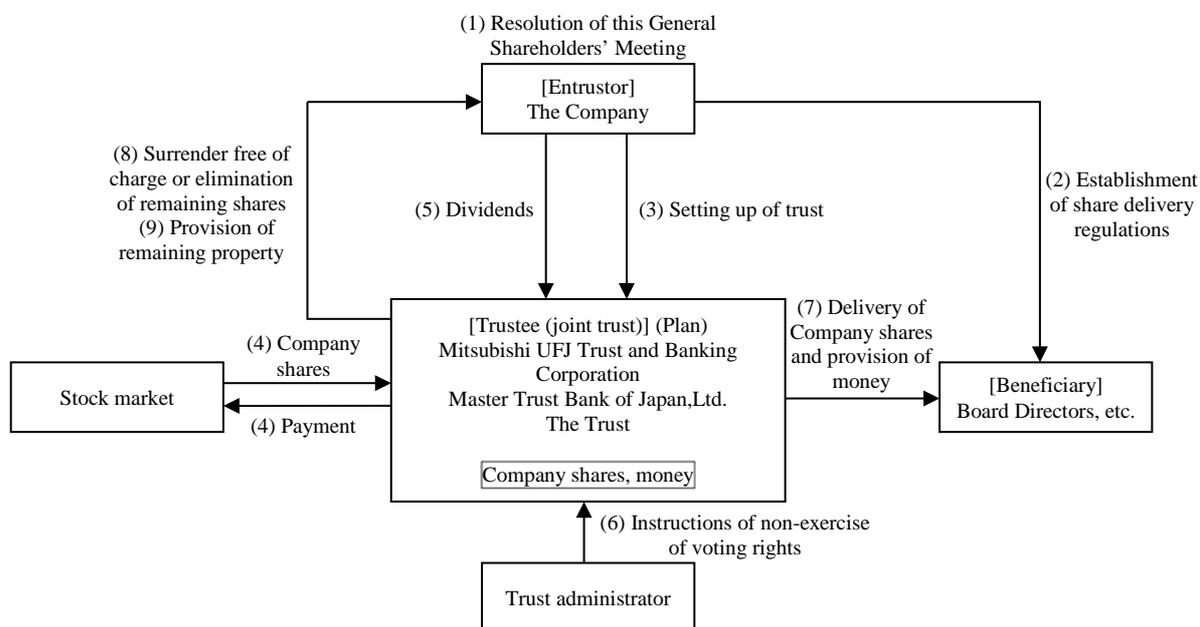
Other details of the Plan will be stipulated by the Board of Directors each time the Trust is set up, the trust agreement is changed, or additional contribution is made to the Trust.

(Reference)

For details of the Plan, please see “Introduction of a Performance-based Stock Compensation for Board Directors,” which was disclosed on May 12, 2017.

Disclosed on May 12, 2017

“Introduction of a Performance-based Stock Compensation for Board Directors” (Excerpt)



- (1) The Company obtains an approval resolution at the Meeting for officers’ compensation, concerning the introduction of the Plan.
- (2) The Company establishes share delivery regulations relating to the details of the Plan at the Board of Directors’ meeting.
- (3) The Company contributes money that will be the funds for compensation to Board Directors, etc. within a range approved by this Meeting mentioned in (1), and establishes a trust (the “Trust”), with Board Directors, etc. who meet beneficiary requirements as the beneficiaries.
- (4) Following the instructions of the trust administrator, the Trust acquires Company shares from the stock market using money contributed in (3) as capital. The number of acquired shares to be delivered, etc. by the Trust to Board Directors, etc. will be within the range approved by the Meeting stated in (1).
- (5) Dividends on Company shares in the Trust will be paid as with other Company shares.
- (6) Voting rights on Company shares in the Trust will not be exercised throughout the trust period.
- (7) During the trust period, a certain number of points will be granted each year to Board Directors, etc. according to their position and achievement of performance targets. Company Shares, etc. will be delivered, etc. to Board Directors, etc. who meet certain beneficiary requirements according to their accumulated number of points at the time of retirement of the relevant Board Director, etc.
- (8) If any shares remain at the expiry of the trust period due to the non-achievement of performance targets during the target period, the Company plans either to continue the use of the Trust as the Plan or a similar incentive plan by changing the trust agreement or making additions to the trust, or have the relevant remaining shares be surrendered free of charge from the Trust to the Company, and eliminate them by resolution of the Board of Directors.
- (9) The remaining property after being distributed to beneficiaries upon termination of the Trust is scheduled to belong to the Company within the range of trust expense reserves, which is trust money less share acquisition funds. Furthermore, the portion exceeding the trust expense reserves is planned to be donated to organizations with no conflict of interests with the Company or its Board Directors, etc.

Seventh Item of Proposal: Continued Approval of Policy concerning Large-Scale Purchases of Kansai Paint Shares (Takeover Defense Measure)

The Company currently has a policy concerning large-scale purchases of the Company's for the purpose of enhancing the corporate value of the Company, and both maintaining and enhancing the common interests of its shareholders. The policy will expire upon the close of this meeting, and therefore the Company decided at the meeting of the Board held on May 12, 2017 to continue the plan as below, subject to the approval of this meeting. We therefore propose the renewal of the plan.

Kansai Paint Co., Ltd. (the "Company") currently has a policy (the "Existing Policy") on purchases of the Company's shares by a Group of Shareholders [**Note 1**] with the intention of holding a Voting Rights Ratio [**Note 2**] of 20% or more of the Company, or purchases of the Company's shares by a Group of Shareholders that would result in it holding a Voting Rights Ratio of 20% or more (in either case, excluding purchases with the prior approval of the Board of Directors of the Company (the "Board"); hereinafter these purchases are referred to as "Large-scale Purchases," and the persons making such Large-scale Purchases are referred to as "Large-scale Purchasers"), which were approved by the shareholders at the 151st annual general meeting of shareholders of the Company held on June 26, 2015, and which shall be valid until the close of this meeting.

