

Social & Environmental Report

2021



CMP CHUGOKU MARINE PAINTS, LTD.

Social & Environmental Report 2021

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Scope of activities reported

This report focuses on our domestic business activities (a part of the descriptions in this report includes data of our overseas affiliates).

The following abbreviated names are used in the summary of collected environmental data.

- Kyushu Factory — Kyushu Factory
- Shiga Factory — Shiga Factory
- Technical Center(Otake) — Technical Headquarters, Otake
- Technical Center(Shiga) — Technical Headquarters, Shiga
- Ohtake-Meishin Chemical — Ohtake-Meishin Chemical Co., Ltd.
- Kobe Paints — Kobe Paints, Ltd.

Period covered

April 1, 2020 to March 31, 2021 (a part of the descriptions may include the period in and after April 2021)

Date of Issue

December, 2021



Greetings

We are pleased to provide you with our Social and Environmental Report 2021. We hope it will help you understand our efforts and commitments to society and the environment.

CMP will continuously do our best to achieve a sustainable society. Your continued support and advice would be greatly appreciated.

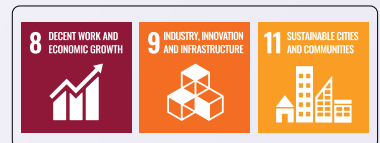
Kenshi Date
President

CMP's approach to society and environment

Chugoku Marine Paints, Ltd. (CMP) actively works on creation of values and solution of social issues indicated by the SDGs (*) through its business activities.

CMP fulfills its responsibility as a paint manufacturer.

Taking a socially significant role and responsibility to contribute to industrial development through improving paint performance, CMP, a company supplying paints to users in the key industries such as marine, shipbuilding, utility, steel, construction and woodwork, strives to ensure stable supply of products developing its genuine technologies and production system.



CMP promotes the development of eco-friendly products.

CMP has been developing products that lead to reduced greenhouse gas emissions, such as fuel-saving antifoulings and heat-reflecting coatings, as well as paints for offshore wind farms. To contribute to the realization of low-carbon society by means of paint technologies, CMP will continue to focus on the development and performance improvement of eco-friendly products.



CMP strives to reduce the environmental burden and improves product safety.

In order to reduce the environmental impact generated in the manufacturing process, transport and use of its products and to enhance product safety, CMP promotes various initiatives including establishing a management system for environmental protection and safety as well as producing solvent-free paints to reduce irritating materials and volatile organic compounds (VOCs).



CMP contributes to sustainable development of the society.

CMP will place compliance as its management cornerstone, emphasizing the establishment of sound and highly-transparent corporate governance and internal control, and strive to improve the relationship with local communities through combined efforts of all group companies. CMP will continue to make efforts toward establishing social trust and contributing to sustainable social development.

* SDGs (Sustainable Development Goals)

SDGs are global development goals adopted by the United Nations General Assembly in September 2015 for the year 2030. SDGs consist of 17 goals and 169 targets for realizing sustainable society, under the basic principle of "Leaving no one behind".

SUSTAINABLE DEVELOPMENT GOALS



Company profile

CMP, a leading company aiming to harmonize human activity with nature.

Since its foundation, Chugoku Marine Paints, Ltd. has been taking a unique approach in the industry to develop core products for marine paints and also paints for industrial applications. Our consistent and sincere attitude in areas of both software and hardware towards developing better products has been highly appreciated and praised by customers not only locally but also internationally. With the help of strong customer confidence in our products and services and our never-ending quest to meet customers' expectations, we keep developing. As we are a supplier to key industries such as shipping, ship building, electric power, steel, construction and woodworking industries, our role and contribution can be vital to the growth of the industrial world in many aspects. Also, our efforts should be based in the ideal of maintaining harmony between man and nature. Chugoku Marine Paints, Ltd. is an industrial leader that seeks to promote industrial growth while protecting the global environment, and continues its efforts into the future with a creative and innovative approach towards meeting customers' needs.

Corporate data

Company name

CHUGOKU MARINE PAINTS, LTD.

Head offices

Tokyo Office

Tokyo Club Building, 2-6, Kasumigaseki 3-chome,
Chiyoda-ku, Tokyo, 100-0013 Japan
Phone: +81-3-3506-3951 Fax: +81-3-5511-8541

Hiroshima Office

1-7, Meiji-Shinkai, Otake-shi, Hiroshima-ken
739-0652, Japan
Phone: +81-827-57-8555 Fax: +81-827-59-0017

Company president

Kenshi Date

Date of establishment

May 1917

Capital

11,600 million yen

Stock exchange

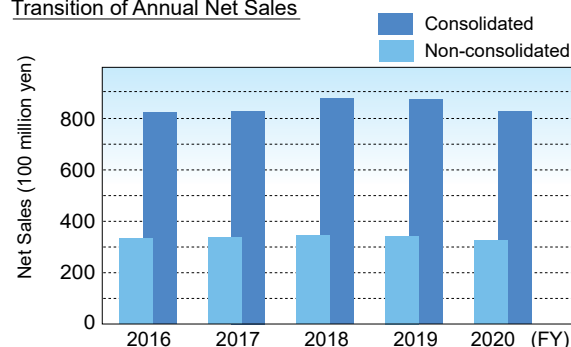
First section of the Tokyo Stock Exchange(Code #4617)

Net sales

82,442 million yen in FY2020 (Consolidated)

32,434 million yen in FY2020 (Non-consolidated)

Transition of Annual Net Sales



Number of employees

End of March 2021

2,276 (Consolidated)

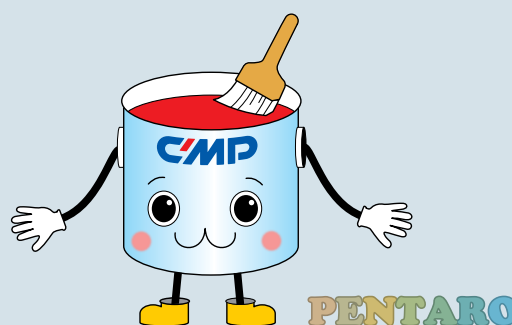
474 (Non-consolidated / Male: 392 Female: 82)

(*) As of March 31, 2021, the number of nonpermanent employees on a consolidated basis was 200, or approximately 8.1% of the total workforce.



Company logo (established in 1992)

Our company logo is based on a design selected from about 250 designs submitted in response to a group-wide invitation that was issued as part of the 75th anniversary memorial project. This logo carries our hopes for major future growth of the CMP group, with the red highlight indicating a passionate "human" power that continues to seek new challenges.



Company mascot "PENTARO"® born in 2017 in commemoration of the 100th anniversary.
(Trademark Registration No. 5813014)

Japan networks

Head Office



Tokyo Head Office



Hiroshima Head Office

Technical Headquarter



Technical Headquarter
(Hiroshima Pref.)

ISO 9001



Technical Headquarter
(Shiga Pref.)

ISO 9001 ISO 14001

Factories in Japan



Kyushu Factory

ISO 9001 ISO 14001



Shiga Factory

ISO 9001 ISO 14001

Factories at Japanese subsidiaries



Kobe Paints, Ltd.

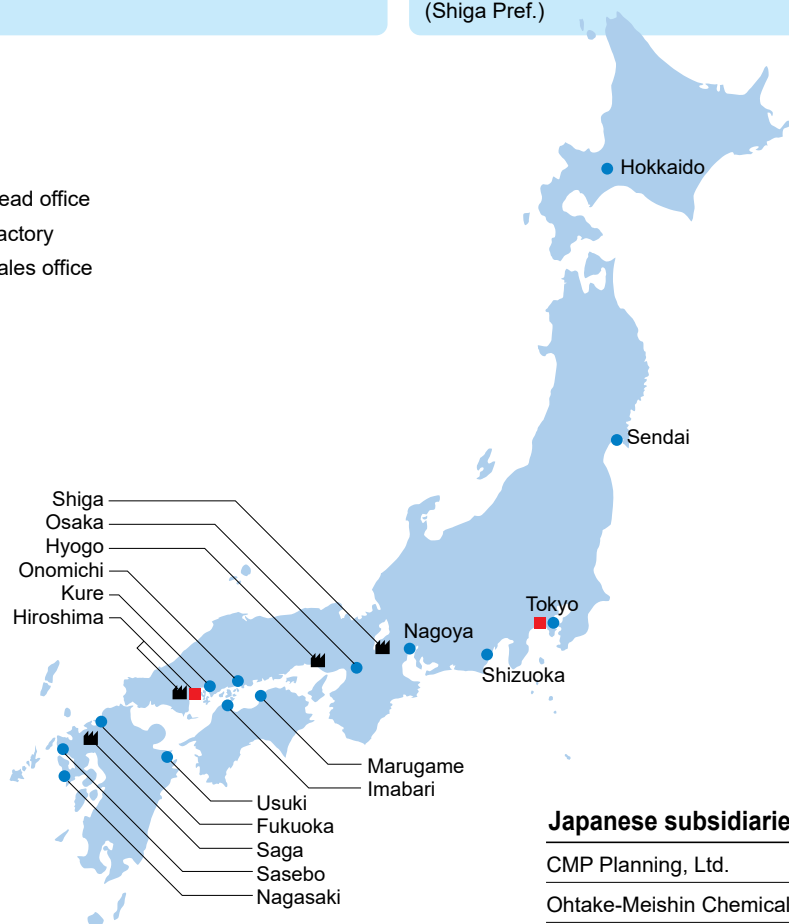
ISO 9001



Ohtake-Meishin Chemical
Co., Ltd.