Before the expiry of the aforesaid validity period at the close of this meeting, the Company reviewed the Existing Policy, taking into account changes in the laws and ordinances, the trends of court decisions, the business environment surrounding the Company and changes in the circumstances after the initial implementation of the Existing Policy, and giving adequate respect to the opinions of the Outside Directors. As a result thereof, the Company decided at the meeting of the Board held on May 12, 2017 to renew the Existing Policy called the "Policy on Large-Scale Purchases of the Company's Shares (Takeover Defense Measures)," as amended to reflect any updated information (the "Policy"), subject to the approval of the shareholders of the Company at this meeting.

The major changes to the Existing Policy by the Policy are enumerated in items (i) and (ii) below:

- (i) Deleted some of the typical cases previously set forth in section IV-2 where Large-scale Purchases are deemed significantly harmful to the corporate value of the Company and the common interests of its shareholders, and limited them to the so-called Four Types cited by the High Court and the coercive two-tiered tender offer.**
- (ii) Specified in section IV-3 that any money or other compensation with an economic value, howsoever called, shall not be delivered to any of the Large-scale Purchasers and Others (as defined therein).**

Our overview of the shares of the Company as of March 31, 2017 is shown in **EXHIBIT 1**. As of today, the Company has not received any proposal or the like for a Large-scale Purchase of the Company's shares.

Each provision of the laws and ordinances cited in the Policy is premised on the laws and ordinances in force as of May 12, 2017. In the event a revision of a law or ordinance becomes effective on or after such date, the respective provisions of such law or ordinance that are cited in the Policy shall be read as the revised provisions or new provisions that have substantively replaced them, unless otherwise determined by the Board.

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I. BASIC CONCEPT AND EFFORTS TO ENHANCE CORPORATE VALUE

I-1. Basic Concept

The Kansai Paint Group's management philosophy is to "contribute to society by providing products and services that satisfy our customers." We believe that increasing the satisfaction of our customers through the coatings business, which is the core business of the Group, is the foundation and reason for the Group's existence, and that our commitment to contributing to the society at large by enhancing the corporate value through the realization of customer satisfaction enables the Group to contribute to its stakeholders including the shareholders, business partners, employees and local community.

Based on the foregoing, the Company believes that any person who is in control of decisions concerning the financial and business objectives of the Company should be one who, based on an understanding of this basic philosophy, maintains a trust relationship with the various stakeholders, and continuously ensures and enhances the corporate value of the Company, and consequently, the common

interests of its shareholders.

On the contrary, any person who does not understand the aforesaid basic philosophy and harms the corporate value of the Company, and consequently, the common interests of its shareholders is not eligible to be a person who is in control of the decisions concerning the financial and business objectives of the Company.

I- 2. Efforts to Enhance Corporate Value

Since its establishment, the Kansai Paint Group has been consistently developing coating products and it has been engaged in businesses related thereto based on the aforesaid basic philosophy. As a result, good relationships have been established with customers in a wide range of market sectors, including automobiles and other industrial products, buildings, structures and ships. Such relationships are among the most significant assets of the Group.

Apart from exerting efforts to develop its business towards the realization of its basic concept, the Group has been developing its business activities based on the following basic policies:

- (i) **Accelerated Globalization**
Strengthen the competitiveness of overseas businesses, focused on emerging economies with high growth prospects, by meeting market needs and optimizing cost and quality, and further strengthen the Group's presence in overseas markets. Concurrently, increase the overseas business contribution to consolidated business performance by accelerating business expansion through entry into untapped regions and market sectors.
- (ii) **Increased Profitability**
In foreign countries, pursue further profit growth through business-scale expansion and efficiency improvement. In Japan, maintain and increase market share and boost profitability by means of total cost reduction attained through optimization of the organizational structure and business processes and the resulting increase in competitiveness.
- (iii) **Strengthening of the Group Management Foundation**
Strengthen the management foundation to support acceleration of globalization and maximize synergies through the sharing and effective utilization of the Group's enterprise resources.
- (iv) **Forwarding Corporate Social Responsibility**
With a full awareness of the coating materials' inherent mission to conserve the environment, build and sustain a prosperous society, maintain its efforts on global environmental protection from a more comprehensive point of view on issues concerning the environment, security and health based on the Responsible Care Statement. Furthermore, promote thorough compliance, social contribution activities and accurate disclosure of information, and hence, faithfully fulfill its corporate social responsibilities.

The Company will further exploit, to the fullest extent, the managerial resources of each company making up the Kansai Paint Group, move forward in developing business, taking into account profitability, strongly promote work restructuring, and strive for the expansion and strengthening of the management foundation, and hence, endeavor to enhance lasting corporate value as well as maintain and expand the common interests of the shareholders.

II. PURPOSE OF THE LARGE-SCALE PURCHASE RULES

Recently, in the midst of globalization of the capital market and the progress made in dissolving cross-shareholdings, sudden one-sided large-scale purchases of shares, without carrying out deliberate discussions with the management of the targeted company or following the proper process including the obtaining of the management's consent, have been discovered.

As a basic rule, the Company does not flatly oppose every Large-scale Purchase. The Company believes that, in the event of a Large-scale Purchase, the shareholders of the Company should make the final decision as to whether or not to sell the shares of the Company by being open to the Large-scale Purchase.

However, the shareholders of the Company will not be able to make an appropriate decision unless the necessary and sufficient information is provided, or the necessary and sufficient period for deliberation is given to them. To ensure that the said appropriate decision is made, it is essential that, in addition to the necessary and sufficient provision of information to the shareholders of the Company, the necessary and sufficient deliberation period is given to them.

Furthermore, for the shareholders of the Company to make a decision as to whether or not to sell the

shares of the Company by being open to the Large-scale Purchase, we believe that it is absolutely crucial that the Board assess and review the information provided by the Large-scale Purchaser and provide to the shareholders of the Company its conclusion and opinion. We must point out that it is difficult to understand the business value of the Company unless the know-how and wealth of experience amassed by long and continuous research and development of the Company are taken into account, and there is a sufficient comprehension of factors such as the relationships established with the customers, employees, business partners, etc. Hence, the Company believes that, in order to ensure the provision of the necessary and sufficient information to the shareholders of the Company, it is crucial that the shareholders of the Company receive, not only information one-sidedly provided by the Large-scale Purchaser, but also the assessment and results of the review of such Large-scale Purchase by the Board, which has a full understanding of the characteristics of the Company's business.