ISO 9001

- Head office
- Factory
- Sales office



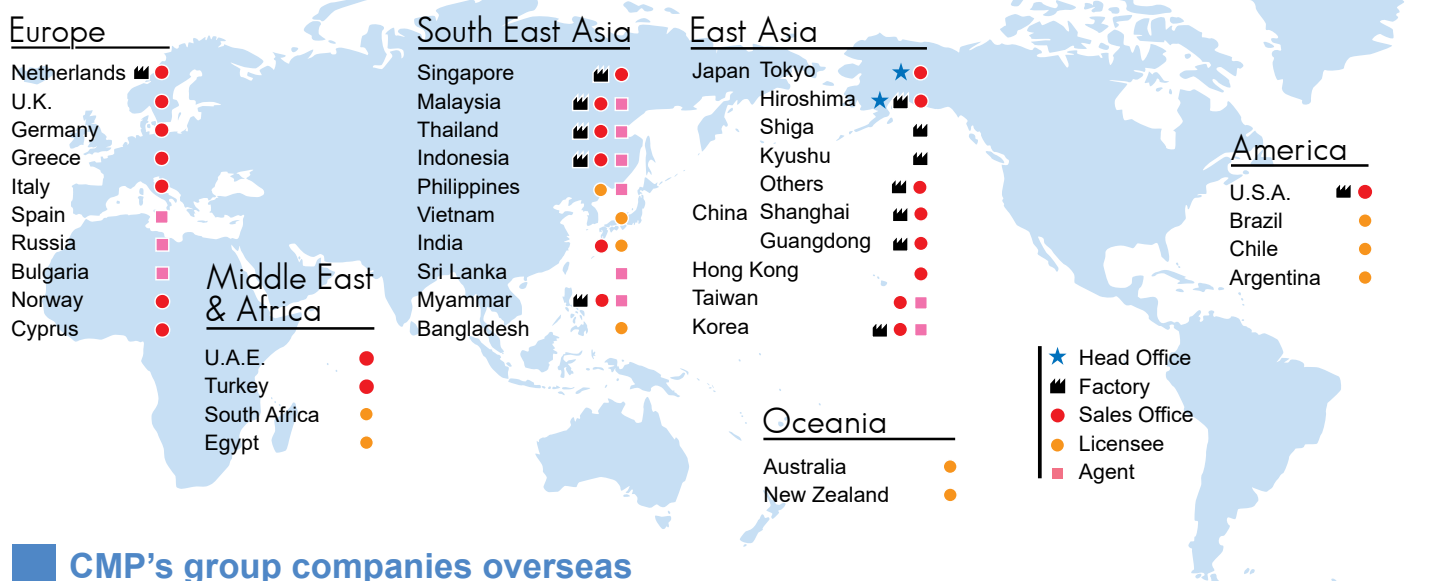
Japanese subsidiaries

CMP Planning, Ltd.	Kobe Paints, Ltd.
Ohtake-Meishin Chemical Co., Ltd.	Sanyo Kosan Co. Ltd.
Bunsei Trading Co. Ltd.	Global Engineering Service, Co., Ltd.

Company profile

Global network

CMP, having begun in the business of marine coatings, placed great emphasis on developing systems that provide and maintain products and service all over the world. Now, with the growing support, confidence, and trust of its customers for all its achievements, CMP has established a worldwide network which delivers top class services generally - manufacturing, supplying, sales and technical partnerships in marine paints, container paints, and paints for plants and woodworking, etc. We are present in about 105 locations in 35 countries. CMP aims to continuously improve and develop itself as a global company, expanding its factories and upgrading its service network worldwide by gathering and analyzing a broad range of information through organic cooperation with its global affiliates and business partners.



CMP's group companies overseas

CHUGOKU MARINE PAINTS (SHANGHAI), LTD.	China
CHUGOKU MARINE PAINTS (GUANGDONG), LTD.	
CHUGOKU MARINE PAINTS (HONG KONG), LTD.	Hong Kong
CHUGOKU MARINE PAINTS (TAIWAN), LTD.	Taiwan
CHUGOKU SAMHWA PAINTS, LTD.	Korea
CHUGOKU MARINE PAINTS (SINGAPORE) PTE. LTD.	Singapore
Dubai Branch	U.A.E.
CHUGOKU PAINTS (MALAYSIA) SDN. BHD.	Malaysia
TOA-CHUGOKU PAINTS CO., LTD.	Thailand
CHUGOKU-TOA PAINTS (MYANMAR), LTD.	Myanmar
P.T. CHUGOKU PAINTS INDONESIA	Indonesia

CHUGOKU PAINTS (INDIA) PRIVATE LIMITED	India
CHUGOKU PAINTS B.V.	Netherlands
Norway Office	Norway
Turkey Office	Turkey
Cyprus Office	Cyprus
CHUGOKU PAINTS (UK) LIMITED	U.K.
CHUGOKU PAINTS (GERMANY) G.m.b.H.	Germany
CHUGOKU MARINE PAINTS (HELLAS), S.A.	Greece
CHUGOKU-BOAT ITALY S.P.A.	Italy
CMP COATINGS, INC.	U.S.A.

NEWS

Factory in Myanmar completed

In August 2020, the factory of CHUGOKU-TOA PAINTS (MYANMAR), LTD., our consolidated company established in Myanmar in 2019, was completed. It is located in the suburbs of Yangon, the largest city in Myanmar, and mainly manufactures marine and industrial paints. By switching from products of Thailand to that of locally manufactured, we will enhance our market competitiveness in Myanmar.



Overseas factories

Shanghai

CHUGOKU MARINE PAINTS (SHANGHAI), LTD.



Relocated from the former Shanghai Factory site for its expansion in November, 2006.

ISO 9001

Shanghai No.2

CHUGOKU MARINE PAINTS (SHANGHAI), LTD.



Completed in March, 2010.

ISO 9001

Guangdong

CHUGOKU MARINE PAINTS (GUANGDONG), LTD.



Incorporated in October, 1997

ISO 9001

Korea

CHUGOKU SAMHWA PAINTS, LTD.



Factory built in September, 2002

ISO 14001

ISO 9001

Singapore

CHUGOKU MARINE PAINTS (SINGAPORE) PTE. LTD.



Incorporated in April, 1980

ISO 9001

Malaysia

CHUGOKU PAINTS (MALAYSIA) SDN. BHD.



Incorporated in July, 1990

ISO 9001

Thailand

TOA-CHUGOKU PAINTS CO., LTD.



Incorporated in October, 1989

ISO 14001

ISO 9001

Indonesia

P.T. CHUGOKU PAINTS INDONESIA



Incorporated in October, 1988

ISO 14001

ISO 9001

Netherlands

CHUGOKU PAINTS B.V.



Consolidated subsidiary since January, 1988

ISO 9001



Outline of
the factory

Land area	19,250 m ²
Floor area	6,640 m ²
Monthly production capacity	300 tons



U.S.A.

CMP COATINGS, INC.



Incorporated in October, 1990

Description of main business

Looking to the future with cutting-edge technology from three perspectives

CMP contributes to social developments through high quality products, focusing on "INNOVATION", "QUALITY" and "ECOLOGY".

Innovation

Innovative technology to lead the world

Our innovation is not only limited to coating technology, but we also focus to develop world leading technology to provide solutions to the society.

Quality

High functional and high quality product

Anticipating various future needs, we develop new and high quality functional coating to provide solution.

Ecology

Harmonization with the environment

We are committed to protect the nature environment.



Marine coatings

For large vessels



CMP provides full range of coatings for marine use such as antifouling coatings, tank coatings, etc.

- World wide service ships
- Coastal ships

For fishing boats and fish nets



Based on the technology accumulated from the marine field, we provide full product line up for this segment.

- Fishing boats
- Fishnets

For pleasure boats and yachts



"Seajet" brand specialized for pleasure boat and yacht is now well known in the market.

- Pleasure boats
- Yachts

Container Coatings

Container coatings



Global logistics and economy is supported by container. Our container coatings are supplied all over the world.

- Marine containers
- Railway containers

Industrial coatings

Protective coatings



Protecting assets from corrosion and deterioration. With our unique ideas, we have been continuously developing the protective coating technology for many years.

- Bridges
- Power equipment
- Plants
- Various constructions

Offshore coatings



We are contributing to the renewable energy industry with our unique technology.

- Oil platform
- Offshore power facility
- Various floating constructions

Building material coatings



CMP has been making great strides in the building materials and interior industry with high-level environmentally friendly coatings required in the field of housing materials that come into direct contact with people.

- Flooring
- Interior and exterior furnishing materials
- Furniture
- Bathroom (refurbishing)

Plastic coatings



Coatings can provide various added values to the plastic materials which make our daily life more comfortable.