Based on the foregoing standpoint, the Board has established the Large-scale Purchase Rules.

III. Details of the Large-scale Purchase Rules

The Large-scale Purchase Rules stipulate that an actual Large-scale Purchase should be commenced only after sufficient information is provided by the Large-scale Purchaser to the Board prior to the Large-scale Purchase, after the assessment and consideration of the Board of such information for a certain period of time, and after the shareholders of the Company are able to make an appropriate decision based on the said information, assessment and consideration.

III-1. Submission of the Written Representation to Comply with the Large-scale Purchase Rules

In the event a Large-scale Purchaser wishes to make a Large-scale Purchase, the Large-scale Purchaser shall submit to the Board a written representation to comply with the Large-scale Purchase Rules (the "Written Representation to Comply with the Large-scale Purchase Rules"). The name of the Large-scale Purchaser, its address, the governing law of its establishment, the name of its representative, its contact details in Japan, an outline of the proposed Large-scale Purchase and an oath to comply with the Large-scale Purchase Rules shall be specified in the Written Representation to Comply with the Large-scale Purchase Rules.

III-2. Provision of Large-scale Purchase Information

Within ten (10) business days after receipt of the Written Representation to Comply with the Large-scale Purchase Rules, the Board will deliver to the Large-scale Purchaser a list of the information to be initially submitted by the Large-scale Purchaser ("Large-scale Purchase Information"), and which is required to allow the shareholders of the Company to make a decision and the Board to form its opinion thereon; and ask the Large-scale Purchaser to provide the information specified in such list in Japanese. If it is determined that the information that was initially submitted is insufficient to qualify as Large-scale Purchase Information, then the Board may require the Large-scale Purchaser to submit additional information to complete the required information.

The Large-scale Purchase Information shall include the following items. The Board will disclose, at such time that it deems appropriate, the fact that a Large-scale Purchase was proposed, and all or part of the Large-scale Purchase Information submitted thereto.

- (i) Outline of the Large-scale Purchaser and the Group
Including the specific names, major shareholders or investors, investment ratios, financial condition as well as the names and career summary of officers ("Specific Details"). If the Large-scale Purchaser and the group to which it is affiliated is a fund or a business entity being invested into by a fund, then the outline should include the Specific Details of its major members, investors (whether direct or indirect), and other constituents as well as executive members and regular investment advisors.
- (ii) The purposes, means and details of the Large-scale Purchase
Including the category and amount of the consideration of the Large-scale Purchase, the timing thereof, the structure of the transactions related thereto, the legality of the means therefor, the feasibility of the Large-scale Purchase and the transactions related thereto, as well as, in case a delisting of shares, etc., of the Company is expected after the completion of the Large-scale Purchase, such expectation and the reasons therefor. As for the legality of the means for the Large-scale Purchase, an opinion of a lawyer shall be submitted in conjunction therewith.
- (iii) Existence or absence of any communication with any third party concerning the Large-scale Purchase and, if any, an outline of such party as well as the specific manner and details of such communication

- (iv) Grounds for computation of the purchase price
Including facts and assumptions used as bases of the computation, method of the computation and the numerical information used in the computation as well as the amount or details of the synergy expected to occur due to a series of transactions pertaining to the Large-scale Purchase, and grounds for such computation.
- (v) Outline of the funds for the purchase including the means to raise them, and specific names of the persons or entities supplying them (including substantial funders)
- (vi) Management policies, business plans, financial plans, capital and dividend policy as well as asset utilization policy of the Company and the Kansai Paint Group, which the Large-scale Purchaser intends to adopt after the completion of the Large-scale Purchase
Including plans concerning the sale, attachment or other disposition of the assets of the Company after the completion of the Large-scale Purchase.
- (vii) Policies that would be implemented after the completion of the Large-scale Purchase with regard to the employees, customers, local community and any other stakeholder of the Company and the Kansai Paint Group
- (viii) Any other information reasonably determined by the Independent Committee as necessary

III-3. Assessment and Consideration by the Board, and Establishment of the Shareholders' Deliberation Period

Upon completion of the submission of the Large-scale Purchase Information by the Large-scale Purchaser, the Board shall notify the Large-scale Purchaser to that effect and disclose to the shareholders and investors of the Company at the appropriate time the fact that such submission was completed.

Depending on the level of difficulty of the assessment of the Large-scale Purchase, the Board shall be given either of the periods described below for it to conduct its assessment, examination, negotiation, and to form its opinion and formulate an alternative plan (the "Board of Directors' Assessment Period"). The Board of Directors' Assessment Period shall be calculated as commencing from the date immediately following the date when the submission of the Large-scale Purchase Information is completed.

- (i) A maximum of sixty (60) days in case the purchase of all of the Company's shares is to be made by a tender offer with a cash-only (in Japanese *yen*) consideration; or
- (ii) A maximum of ninety (90) days in case of any other Large-scale Purchase.

The Board shall assess and examine the Large-scale Purchase Information submitted, receive advice as necessary from outside experts such as financial advisors, certified public accountants, lawyers, consultants, form its opinion concerning the Large-scale Purchase Information, and disclose such opinion to the public. The Board may negotiate with the Large-scale Purchaser, as it may be deemed necessary, regarding the improvement of the conditions of the Large-scale Purchase, and propose an alternative plan to the shareholders of the Company.

Upon completion by the Board of its assessment, examination, negotiation, and formation of opinion and alternative plan, it will give notice of the expiry of the Board of Directors' Assessment Period, and concurrently therewith, disclose to the shareholders and investors of the Company the fact that the Board of Directors' Assessment Period has expired.