- Films
- Molded articles

Lining materials



Lining materials with excellent durability support our safety in our daily life.

- Railway tracks
- Fixing equipment
- Cable-stayed bridge cables

Product development

New products

seajet 033 PREMIUM

Self-polishing antifouling

In February 2021, “Seajet 033 PREMIUM”, a new antifouling for pleasure boats, was launched in Japan market. Seajet is an optimum antifouling series for pleasure boat operations, and Seajet 033, a standard product, provides stable antifouling performance to many users. “Seajet 033 PREMIUM” contains a new antifouling agent, Selektope® (the generic name: medetomidine) incorporating pharmaceutical techniques in addition to conventional copper oxide, and provides excellent antifouling performance against barnacles. Products containing this new antifouling agent that have been launched for large commercial vessels are highly evaluated.



Recent rising seawater temperature has resulted in the activation of marine organisms, and in some cases, it is difficult to protect boats with conventional antifoulings. We are convinced that owners of boats anchored in areas with a high risk of barnacle fouling / settlement, such as Tokyo Bay in particular, can feel the effective of this product.



Test application in Tokyo Bay with high risk of marine biofouling. Results after approximately 1 year of mooring (Seajet 033 PREMIUM coated above the dashed line and other product coated below the same.)



The product test conducted by a marine-related publisher also achieved good result.



New products

Expansion of antifouling line-up for coastal vessels

We have renovated series of antifoulings for coastal vessels into products that respond to recent changes in the marine environment, and have launched the marketing of new products. Especially, we will respond to the demands of our customers by expanding our low friction antifoulings “SEA PREMIER Series” and raising the performance level of our portfolio as a whole.

New low friction antifoulings

SEA PREMIER 3000 PLUS 2 SEA PREMIER 3000 PLUS 1

SEA PREMIER 3000 PLUS, an ultra-low friction antifouling, launched in 2019 and awarded the Nikkei Business Daily Awards for Excellence of 2019 Nikkei Superior Products and Services Awards, is sold in two grades to meet the demands of users.

SEA PREMIER 3000 SEA PREMIER 2000 PLUS

New products of general antifoulings

SEA GRANDPRIX 2200



Registration in SIAA

High functional coating for plastics

PHOLUCID Series

Our “PHOLUCID Series” products have been registered in SIAA (Society of International sustaining growth for Antimicrobial Articles) as antiviral products that reduce the number of specific viruses on products’ surfaces compared to uncoated products. PHOLUCID Series products are widely coated on many industrial products, such as home electric appliances, offering various functions on the surfaces of plastic materials.

Registered products

Two-component curable antiviral coating (soft touch finish)

PHOLUCID No.915M-SA1

Ultraviolet curable antiviral coating

PHOLUCID No.560M-WA7

Registered products have the SIAA mark.

SIAA

ISO 21702

抗ウイルス加工

有機系・本体・分散

JP0612857X0001L

製品上の特定ウイルスの数を減少させます



Environmental products

Environmental conservation

Resource saving

Paints have a role to “protect” materials from corrosion and deterioration. By painting, materials made of steel, concrete or wood can be maintained in a good condition. Paints can reduce repair and maintenance work, and thereby contribute to retain our assets for a long period.



Fluorexin finish paint
FLUOREX



Universal Primer
BANNOH 1500



Cargo Hold Coating
UMEGUARD SUPER-H

High-hardness coating protects the cargo hold. It contributes to resource saving by reducing the frequency of maintenance painting for vessels during operation.



Titanium foil anti-corrosive system

By applying paints to aged steel structures that were built during the period of rapid growth, the structures will be revitalized with extended longevity.



Epoxy underwater coating
CONTECT WE (For concrete)
PERMASTAR WE (For steel)

Coating materials applicable underwater or on wet surfaces, to protect underwater and waterside structures from corrosion.



Concrete peeling prevention construction method applicable to wet surfaces

CONTECT WE100 construction method

Environmental conservation

Global warming prevention

Fuel-saving antifoulings improve the fuel efficiency of ships. Heat reflective paints improve the efficiency of air conditioning in buildings and ships. CMP diligently keeps conducting research to further improve the performance of such products that contribute to save energy and reduce CO2 emissions.



Fuel saving antifoulings
SEAFLO NEO Z series
The underwater frictional resistance is reduced by improving the smoothness of coating surface. CMP received the Minister of the Environment's Award, etc. for the excellent fuel saving performance backed by its FIR theory.

* Please see page 14 for the development of fuel-saving antifoulings.



Heat reflecting coating
THERMO SHADAN W
Environment-conscious water-based THERMO SHADAN W improves the air conditioning efficiency and contributes to saving energy through its excellent heat reflection performance.

Environmental Consideration

Human-friendly technology

VOC in indoors is said to be the cause of allergic symptoms, such as "Sick Building Syndrome".

As part of its VOC reduction initiatives, CMP achieved toluene- and xylene-free paints for construction materials, in addition to waterborne paints for vessel living areas.

For plastic coatings, we develop human-friendly products, including a lineup of products with antiviral properties.



UV curing paints
AULEX



High functional coating for plastics
PHOLUCID Series

Environmental consideration

Reducing marine pollution

Antifouling are used in various places such as ship bottoms and water channels of power plants to prevent adhesion of marine organisms. CMP uses antifouling agents with less impact on the marine environment and offers a range of silicone antifouling that are free from antifouling agents, in pursuit of further enhancing the performance of its products.



Silicone foul release coating
CMP BIOCLEAR

Antifouling function taking advantage of the high water-repelling property of silicone prevents adhesion of marine organisms, and the smooth coating surface contributes to improve fuel saving.



Silicone foul release coating
BIOCLEAR ECO

CMP's BIOCLEAR ECO is applied to underwater facilities of power plants to protect them from fouling. For its excellent antifouling performance and consideration to the environment, BIOCLEAR ECO is also adopted for the MOSE Project (photograph), a grand project to protect Venice from damages arising from tidal waves.

Environmental Consideration

Supporting the safety

Resin caulking materials

Highly durable resin caulking materials with desirable flexibility to absorb vibrations and shocks. CMP's resin caulking materials are widely used in railway tracks and heavy machineries such as ship engines, supporting the safety of transport by train and ship.



Filling material for railways
CUS



Epoxy resin for chocking
CMP LINER

Environmental consideration

Reducing air pollution

Volatile organic compounds (VOCs) released into the air become the main cause of photochemical smog. CMP has been promoting the development of low-VOC high-solids or water-based and solvent free paints to reduce the amount of toluene, xylene and ethyl benzene in its products.



High solid

Universal Primer
BANNOH 1500

Complete changeover to waterborne products (container paints)

A majority of container boxes are produced in China. China recently enhanced its environmental protection policies and accordingly, in April 2017, CMP completed changing all of its container paints to waterborne type. CMP continues to proactively respond to changes in the market environment and establish new production technologies and painting techniques.



Low-VOC Products to Realize Clear Sky

To support the Air Quality Improvement Promotion Project propelled by the Bureau of Environment, Tokyo

Metropolitan Government, CMP has had itself registered as a Clear Sky Supporter that undertakes NOx or VOC emissions reduction initiatives.



Antifouling for fishnets

When a substantial amount of shells or algae attaches to a culture net or a fixed net, the inside of the net becomes a closed environment cut off from ocean currents, which results in damaging the health of fish inside. Fishnets coated with antifouling prevent shells and algae attachment and help in maintaining a healthy growing environment for fish.



Antifouling for Fishnets

CMP's antifouling for fishnets play a role in ensuring the safety of our food.

BIOCISTY Series
BIOGUARD Series

Environmental products

New service for vessels



CMP - Monitoring & Analysis Program

Antifouling is one of the factors that affect the fuel consumption of ships, and plays an important role as a measure to reduce greenhouse gases emitted by ships. CMP-MAP program is designed to visualize the fuel efficiency of ships by analyzing hull performance and operating conditions based on big data we have accumulated over many years for choosing the most suitable antifouling.



In August 2020, our Web Seminar on CMP-MAP received a number of responses and recognized the expectations of this program. We will continue to actively promote the use of CMP-MAP.

Business alliance with Imabari Shipbuilding Group

On May 11, 2021, we launched a business alliance with Imabari Shipbuilding Co., Ltd., the largest shipbuilder in Japan, and Shoei Kisen, its group company, with a focus on joint research on environmental measures.

CMP CHUGOKU × **IMABARI SHIPBUILDING CO., LTD.**

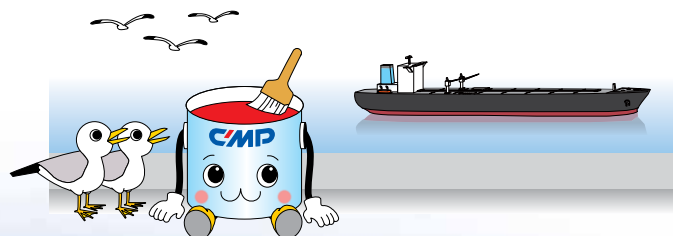


In addition to contributing to solving environmental problems in the shipbuilding and marine industry, we aim to improve the competitiveness of the entire shipbuilding industry in Japan.

Establishment and application of coating specifications for environmental impact reduction with low VOC products

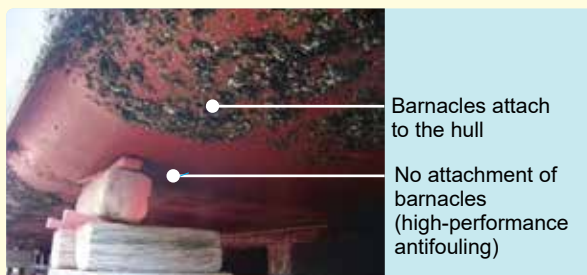
Application of high-performance antifouling technology that enables the construction of ships to be able to maintain stable low fuel consumption (reduction of GHG emissions) in an operation

Establishment of more efficient coating applications through process shortening and automation, etc.



Antifoulings and fuel efficiency

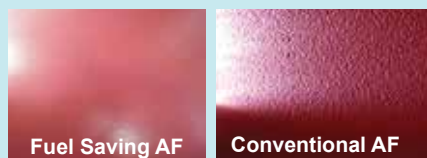
Antifoulings not only prevent the hull from being damaged by attachment of marine organisms but also prevent aggravating fuel efficiency caused by the resistance from attached marine organisms.



Test application of two types of antifoulings was conducted on the ship's bottom. The photograph above is a condition after 12 months of operation. Although the sea area was known to be very severe in terms of barnacles fouling, the high-performance antifouling exerted excellent antifouling performance.

Additionally, in recent years, reduction of friction resistance with seawater by leveling the coating film surface for improving the fuel efficiency has become a new challenge in the marine coating industry.

Coating film surface (enlarged)



A comparison of coating film surfaces. The surface of the fuel-saving type is smoother, which reduces the friction resistance with seawater.

Reducing CO2 emissions by improving fuel economy

FIR Friction Increase Ratio
THEORY (Registration No. 5916490)

The FIR theory developed by CMP is a theory to quantify the smoothness of coating film surface and to evaluate the effects of antifoulings on the fuel efficiency. The FIR is an important indicator not only for developing fuel-saving antifoulings but also for designing ships that comply with the Energy Efficiency Design Index (EEDI) of International Maritime Organization (IMO).

Aiming to reduce CO2 emissions by improving the fuel economy of ships during navigation, CMP has been working on improving the performance of its fuel-saving antifoulings through the development based on the FIR theory.

Estimating expected fuel saving rate by FIR theory

Obtain roughness and wavelength from coating film surface

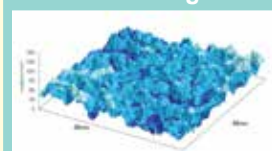
Three-dimensional roughness images and the data of roughness and wavelength are obtained from the surface of hull using a portable laser 3D hull roughness analyzer developed by CMP.



Calculate FIR value and expected fuel saving rate

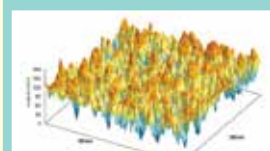
The analyzed roughness (Rz) and wavelength (RSm) are entered in the equation of the FIR theory to calculate the FIR (Friction Increase Ratio) and further the expected fuel saving rate.

Fuel Saving AF



Rz: 42μm RSm: 3980μm
FIR : 1.2%

Conventional AF



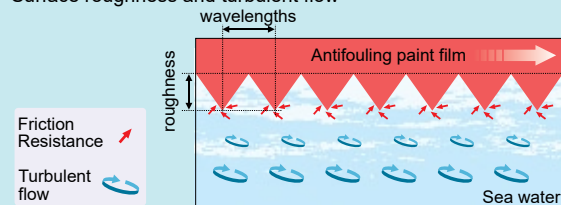
Rz: 111μm RSm: 3024μm
FIR : 10.7%

FIR calculation formula

C: Arbitrary constant Rz: Roughness
RSm: Wavelength

$$\text{FIR}(\%) = C \times \frac{Rz^2}{RSm}$$

Surface roughness and turbulent flow



Project for evaluation of ship performance in the actual seas

CMP has been participating in the pilot project of Japan Maritime Cluster Collaborative Research, the Project for Evaluation of Ship Performance in the Actual Seas centered by the National Maritime Research Institute, Port and Aviation Technology of Japan, in which various industries involved with marine transportation and shipbuilding take part. This project has been implemented since October 2017 with the aim of creating a "ruler" to objectively assess the performance of oceangoing vessels. We have been contributing to the development of a program to evaluate the impact on hull resistance after trading service.



Fuel Saving Antifoulings for Low-carbon Society

CMP supports the "COOL CHOICE" campaign led by the Ministry of the Environment to fight against global warming. It is CMP's sincerest hope that further improvement of fuel-saving performance of antifoulings contributes to the realization of low-carbon society.

Together with stakeholders

We are aware that it is our management priority to carry out our social responsibility for stakeholders, and globally operate our activities in the medium and long term, within the scope of the management policy as defined below.

Management Philosophy

- 1 Ensure customer trust and satisfaction with the highest possible quality
- 2 Strive from a global perspective to continuously achieve technological innovation and develop new products
- 3 Secure ongoing existence and profits through scientific management
- 4 Pledge just and upright conduct based on guiding principles of honesty and a respect for general harmony
- 5 **Contribute to the achievement of a sustainable society through our business activities and enhance the prosperity of all stakeholders**

(*) We redefined our management philosophy on the occasion of setting the [CMP New Century Plan 2](#), our new medium-term management plan for the five-year period from fiscal 2021 to fiscal 2025. See page 25 for more information.

CMP group's code of conduct

- 1 We shall be aware of changes in the values of our society and in the state of the world from a global and long-term point of view. We shall carry out our businesses based on a medium-to-long-term perspective, not being distracted by temporary, speculative, and short-sighted focus on profitability.
- 2 We shall give serious consideration to rigorous compliance with the law, to our international reputation, and to commercial ethics, and maintain the reputation of the CMP Group as a whole. We shall continue to consider conventional trade practices and aim for fair trade in line with corporate ethics and social common sense.
- 3 We need to engage in free and fair competition in our relevant markets and in sound rivalry with our competitors, so that we develop ourselves with the stimulation of fair competition such that development contributes to benefits for consumers. We shall impose serious penalties on any action against Anti-Trust Laws in the course of dealings with our competitors, especially as regards bid rigging.
- 4 We shall not fail to give consideration to environmental issues such as manufacturing. We shall take care with respect to the maintenance of the environment and the environmental impact of our businesses on humans, and shall not hesitate with respect to expenses incurred in adopting sound environmental measures. If, in any case, those expenses render a business unprofitable, such business shall be discontinued or its activities restricted.
- 5 We shall make efforts to maintain mutual recognition and integration with local communities, disclosing our company activities by way of conducting field trips and holding explanatory sessions, and so forth, on our premises as required.
- 6 We shall not engage in any relationship with Special Shareholders or organized crime syndicates. Such relationships have no relevance to our businesses.
- 7 We shall not allow discrimination on the basis of race, gender and belief, or tolerate sexual harassment, whether on our business premises or not.
- 8 We shall treat personal and confidential information appropriately.
- 9 We shall remain strictly neutral and non-partisan regarding elections as stated in the Public Office Election Law.
- 10 We shall refrain from any sales or purchases of shares of our company or of our business counter-parties that may raise any suspicions of insider trading.



Customers

CMP continuously aims to fulfill its responsibility in society as a paint company, making best efforts to develop our products functionally and environmentally and improve the quality management system in order to be reliable and to provide customers with satisfaction.



Suppliers

CMP has a purchasing policy of open door, fair & law-abiding, of mutual trust and environment conservation. CMP endeavors to promote a relationship of trust with suppliers who are our business partners.



Employees

CMP takes great concern over employee safety, and carries out fair human resource management processes which include recruitment, training and performance evaluations respecting the individuality of employees and promotion of a workplace environment which has a positive influence on morale and abilities of the employees.



Local communities

We are striving to build good relationships with the local communities in which we are a member, in order to ensure their sustainable development.



Shareholders & Investors

CMP strives to increase the value of the corporation through efficient and highly transparent internal controls and corporate governance.

Global environment

Through developing environmentally conscious products, promoting environmental management and participating in activities of environmental conservation, CMP intends to develop a relationship with all stakeholders with a strong focus on environmental protection.



Together with customers

Business environment of our company

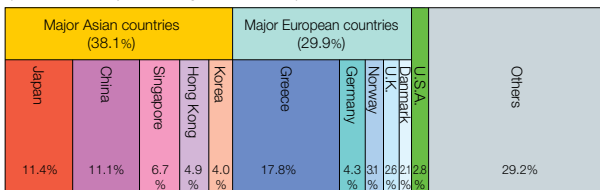
CMP has expanded and intends to expand further into various markets using the knowledge and technology of its marine, industrial and container paints.

Marine coatings

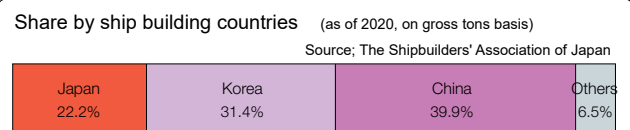


A majority of shipowners transfer the registration of their ships to countries, so called flag of convenience countries, with a lower tax rate and lax regulations on the nationality of sailors, such as Panama and Liberia. The actual nationalities of shipowners are concentrated in Asia and Europe, regardless of the nominal ship registration countries.