The period of thirty (30) days commencing on the date immediately following the expiry date of the Board of Directors' Assessment Period shall be the deliberation period for the shareholders of the Company to make an appropriate decision as to whether or not they can accept the proposal by the Large-scale Purchaser, taking into account the information submitted by the Large-scale Purchaser as well as the opinion, alternative plan and the like of the Board based on the said information (the "Shareholders' Deliberation Period"). From the viewpoint of providing the shareholders of the Company the necessary time to allow them to make their decision, the Large-scale Purchase shall commence only after the lapse of the Board of Directors' Assessment Period and the Shareholders' Deliberation Period. If the Large-scale Purchase is made before the lapse thereof, the Large-scale Purchase Rules shall be deemed to have not been complied with, and reasonable countermeasures can be taken.

IV. MEASURES IN CASE A LARGE-SCALE PURCHASE IS MADE

IV-1. If the Large-scale Purchaser does not comply with the Large-scale Purchase Rules

If the Large-scale Purchaser does not comply with the Large-scale Purchase Rules, then the Board may allocate share options for no consideration and exercise countermeasures against the Large-scale

Purchase (the “Countermeasures”) with an aim to secure the corporate value of the Company and the common interests of its shareholders.

The following is an outline of the allotment of share options for no consideration by the Board as a Countermeasure:

- (i) Shareholders entitled to receive allotments and the number of shares to be allotted thereto
The shareholders of the Company recorded in the latest register of shareholders as of the allotment date separately determined by the Board will be allotted one (1) share option for each share of common shares of the Company held by them (except for the common shares held by the Company).
- (ii) Type and number of shares subject of the share options
The type of shares subject of the share options shall be the common shares of the Company, and the number of shares that may be acquired upon the exercise of each share option shall be one (1) share. Provided, however, that if the Company makes a share split or consolidation of shares, the requisite adjustments shall be separately made.
- (iii) Effective date of allotment of the share options for no consideration
To be separately determined by the Board.
- (iv) Amount to be subscribed upon the exercise of the share options
The property to be invested upon the exercise of the share options shall be money. The amount to be subscribed for the exercise of each share option shall be separately determined by the Board but it shall not be less than one (1) Japanese yen.
- (v) Assignment of share options
Approval of the Board shall be required for the acquisition of a share option through an assignment.
- (vi) Exercise period for share options
The effective date of the allotment of the share options for no consideration, or such other date as separately determined by the Board through a resolution for the allotment of the share options for no consideration, shall be the commencement date of the exercise period of the share options and shall extend for such period as separately determined by the Board through the said resolution, which shall be between one (1) month to two (2) months. Provided, however, that if the last day for the exercise period is a holiday in the place where the money is to be paid upon the exercise of the share option, then the day immediately following such holiday shall be the last day.
- (vii) Conditions for the exercise of the share options
In principle, any party who falls under any of the following items is not entitled to exercise the share option for no consideration pursuant to the Policy: (a) Large-scale Purchaser; (b) any Joint Holder (as defined in Paragraph 5, Article 27-23 of the Financial Instruments and Exchange Act of Japan and a person deemed as a Joint Holder pursuant to Paragraph 6 of the same article, including a person deemed to meet such provisions by the Board) of a Large-scale Purchaser; (c) any Person with a Special Relationship (as defined in Paragraph 7, Article 27-2 of the said Act, including a person deemed to meet such provision by the Board); (d) any party who receives an assignment of, or succeeds to, a share option for no consideration pursuant to the Policy from any person who falls under any of items (a) to (c) above, without obtaining the approval of the Board thereto; or (e) any related party of the person who falls under any of items (a) to (d) above (meaning a person substantially controlled by such person, or is deemed by the Board as being controlled by, under common control with, or acting in concert with such person, whereby “control” means “when (it) controls the decisions of the financial and business policy” of the other company, etc. (Paragraph 3, Article 3 of the Ordinance for Enforcement of the Companies Act of Japan).
- (viii) Others
The Board shall separately determine when the share options will be subject to a call and such other necessary matters.

IV-2. If the Large-scale Purchaser complies with the Large-scale Purchase Rules

If a Large-scale Purchaser complies with the Large-scale Purchase Rules, then, in principle, the Board will not take any Countermeasure against it (provided, however, that if the Board is against such Large-scale Purchase, then it may present its contrary opinion and its alternative plan, and persuade the shareholders of the Company accordingly, or take other similar measures). It is the shareholders of the Company who will decide whether or not to accept the purchase proposal of the Large-scale Purchaser after

considering the information provided by the Large-scale Purchaser as well as the opinion thereon, alternative plan, etc., of the Board.

However, even if the Large-scale Purchaser complies with the Large-scale Purchase Rules, if such Large-scale Purchase is deemed to be significantly harmful to the corporate value of the Company and the common interests of its shareholders, the Board may still allocate share options for no consideration as a Countermeasure to secure the corporate value of the Company and the common interests of its shareholders (as to the outline of the allotment of share options for no consideration, please refer to section IV-1 above).

Even after the Board has decided to allocate share options for no consideration as a Countermeasure, if the Large-scale Purchaser cancels or rescinds the Large-scale Purchase, or there is any material change in the matters that served as a basis for the decision of the Board, then the Board may halt the Countermeasure, including cancelling the allotment of share options for no consideration.

A Large-scale Purchase is deemed significantly harmful to the corporate value of the Company and the common interests of the shareholders of the Company if any of the following items (i) to (v) applies. If none of the following items (i) to (v) applies to the Large-scale Purchase, then the Company shall not exercise the Countermeasures.

- (i) If it is deemed that the buy-out of the shares of the Company is being made in order to force the Company and its affiliates to purchase the said shares at an inflated price, without any intent to participate in the Company's management (*i.e.*, the case of the so-called greenmailer).
- (ii) If it is deemed that the buy-out of the shares of the Company is being made in order to obtain temporary control of the Company to cause the transfer to the Large-scale Purchaser or its Group of intellectual property rights, know-how and confidential information proprietary to the Company as well as major business contacts or customers, which are necessary for the operation of the Company (*i.e.*, in order to exercise management pursuant to the so-called scorched-earth policy).
- (iii) If it is deemed that the buy-out of the shares of the Company is being made to cause a diversion of the Company's assets to secure or repay the debts of the Large-scale Purchaser or its group companies.
- (iv) If it is deemed that the buy-out of the shares of the Company is being made to obtain temporary control of the Company's management to bring about a disposal of its high-value assets (including real estate and securities) that are currently not related to the Company's business, and to declare temporarily high dividends out of the proceeds of such disposal, or to sell the shares at a high price, taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (v) If it is deemed that the manner of the buy-out of the shares of the Company is likely to have an effect of a coercive two-tiered tender offer (meaning a takeover that coerces the shareholders into accepting a front-end tender offer by setting unfavorable terms or without specifically indicating the terms of the back-end of the transaction) or is otherwise likely to compel the shareholders to sell their shares in the Company.

IV-3. Any Countermeasure exercised pursuant to sections IV-1 and IV-2 shall be exercised by a unanimous assent of the Directors of the Company with no stakes. Upon the exercise of a Countermeasure, the Company may not deliver any money or other consideration with an economic value (howsoever called) to any person who violated the Large-scale Purchase Rules, or a Large-scale Purchaser who is making a Large-scale Purchase that falls under any of the items (i) to (v) of section IV-2, or any other person who is not eligible to exercise the share options stipulated in item (vii) of section IV-1 (collectively, the "Large-scale Purchasers and Others").

Furthermore, upon determination of whether or not to exercise a Countermeasure, the Board shall respect the recommendations of the Independent Committee to the fullest extent as described in section IV-4 below, and shall conform to such recommendations unless to do so would contravene their duty of care of a good manager.

If the Board determines whether or not to exercise any Countermeasure pursuant to sections IV-1 and VI-2, it shall disclose information concerning the details of such determination and the grounds therefor, and an outline of the recommendations of the Independent Committee and the grounds therefor as well as other matters deemed appropriate by the Board.

IV-4. Establishment of an Independent Committee

(1) Outline of the Independent Committee

With the aim of preventing arbitrary decisions by the Board concerning the exercise of

Countermeasures, the Company establishes an Independent Committee as a body that is independent from the Board in accordance with the Independent Committee Regulations (please refer to **EXHIBIT 2** for the outline thereof). The number of the members of the Independent Committee shall be three (3) or more, who will be appointed by the Board from among the Outside Directors, External Corporate Auditors, lawyers, tax accountants, certified public accountants, academic experts, or non-company personnel who are experienced as directors, corporate auditors or executive officers. The career summary of the current three (3) members of the Independent Committee is set forth in **EXHIBIT 3**.