Share by actual nationalities of shipowners
(as of the January 2020, on gross tons basis)

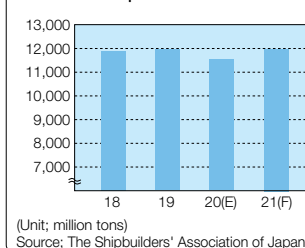


A majority of ships are built in China, South Korea or Japan, and repair docks concentrate along the main routes from Europe through to East Asia.

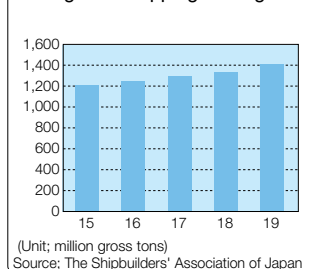


Demands for shipbuilding tend to drastically change along with the economic trend, and also demands for ship repair temporarily fluctuate due to various factors. However, the marine market in general is in an expanding trend in a long term, by an increase in the volume of marine logistics associated with the growth of global economy.

Changes of the volume of marine transportation

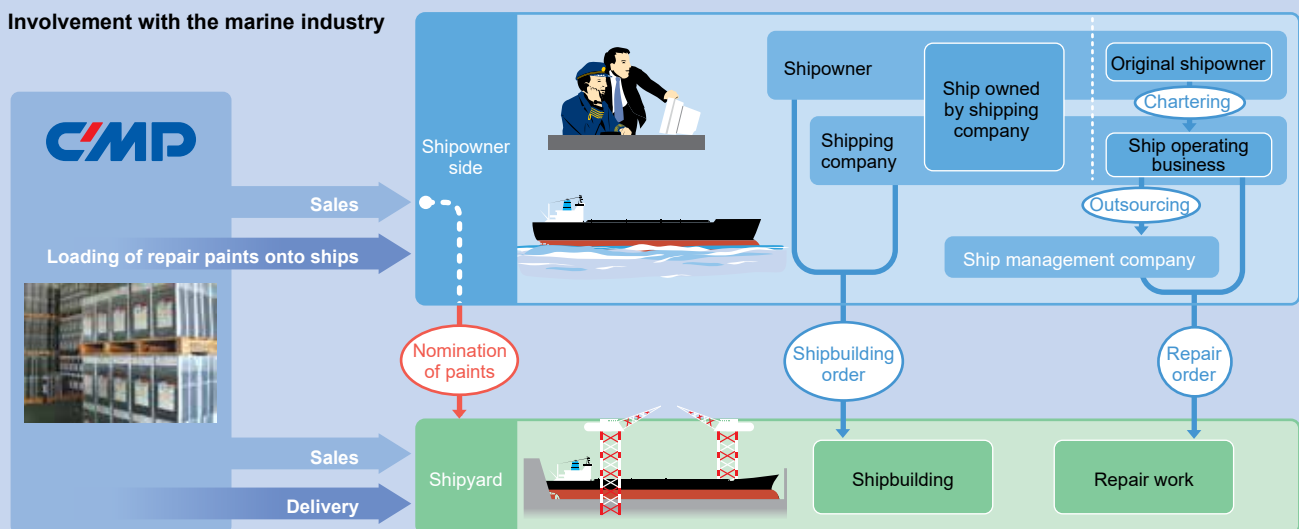


Changes of shipping tonnage



Our products are applied not only to trading vessels but also to small vessels (such as pleasure boats and fishing boats) and fishing net, and are well received by various users who are involved with marine business and activities.

Involvement with the marine industry



Industrial coatings



Heavy duty coatings



Paints for building materials



High performance paints for plastics

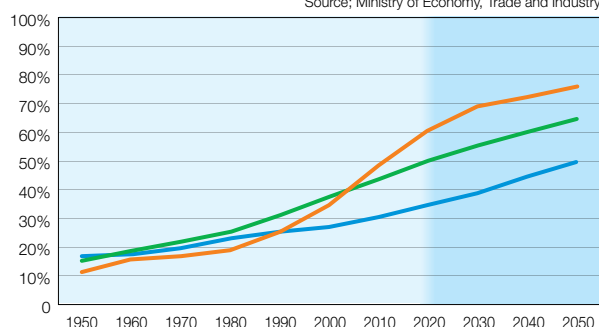


Filling materials

CMP provides various products including heavy duty coatings for industrial plants and steel/concrete structures, paints for building materials, high-performance paints for industrial plastic products, and caulking materials. The main markets of CMP are Japan and emerging Asian countries. While demands fluctuate overseas due to economic deceleration of emerging countries and in Japan due to factors such as low birthrate, the market is transitioning in a relatively robust trend overall. Amid such a situation, some market expansion is anticipated arising from new construction of offshore facilities and repair of an enormous amount of existing social infrastructure. Additionally, a new market can be established by adding new functions to paints for building materials. As such, potential demands for CMP's know-how that has been developed in both the marine transportation and industrial segments are large.

Urbanization rates in major emerging countries and regions

Source: Ministry of Economy, Trade and Industry



— China
— South East Asia
— India

Remarks:
The figures for 2020 and later are estimates.

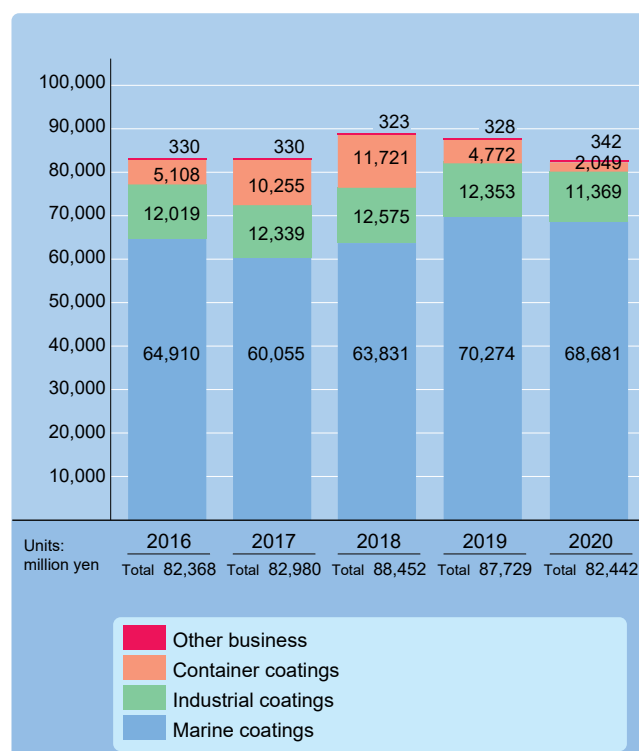
Container coatings



We supply products mainly in China, the main production area for container boxes. From early on, we have been developing technologies and supplying high quality products for the use of water-based paints in response to the tightening of environmental regulations started in 2017.

Due to global economic growth and the globalization of logistics, shipments by ocean containers are on an uptrend, but the volume of container box production fluctuates significantly in the short term in response to the shipping market and other conditions.

Sales by segments



Together with customers

Relevant SDGs



Social Issues to be addressed

Nowadays, customer needs have become advanced and diversified, global competition has intensified, and procurement, production, and information related to them have become globalized. As a result, it has become more important than ever to stabilize product quality and swiftly find the cause of a problem when occur. Associated with such globalization of business, quality management has expanded to quality assurance of products for customers and quality assurance of business processes at global business bases.

Major actions

Sites covered: CMP (Japan only)

2020- Target -

Thorough apprehension, communication and evaluation of product safety information

2020 - Results -

Achievement evaluation ★★☆☆

Stated in product labels, product manuals, etc.

Distribution of Safety Data Sheet (SDS)

Quality assurance policy

Maintain the highest product quality and secure the confidence and satisfaction of our customers.

Promote consistent technical innovation and new product development from a global point of view.

Promote an operational standardization within CMP responding to the environment to run the systematic management and business activities.

Under these three policies regarding manufacturing stipulated in CMP's "Basic Management Guideline", each section concerned establishes the quality guideline through ISO 9001 activities and promotes quality assurance activities to comply with the specifications.

Exhibitions and seminars were cancelled due to the spread of COVID-19 infections.

Quality assurance

Activities for quality assurance

By complying with ISO 9001, and additionally to the company rule, CMP promotes the continuous improvement of the quality management system and its activity.

Quality assurance management system

Aiming at the improvement of customers' satisfaction, CMP runs systems in a way to satisfy the needs of customers all the time. CMP asks customers to give response to "Questionnaires" periodically, then analyzes their answers and utilizes them to improve the customers' satisfaction.