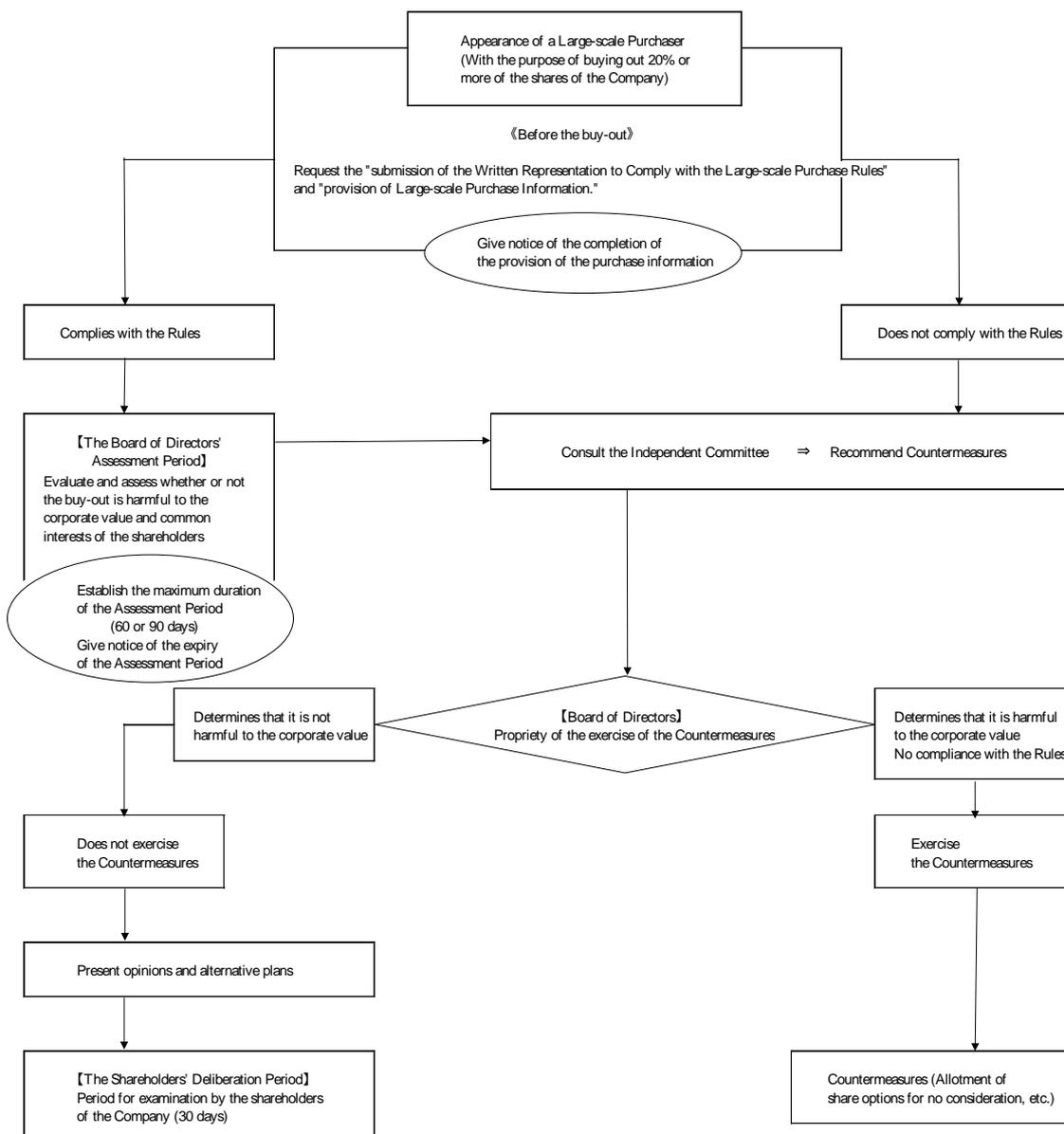
(2) Role of the Independent Committee

- (i) Prior to the exercise of any Countermeasure, the Board shall consult the Independent Committee on the propriety of such exercise. The Independent Committee shall give advice to the Board on the propriety thereof not later than seven (7) days before the end of the Board of Directors' Assessment Period. If the Large-scale Purchase Information necessary to giving the said advice is not provided by the Large-scale Purchaser, then the Independent Committee may, through the Board, ask the Large-scale Purchaser to provide information reasonably deemed necessary by the Independent Committee.
- (ii) Based on the information, materials, etc., provided by the Large-scale Purchaser and the Board, the Independent Committee shall, from the viewpoint of securing the corporate value of the Company and the common interests of its shareholders, give advice to the Board on whether or not the relevant Large-scale Purchase falls under any of the items (i) to (v) under section IV-2 above as well as whether or not it is reasonable to allocate share options as a Countermeasure against such Large-scale Purchase.

Furthermore, for the above recommendations, the Independent Committee may obtain advice from third parties (including financial advisors, certified public accountants, lawyers, consultants and other professionals), who are independent from the management of the Company, at the Company's expense.

- (iii) Upon the determination of whether or not to exercise a Countermeasure, the Board shall respect the recommendations of the Independent Committee to the fullest extent, and shall conform to such recommendations unless to do so would contravene their duty of care of a good manager.

Flowchart of the Exercise of Countermeasures based on the "Policy on Large-scale Purchases of the Company's Shares"



※ The flowchart above was prepared as reference to explain the outline of the Policy.
Please refer to the body of the text for the specific details of the Plan.

V. IMPACT OF THE LARGE-SCALE PURCHASE RULES ON SHAREHOLDERS AND INVESTORS

V-1. Impact of Renewing the Large-scale Purchase Rules

The allotment of share options for no consideration will not be made at the time of the renewal of the Large-scale Purchase Rules. Therefore, it will not have any concrete direct impact on any right or economic interest of the shareholders and investors of the Company.

V-2. Impact at the Time of Exercise of the Countermeasures

The Board may exercise the Countermeasures mentioned above for the purpose of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders. If the Board decides to exercise a concrete Countermeasure, then it will make timely and appropriate disclosures pursuant to the applicable laws, ordinances, securities exchange rules, etc.

Upon the exercise of a Countermeasure, although the value per share of the shares held by the shareholders of the Company will be diluted, considering that there will be no dilution of the value of the entire shares of the Company, the Company expects that the shareholders and investors of the Company will not suffer any particular legal and economic loss. However, Large-scale Purchasers and Others may

suffer a legal and economic disadvantage as a result of the actual Countermeasures taken. The Policy is published to promote advance awareness to avoid any violation of the Large-scale Purchase Rules by Large-scale Purchasers, and to encourage them to comply therewith.

The Company may, even after the reference date for the allocation of the share options, or after the date the allocation of the share options for no consideration becomes effective, cancel the allocation of the share options for no consideration on the day immediately before the commencement date of the exercise of the share options, or obtain the share options for no consideration without delivering the shares of the Company to the holders of the share options, due to any circumstance including a withdrawal of the Large-scale Purchase by the Large-scale Purchaser. In such a case, no dilution will occur to the value per share, and thus, the shareholders and investors of the Company who made a sale, etc., on the assumption that the value per share will be diluted, may likely suffer a certain loss resulting from the corresponding fluctuation in the value of the shares.

V-3. Procedures to be Taken by Shareholders of the Company upon the Exercise of Countermeasures

If the Board decides to exercise any Countermeasure and then the share options are allocated, any shareholder of the Company who has not yet been recorded on the shareholder registry is required to complete the recording in the latest shareholder registry as of the due date for the allocation as separately decided and publicized by the Board. If the shareholders exercise their options, then they will be asked to pay a certain amount of money within the prescribed period. Furthermore, in certain cases where the share options to be allocated are subject to a call, the shareholders of the Company may possibly obtain common shares of the Company without paying any money.

As to the details of these formalities, the Company shall separately provide information thereon pursuant to the applicable laws, ordinances, securities exchange rules, etc., upon the occurrence of the events that would entail such formalities.

VI. EFFECTIVE TERM, RENEWAL, ABOLISHMENT AND CHANGES TO THE POLICY

The Policy will become effective when the propriety of the renewal thereof is submitted to the shareholders of the Company at this meeting of Shareholders and the proposal is approved by a majority of the shareholders of the Company present thereat.

After the Policy takes effect, it shall remain in force until the close of the annual general meeting of shareholders to be held in June 2019. However, even prior to the expiration of the above period, the Policy shall become immediately invalid when: (i) a resolution to abolish the Policy is passed at a general meeting of shareholders of the Company, or (ii) a resolution to abolish the Policy is passed at a meeting of the Board. The Policy can be abolished through such means from time to time in accordance with the will of the shareholders of the Company.

In addition, the Board may, with a view to securing and enhancing the corporate value of the Company and the common interests of its shareholders, revise or amend the provisions of the Policy after it consults the Independent Committee.

If a resolution to abolish, amend, etc., the Policy is passed, then the Company will separately inform the shareholders and investors of the Company of the matters deemed appropriate by the Board or the Independent Committee, in accordance with the applicable laws, ordinances, securities exchange rules, etc.

VII. REASONABLENESS OF THE POLICY

The Policy fulfills the three principles required by the “Guidelines regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders’ Common Interests” announced by the Ministry of Economy, Trade and Industry, and the Ministry of Justice on May 27, 2005 (*i.e.*, (i) the principle of securing and enhancing the corporate value and common interests of the shareholders, (ii) the principle of prior disclosure and valuing the will of the shareholders, and (iii) the principle of ensuring necessity and reasonableness), and hence, is very reasonable. This Policy also gives due consideration to the provisions of the “Takeover Defense Measures in Light of Recent Environmental Changes” published on June 30, 2008 by the Corporate Value Study Group established by the Ministry of Economy, Trade and Industry.