Status report of ISO 9001 registration

CHUGOKU MARINE PAINTS, LTD.	Japan
OHTAKE-MEISHIN CHEMICAL CO., LTD	
KOBE PAINTS, LTD.	
CHUGOKU SAMHWA PAINTS, LTD.	Korea
TOA-CHUGOKU PAINTS CO., LTD.	Thailand
CHUGOKU PAINTS B.V.	Netherlands
CHUGOKU MARINE PAINTS (SHANGHAI), LTD.	China
CHUGOKU MARINE PAINTS (GUANGDONG), LTD.	
CHUGOKU PAINTS (MALAYSIA) SDN. BHD.	Malaysia
CHUGOKU MARINE PAINTS (SINGAPORE) PTE. LTD.	Singapore
P.T. CHUGOKU PAINTS INDONESIA	Indonesia
CHUGOKU-BOAT ITALY S.P.A.	Italy

Acquisition rate: 99%

*ISO 14001 Registration: page 32

Product safety

CMP's policy of consumer protection

From the standpoint of consumer protection, CMP always gives consideration to the environment, safety and health not only during the development stage of new products but also for existing products, and develops and improves products and technology which are safe and friendly to mankind with less impact on the global environment.

Providing safety information on the products

To help customers use the paint products safely, CMP provides warnings and other information in SDS (Safety Data Sheet), product catalogues and on container labels.

Together with suppliers

Purchasing policy

1 Open policy

Our Purchasing Division always looks for new business partners and maintains an open policy.

2 Fairness

Our Purchasing Div. assesses quality, price, delivery schedule, reliable supply and technical service together and selects our business partners fairly.

3 Law-abiding principle

Our Purchasing Div. abides by every applicable law and regulation to the purchasing business.

4 Mutual trust

Our Purchasing Div. promotes mutual trust with business partners following our fair purchasing policy.

5 Conserving the environment

Our Purchasing Div. contributes to the benefit of society through purchasing and bearing environmental conservation in mind.

Green purchasing

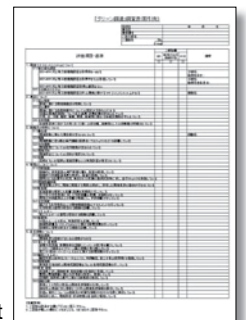
CMP promotes “Green Purchasing and Procurement” where environmentally conscious products are preferably purchased. We are steadily increasing the ratio of Green Purchasing and Procurement in stationary and office items and switching of copying paper and printed matters to FSC (Forest Stewardship Council) certified paper.



FSC certified paper is used in many documents issued by CMP, including this report and periodic reports to the shareholders.

Conducting the Survey of the Suppliers' Green Procurement

CMP surveys the status of the ISO 14001 certification granted to raw material manufacturers from whom CMP has already purchased a fixed amount to learn their approach to environmental issues. 51% of the manufacturers surveyed were already certified. CMP continues to work on uncertified manufacturers to apply for the ISO certification.



Survey Sheet for Suppliers' Green Procurement

* Information on green purchasing is also provided in the “Conservation of biodiversity” section on page 43.



Automated warehouse (Shiga)



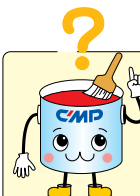
Raw materials warehouse (Shiga)



Varnish, solvent tank (Kyushu)



Delivering raw materials by flexible container bags (Kyushu)



What is the Law on Promoting Green Purchasing?

Green Purchasing means purchasing goods with a minimum environmental load by taking the impact on the environment and the extent of the necessity into consideration. The Law on Promoting Green Purchasing was introduced in April 2001 and national and public institutions took the initiative to promote Green Purchasing. By providing useful information about environmental friendly products, etc., it aims to change the structure of the demand and to build a sustainable society with a continuous progress. It also stipulates the obligations not only of national level institutions but also of local public organizations, business owners and citizens.

Together with local communities

Relevant SDGs



Social Issues to be addressed

To achieve sustainable developing society, we are expected to develop symbiotic relationship with the local community through our business activities and donations to approach together against issues such as natural environment protection and social welfare.

Major Actions

Promotion of communication with local residents and community

2020 - Target -

- Promotion of employees' participation in local civic activities
- Donations
- Holding factory tours

2020 - Results -

Achievement evaluation ★★☆☆

Civic activities in various areas were cancelled to prevent COVID-19 infections.

Total donations in fiscal 2020 (CMP Group): 3,92 million yen

Donation to the neighborhood around the factory (Korea)

CHUGOKU SAMHWA PAINTS, LTD. in Korea contributed support funds, food, heating oil and other goods to neighboring towns and villages. Additionally, it has offered donations to local regional organizations and granted scholarships to pupils of a nearby primary school at the graduation ceremony.



Donation to charitable organizations (Netherlands)

CHUGOKU PAINTS B.V. has been making donating activities to various organizations, including giving paints to local festivals and making contributions to local sporting groups and schools.

Donation to local communities (Thailand)

TOA-CHUGOKU PAINTS CO., LTD. donated teaching materials to a nearby primary school on Children's Day in January 2020. It also donated paints to a nearby school in July, July and December 2020 for repainting, and performed volunteer painting as well.



Contributions to the society

Donation to the neighborhood around the factory (Shiga)

From June to August 2020, Shiga Factory donated paints to the local youth baseball team and also painted their warehouses.



The following annual events, CMP participates as part of local exchange and environmental conservation activities, were not held this year due to the impact of COVID-19.

- Yasumaru Hiroba 2020 (Shiga)
- OKTOBERFEST YASU JAZZ UP! (Shiga)
- Trash Zero Operation (Shiga)
- Kasumi no Uchimizu (Tokyo)
- Autumn festival, near the factory (Kobe Paints)

Sponsor for marine sport events

As a marine paint manufacturer, in order to promote marine sports, CMP supports various yachting events and offers paints for pleasure boats and small gifts.

The 23th Yokohama Bayside Marina Open Yacht Race



Environmental Protection

In the areas where CMP Group's main factories are located, our employees engage in beautification and tree-planting activities on the premises as well as cleaning, weeding and beautification activities around the company. CMP employees including workers of Headquarters and Sales offices also actively participate in local environmental conservation events.

Cleaning Activity at Gioui-gawa Riverbed (Shiga)

On October 12, 2020 and January 25 and March 15, 2021, we participated in river cleanup activities sponsored by "Fieldwork Yasu," a citizens' organization that aims to conserve and create nature and culture in Yasu City, where the factory is located, and cleaned the riverbeds of Gioi River.



Use of social media

CMP uses social media to communicate with its stakeholders.



Paint Boat & Yacht

seajet



Facebook account

The official account for boat & yacht coatings, Seajet. Various kinds of information about the products are posted through this account.



#Pentaro Instagram

CMP's account focusing on cartoons featuring Pentaro. CMP thanks many stakeholders for following the account!



Clean-up activities outside factories



Kyushu Factory



Shiga Factory



Ohtake-Meishin Chemical Co., Ltd.



Kobe Paints, Ltd.



Shanghai Factory



Shiga Factory

Together with shareholders and investors

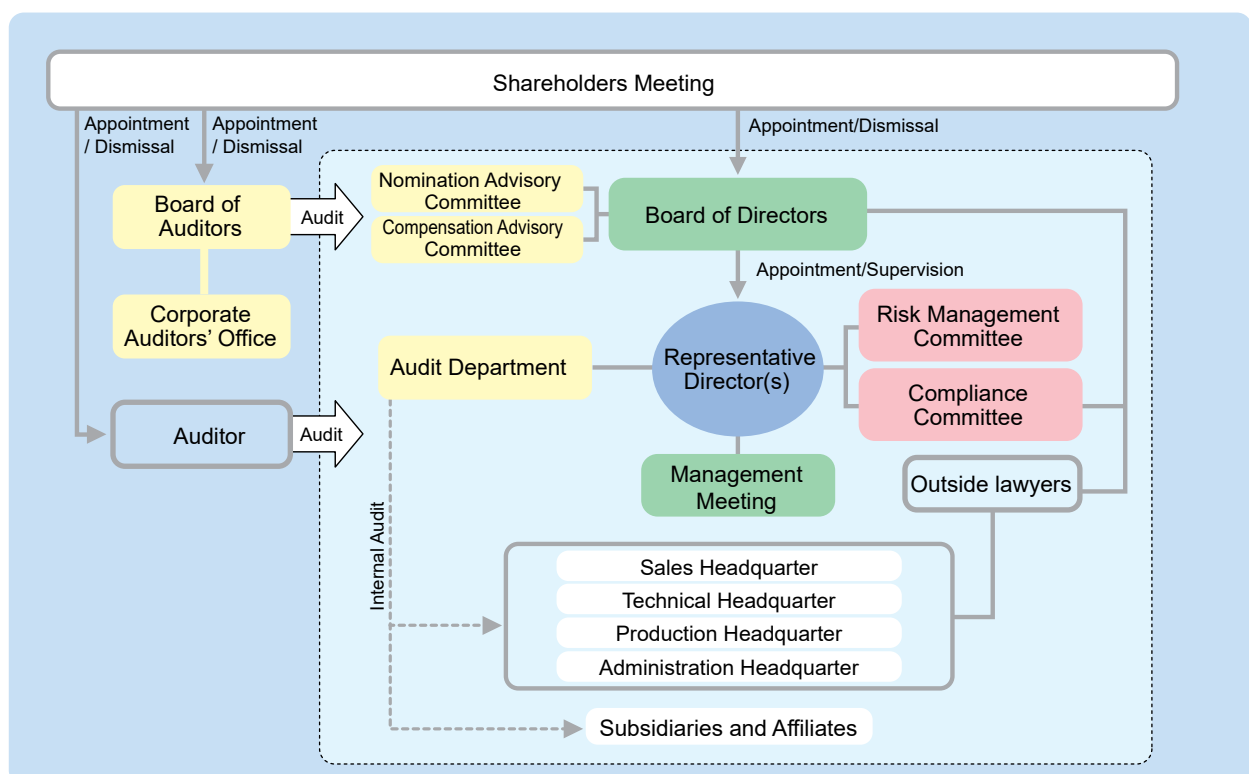
Corporate governance

CMP is aware that increasing the corporate value is important for management policy, with the establishment of effective, healthy and transparent corporate governance. Forming the board of directors, the board of auditors, management meetings, and other committees, CMP reinforces its corporate system.