VII-1. The Policy has been Implemented for the Purpose of Securing and Enhancing the Common Interests of the Shareholders

The Policy has been implemented for the purpose of securing and enhancing the corporate value of the Company, and, consequently, the common interests of the shareholders, in the event of any Large-scale Purchase, to provide the information or period necessary for the shareholders of the Company to evaluate

the propriety of a Large-scale Purchase or to ensure that the shareholders have an opportunity to receive an alternative plan from the Board.

VII-2. The Policy Values the Will of the Shareholders

As described in section VI, the Company shall submit the question of propriety of renewing the Policy to this meeting of Shareholders to confirm the will of the shareholders of the Company. If such proposal is not approved, then the Policy will not become effective.

Although it is set that the effective term of the Policy will be until the close of the annual general meeting of shareholders to be held in June 2019, if a resolution to abolish the Policy is passed at any general meeting of shareholders of the Company, then the Policy may nevertheless be abolished at the time when such resolution is passed.

As aforesaid, the Policy has adopted a structure capable of reflecting the will of the shareholders of the Company upon the implementation of the Policy, including its rise and fall.

VII-3. The Policy Values the Judgment of Highly Impartial Third Parties

As described in section IV-4, in implementing the Policy, the Company establishes an Independent Committee as an advisory body, which removes the possibility of an arbitrary exercise of any Countermeasure by the Board, and enables the making of objective decisions for the shareholders of the Company. The number of the members of the Independent Committee shall be three (3) or more, and they shall be appointed from among external officer(s) or outside intellectual(s) to enable fair and unbiased judgment.

In the event that an actual Large-scale Purchase is made against the Company, the Independent Committee will assess whether or not such Large-scale Purchase will significantly harm the corporate value of the Company and the common interests of its shareholders. Thereafter, upon determining whether or not a Countermeasure is to be exercised, the Board shall respect the recommendations of the Independent Committee to the fullest extent, and shall conform to such recommendations unless to do so would contravene their duty of care of a good manager.

Based on the foregoing, strict monitoring by the highly impartial Independent Committee of any arbitrary exercise of any Countermeasure by the Board will ensure that the Policy operates within a structure that contributes to the corporate value of the Company and the common interests of its shareholders.

In addition, the Independent Committee may obtain advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other professionals) at the Company's expense. This structure further secures the fairness and objectiveness of the judgment to be made by the Independent Committee.

VII-4. The Policy has Established Reasonable and Objective Requirements

As described in section IV-2, based on the design of the Policy, the Countermeasures to a Large-scale Purchase will not be exercised unless reasonable and detailed objective requirements are fulfilled. Thus, the Policy is protected against an arbitrary exercise of Countermeasures by the Board.

VII-5. The Policy Would Not Result in Any Unforeseen Damage to Shareholders Irrelevant to the Buyout

As described in section V-1, the Policy will not have any concrete direct impact on any right or economic interest of the shareholders of the Company.

In addition, even if any Countermeasure is taken in accordance with the Policy, there is no likelihood of the shareholders of the Company other than the Large-scale Purchasers and Others suffering any specific legal or economic damage.

VII-6. The Policy is Not a Dead Hand Type of Takeover Defense Plan

As described in section VI, the general meeting of shareholders of the Company or the Board constituted by the Directors appointed by the general meeting of shareholders can abolish the Policy at any time. Therefore, the Policy is not a so-called Dead Hand Type of Takeover Defense Plan (in which the exercise of countermeasures cannot be deterred even if a majority of the directors is replaced).

[Note 1] A Group of Shareholders means the Holder (as defined in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act of Japan, including a person deemed as a Holder pursuant to Paragraph 3, Article 27-23 of the said Act and a person deemed as a Holder by the

Board) of Certificates of Shares and Other Securities (as defined in Paragraph 1, Article 27-23 of the said Act) of the Company, and the Joint Holder (as defined in Paragraph 5, Article 27-23 of the said Act, including a person deemed as a Joint Holder pursuant to Paragraph 6, Article 17-23 of the said Act and a person deemed as a Joint Holder by the Board) or a person or a company who makes a Purchase, etc. (as defined in Paragraph 1, Article 27-2 of the said Act, including a Purchase, etc., made on a financial instruments exchange market) of Certificates of Shares and Other Securities of the Company, and Persons with a Special Relationship (as defined in Paragraph 7, Article 27-2 of the said Act, including persons deemed as Persons with a Special Relationship by the Board).

[Note 2] A Voting Rights Ratio means, based on the specific method of the purchase by each Group of Shareholders, (i) when the Group of Shareholders is the Holder (as defined in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act of Japan, including a person deemed as a Holder pursuant to Paragraph 3, Article 27-23 of the said Act and a person deemed as a Holder by the Board), and the Joint Holder (as defined in Paragraph 5, Article 27-23 of the said Act, including a person deemed as a Joint Holder pursuant to Paragraph 6, Article 27-23 of the said Act and a person deemed as a Joint Holder by the Board) of the Certificates of Shares and Other Securities of the Company (meaning the Share Certificates, etc. as defined in Paragraph 1, Article 27-23 of the said Act), the Holding Ratio of the Share Certificates, etc. (as defined in Paragraph 4, Article 27-23 of the said Act) held by them (in calculating such ratio, the Number of Share Certificates, etc. Held (as defined in the same article) by a Joint Holder of the Holder shall be counted as well); or (ii) when a Group of Shareholders consists of Large-scale Purchasers of the Certificates of Shares and Other Securities of the Company (meaning the Share Certificates, etc. as defined in Paragraph 1, Article 27-23 of the said Act) and any Person with a Special Relationship therewith (as defined in Paragraph 7, Article 27-2 of the said Act, including a person deemed as a Person with a Special Relationship by the Board), the total of the Holding Ratio of Share Certificates, etc. (as defined in Paragraph 6, Article 27-23 of the said Act) of such Large-scale Purchaser of the Certificates of Shares and Other Securities of the Company, and such Persons with a Special Relationship. In calculating each ratio, reference can be made to the Total Voting Rights (as defined in Paragraph 8, Article 27-2 of the said Act) and the Total Number of Issued Shares (as defined in Paragraph 4, Article 27-23 of the said Act) stated in the latest of any of the securities reports, Quarterly Securities Reports, General Shareholders' Notices or Share Buyback Reports, which have been submitted.