History of improving corporate governance

	2015	2016	2017	2018	2019	2020
Outside directors	1 outside director appointed.	2 outside directors appointed (1/3 of all board members).				
Enhancement of board of directors' functions, etc.		Effectiveness of the Board of Directors was evaluated.				
			Function between the board meeting and the management meeting was clarified.			
			Directors' term of office was shortened to one year.			
Arbitrary Advisory Committees				Nomination Advisory Committee and Compensation Advisory Committee were established.		
Compensation for directors				Restricted Stock (RS) plan was introduced.		
					Compensation system was changed.	
Others	Basic policy on corporate governance was established.					Female corporate auditor was appointed.

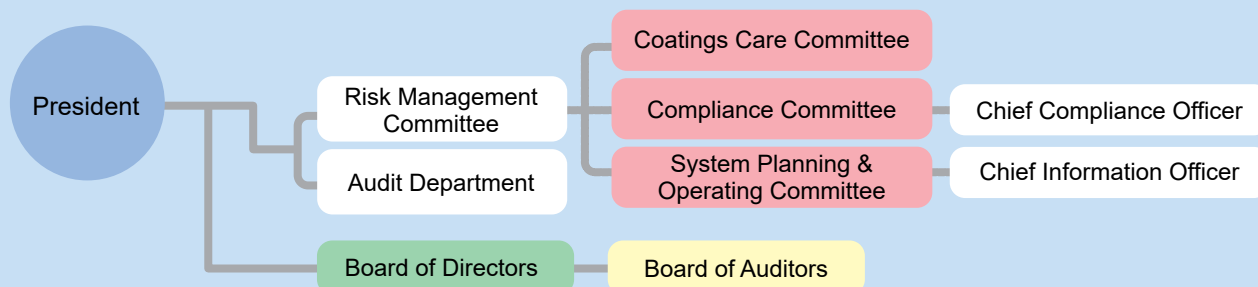
Organization chart for corporate governance



Risk management system

The business environment surrounding CMP Group is always changing and requires CMP to respond quickly to various risks. Under the basic policy; “Establish the effective and efficient Risk Management System to achieve Human Safety, Continuous Development of Corporate Value and Mutual Trust with Stakeholders”, CMP Group forms various committees and keeps improving the system. These committees include Compliance Committee, System Planning & Operating Committee and others in support of the Risk Management Committee. We consolidate the control system for prevention, detention, correction, recurrence prevention of such anticipated risks, and for response to crisis.

Organizational chart of the risk management system



Compliance

To sustain the corporate activity in the society & conforming to the social norms and corporate ethics is imperative. CMP is aware that responding to compliance is one of the most important issues among a number of risks, and always remain committed to compliance, across the board checks by the Risk Management Committee and with the guidance of the Compliance Committee.

Providing compliance education

For basic education, CMP has prepared the “Compliance Manual” and audio materials in Japanese, English and Chinese. Those materials have been distributed to headquarters, subsidiaries and affiliates in Japan and overseas. In addition, CMP has conducted educational training on particularly important laws, regulations, social norms and rules for different work types or subjects, especially for officers and employees in Japan.

Code of conduct for CMP group directors and staff members

CMP presents the CMP Group's Code of Conduct along with the CMP's Company Policy to all subsidiaries and affiliates to encourage rigorous compliance with law, business management on a medium- to long-term perspective, and mutual understanding with stakeholders. (Code of Conduct is shown in full on page 15.)

Initiatives for protecting human rights

Infringement of human rights represented by child labor and slave labor still exists now, and is an issue the whole world has to work together to eliminate. CMP endeavors to always exercise fair and reasonable corporate ethics through its management policies and code of conduct, and pays close attention not to cause infringement of human rights in conducting its business. In line with that, CMP's consolidated subsidiary CHUGOKU PAINTS (UK) LIMITED has announced a declaration not to cause infringement of human rights such as enforced slave labor not only within the company but throughout its supply chain, conforming to the UK Modern Slavery Act 2015.

Setting up of anonymous consultation in and outside the company

CMP set up “Post 999”, which is an anonymous consultation network in and outside the company. Currently CMP Group has this system in 8 countries / regions.

“POST 999” Chief Compliance Officer
E-mail: chugoku.paints-999@cmp.co.jp

Together with shareholders and investors

New Medium-Term Management Plan (April, 2020- March, 2025)

Positioning of Management Philosophy, Long-Term Vision, and the New Medium-Term Management Plan

To promote sustainable management and **maximize both social and economic value**, we have revised the content of our previous long-term vision and recently established a new medium-term management plan, "**CMP New Century Plan 2**" for the five years from fiscal 2021 to fiscal 2025. We have also redefined the management philosophy on this occasion. (See page 15 for our management philosophy.)

Social value: Value created by contributing to the solution of global environmental and social issues
Economic value: Benefits generated as a result of business activities, etc.

Long-term vision (conditions we aim to establish by 2030)

A leading global niche company distinguished by sustainability and high profitability

Obtain a top share in the global marine coatings market

Become the **world's leading coating manufacturer** through efforts aimed at achieving a sustainable society by providing antifouling that **help reduce greenhouse gases emitted by ships**

Improve our presence through a focus on **environmental and social contributions** through our industrial and container coatings and coatings for offshore structures

Establish a sustainable and strong **management base**

Achieve a stable and **high-profit structure** (ROE of at least 10%)

SUSTAINABLE DEVELOPMENT GOALS



FY 2021

2025

2030

CMP New Century Plan 2

Promote managerial innovation and lay foundations for value creation

Subsequent medium-term management plans

Accelerate growth to achieve the top share in the global marine coatings market

Details of the new medium-term management plan are available on our website
https://www.cmp-chugoku.com/global/Investor-Relations/midplan_en.html

Outline of the new medium-term management plan

Basic strategy (key themes)

① Expand value provided through environmental and social contributions

Promote social value creation by extending business leading to environmental and social contributions. As a result, sales will be expanded, which are the source of economic value.

② Improve and stabilize profit structure

Strive to improve sustainable profitability through a variety of approaches, while curbing fluctuations in profit levels due to changes in the business environment, and stably creating economic value.

③ Reinforce organizational foundations

Establish a foundation for value creation that contributes to perpetual growth of the company by improving the performance of the human resources that support ① and ② and strengthening management functions.

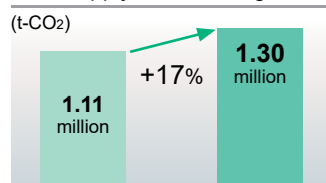
④ Actively raise shareholder returns and capital efficiency

Ameliorate ROE by improving profitability and controlling shareholders' equity through aggressive shareholder returns.

Main environmental contribution goals

Further expand reductions in greenhouse gases (GHGs) and volatile organic compounds (VOCs)

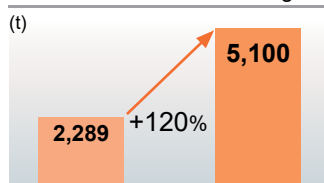
GHG (CO₂) emission reductions achieved through expanded supply of antifoulings



FY 2020 Result FY 2025 Target

Includes emissions from ocean-going ships with deadweight tonnage of 3,000 or more

VOC emission reductions achieved through expanded sales of low-VOC coatings



FY 2020 Result FY 2025 Target

Includes emissions achieved through sales of general anticorrosive coatings

(*) Both of the above show approximate reduction achieved by the Group compared to 2008 levels.

Shareholder return

We will make growth investment our top priority while actively returning surplus funds to our shareholders and properly managing shareholders' equity.

Shareholder return criteria

We will monitor **total return on consolidated shareholders' equity** (D&BOE*) as a performance metric.