EXHIBIT 1

OVERVIEW OF SHARES OF THE COMPANY (AS OF MARCH 31, 2017)

1. Total number of authorized shares 793,496,000 shares
2. Total number of issued shares 272,623,270 shares
(Including treasury shares 14,399,701 shares)
3. Number of shareholders 12,799 shareholders
4. Major shareholders (top 10 shareholders)

Name of Shareholder	Number of Shares Held (thousands)	Shareholding Ratio
The Master Trust of Japan, Ltd. (Trust Account)	13,524	5.24%
Nippon Life Insurance Company	12,490	4.84%
The Dai-ichi Life Insurance Company, Limited	12,485	4.83%
Toyota Motor Corporation	8,355	3.24%
Daido Life Insurance Company	7,607	2.95%
Japan Trustee Services Bank, Ltd. (Trust Account)	7,341	2.84%
Kansai Paint Fellowship Stock Ownership Plan (<i>Koyu Mochikabu-kai</i>)	6,767	2.62%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	6,651	2.58%
Mitsubishi UFJ Trust and Banking Corporation	6,163	2.39%
State Street Bank and Trust Company	5,738	2.22%

- [Notes]
1. The number of shares held is calculated by rounding-down shares less than one thousand (1,000).
 2. The shareholding ratio is calculated after deducting the treasury shares (14,399,701 shares).
 3. Although the Company holds 14,399,701 shares as treasury shares, it is not included in the above list of major shareholders.

EXHIBIT 2

THE INDEPENDENT COMMITTEE REGULATIONS (OUTLINE)

1. Establishment of an Independent Committee, and Appointment and Dismissal of its Members
 - (i) The Independent Committee shall be established by a resolution of the Board.
 - (ii) The number of the members of the Independent Committee shall be three (3) or more.
 - (iii) The members of the Independent Committee shall be appointed from among the Outside Directors, External Corporate Auditors, lawyers, tax accountants, certified public accountants, academic experts, persons well acquainted with investment banking services, or non-company personnel who are experienced as directors, corporate auditors or executive officers.
 - (iv) The appointment and dismissal of the members of the Independent Committee shall be made by a resolution of the Board. A resolution for dismissal shall be made by an affirmative vote of more than two-thirds of the Directors present.
2. Term of Office of Members of the Independent Committee

The term of the office of the members of the Independent Committee shall expire on the close of the annual general meeting of shareholders of the Company on the last business year of a period of two (2) years following the day of appointment of such members, unless otherwise specified by a resolution of the Board.
3. Persons Authorized to Convene and Resolution Requirement

Each member of the Independent Committee or a Representative Director may convene the Independent Committee. A resolution of the Independent Committee shall be made by an affirmative vote of the majority of the members thereof.
4. Recommendations to the Board

The Independent Committee shall make recommendations concerning whether or not a Large-scale Purchase is deemed to be significantly harmful to the corporate value of the Company and the common interests of its shareholders, as well as whether or not it is reasonable to exercise any specific Countermeasure against the Large-scale Purchase. In making such recommendations, the members of the Independent Committee are required to judge the matter with a view of enhancing the corporate value of the Company and the common interests of its shareholders, and shall not aim to gain any personal advantage for himself/herself, or any Director of the Company.
5. Advice by Third Parties

The Independent Committee may obtain advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other professionals), as may be deemed necessary, at the Company's expense.

EXHIBIT 3

CAREER SUMMARY OF THE MEMBERS OF THE INDEPENDENT COMMITTEE

Name: Shigeaki Nakahara
(Date of Birth: June 28, 1941)

Career	April 1966	Joined Tokuyama Soda Co., Ltd. (currently Tokuyama Corporation)
Summary	June 1995	Director, General Manager Chemicals Business Div., Tokuyama Corporation
	June 2000	Managing Director, General Manager Chemicals Business Div. in charge of branches, Tokuyama Corporation
	April 2002	Representative Director, President, Tokuyama Corporation
	January 2009	Director, Chairman, Tokuyama Corporation
	June 2012	Advisor, Tokuyama Corporation (retired March 2016)
	June 2013	Outside Director (current)

Name: Yoko Miyazaki
(Date of Birth: February 11, 1955)

Career	April 1982	Registered as a lawyer (Osaka Bar Association)
Summary	June 2005	Outside Audit & Supervisory Board Member
	June 2015	Outside Director (current)

Name: Seiichiro Azuma
(Date of Birth: July 23, 1951)

Career	December 1975	Joined Tohmatsu & Aoki (currently Deloitte Touche Tohmatsu LLC)
Summary	March 1980	Registered as a certified public accountant
	July 1991	Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
	June 2016	Retired from Deloitte Touche Tohmatsu LLC
	June 2016	Outside Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal (current)
	April 2017	Visiting Professor, Ashiya University (current)
	June 2017	Outside Audit & Supervisory Board Member (candidate)

Shigeaki Nakahara and Yoko Miyazaki are Outside Directors of the Company and candidates for Outside Directors for election by a resolution to be passed at this meeting of shareholders of the Company. The Company designated each of them as an independent officer pursuant to the regulations of the Tokyo Stock Exchange, Inc. and has filed their names therewith.

Seiichiro Azuma is a candidate for Outside Audit & Supervisory Board Member for election by a resolution to be passed at this meeting of shareholders of the Company. The Company is scheduled to designate him as an independent officer pursuant to the regulations of the Tokyo Stock Exchange, Inc. and to file his name therewith.