Dividends

Consolidated payout ratio: at least 40%
Minimum annual dividend: 35 yen per share

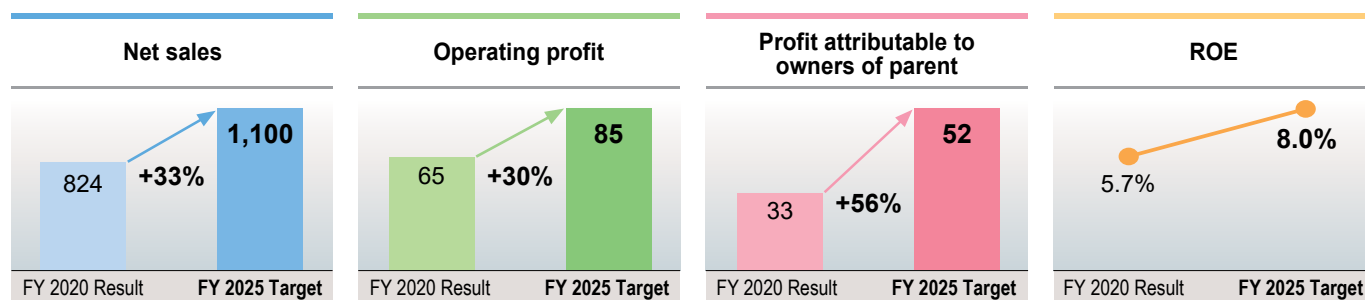
Share buybacks

We will flexibly conduct share buybacks in accordance with our D&BOE standards while duly considering proper balance between growth investment and dividends.

Consolidated performance targets

(100 million yen)

We aim to achieve organic growth and business performance expansion through M&A and strategic alliances.



(*) Among the above performance targets, the contribution from M&A and alliance strategies is assumed to be net sales of 10 billion yen, operating income of 500 million yen, and net income of 200 million yen.

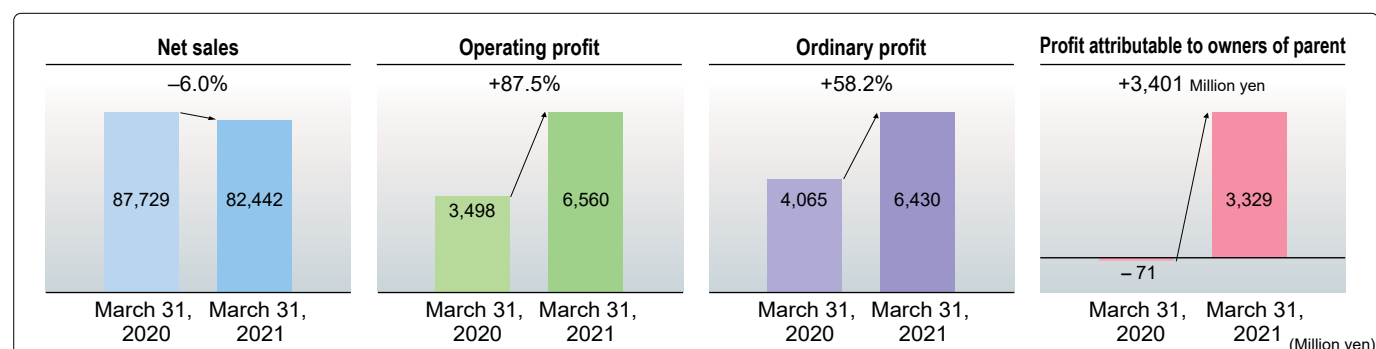
Together with shareholders and investors

Performance in Fiscal 2020 (April 1, 2020 to March 31, 2021)

Overview

Amid the uncertain outlook for the global economy, as for the marine coating segment, our mainstay products, the negative impact of the spread of COVID-19 was generally limited except in the Southeast Asia, and sales for repair ships were strong, mainly in Europe. On the other hand, sales of marine coatings for new ships were sluggish due to a decrease in demand for coatings in Japan and South Korea reflecting a decrease in the volume of shipbuilding completed. As a result, overall sales of marine coatings also declined compared with the previous fiscal year. In the industrial coating segment, adjustments of production were carried out by many building materials manufacturers in Japan, and some infrastructure-related projects in the Southeast Asia were postponed or discontinued. The impact of the spread of COVID-19 infections worldwide resulted in a decrease in paint demand and a drop in sales.

As for the container coating segment, demand for container transport recovered rapidly worldwide from the autumn 2020, and demand for coatings also picked up. However, we continued to focus on profitability and thoroughly curtailed orders for less profitable projects, resulting in a sharp decline in sales. In terms of profitability, amid weak prices for key raw materials, our group-wide efforts to cut costs, including a review of raw material procurement methods, which we have been implementing, and an improvement in our product mix contributed to a significant improvement in profitability. Accordingly, net sales were 82,442 million yen (year-on-year decrease of 6.0%), operating income was 6,560 million yen (year-on-year increase of 87.5%), ordinary income was 6,430 million yen (year-on-year increase of 58.2%), and profit attributable to owners of parent was 3,329 million yen (compared to net loss attributable to owners of parent of 71 million yen in the previous fiscal year).



Summary of consolidated financial statements

Summary of consolidated income statement

Units: million yen

Items	March 31, 2020	March 31, 2021
Net sales	87,729	82,442
Cost of sales	63,714	57,080
Gross profit	24,015	25,362
Selling, general and administrative expenses	20,516	18,801
Operating income	3,498	6,560
Non-operating income	1,122	824
Non-operating expenses	556	954
Ordinary income	4,065	6,430
Special gains	96	32
Special losses	2,818	172
Income before income tax and minority interests	1,343	6,290
Current income tax	935	1,525
Deferred income tax	162	855
Income before minority interests	245	3,909
Net income attributable to non-controlling shareholders	317	580
Net income or net loss (-) attributable to parent company shareholders	- 71	3,329

Net Sales

Decreased by 5.286 billion yen compared with the previous fiscal year, as a result of sharp decline in sales due to low sales in marine coatings for new ships' sluggish market and in container coatings in China as the Company continued to focus on profitability and thoroughly curtailed orders for unprofitable projects.

Operating income

Increased by 3.062 billion yen from the previous fiscal year, as a result of cost reductions by reviewing purchasing methods and improvement in the product mix, amid weak raw material prices.

Net income attributable to parent company shareholders

Increased by 3.401 billion yen compared to the previous fiscal year as a result of an increase in operating income.

Summary of consolidated balance sheet

Units: million yen

Items			March 31, 2020	March 31, 2021
Assets	Current assets		75,276	72,132
	Non-current assets		30,792	33,032
Total assets			106,069	105,164
Liabilities	Current liabilities		35,248	36,187
	Non-current liabilities		7,835	5,870
	Total liabilities		43,083	42,057
Net assets	Shareholders' equity	Common stock	11,626	11,626
		Capital surplus	7,788	7,788
		Retained earnings	45,190	46,552
		Treasury stock	– 9,019	– 12,642
		Total shareholders' equity	55,585	53,324
	Accumulated other comprehensive income		2,583	4,781
	Minority interests		4,817	5,001
	Total net assets		62,986	63,106
Total liabilities and net assets			106,069	105,164

Assets

Decreased by 905 million yen from the end of the previous fiscal year, as a result of a decrease in current assets by 3.144 billion yen mainly due to a decrease in cash and deposits associated with the acquisition of treasury stock and a decrease in notes and accounts receivable-trade, and an increase in fixed assets by 2.239 billion yen mainly due to an increase in investment securities.

Liabilities

Decreased by 1.025 billion yen from the end of the previous fiscal year, as a result of an increase in current liabilities by 939 million yen mainly due to an increase in current portion of long-term loans payable, and a decrease in non-current liabilities by 1.964 billion yen mainly due to a decrease in long-term loans payable.

Net assets

Increased by 120 million yen from the end of the previous fiscal year, as a result of a decrease in shareholders' equity by 2.261 billion yen mainly due to the acquisition of treasury stock, and an increase in accumulated other comprehensive income and non-controlling interests by 2.381 billion yen.

Summary of consolidated cash flow statement

Units: million yen

Items	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities	4,612	7,129
Cash flows from investing activities	2,237	867
Cash flows from financing activities	- 5,950	- 7,009
Effect of exchange rate changes on cash and cash equivalents	- 219	- 545
Net increase in cash and cash equivalents	679	440
Cash and cash equivalents at beginning of year	20,799	21,479
Cash and cash equivalents at end of year	21,479	21,920

Cash flows from operating activities

Increased by 2,516 billion yen compared with the previous fiscal year, mainly due to an increase in income before income taxes and minority interests and an increase in notes and accounts payable-trade.

Cash flows from investing activities

Decreased by 1.37 billion yen from the previous fiscal year mainly due to a decrease in withdrawals of time deposits and proceeds from sales of investment securities.

Cash flows from financing activities

Decreased by 1.059 billion yen compared with the previous fiscal year mainly due to a decrease in net increase (decrease) in short-term loans payable and an increase in payments for purchase of treasury stocks.

Cash and cash equivalents at end of year

Increased by 440 million yen from the previous fiscal year-end as a result of all the above.

Consolidated statements of changes in net assets

Year ended March 31, 2021

Units: million yen

	Shareholders' equity					Accumulated other comprehensive income					Minor interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on other securities	Revaluation gain on land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the year	11,626	7,788	45,190	- 9,019	55,585	174	3,798	- 1,241	- 149	2,583	4,817	62,986
Amount of changes during the year												
Cash dividends			- 1,967		- 1,967							- 1,967
Net income attributable to parent company shareholders			3,329		3,329							3,329
Acquisition of treasury stock				- 3,639	- 3,639							- 3,639
Disposition of treasury stocks		- 0		17	16							16
Net changes in items other than shareholders' equity						2,380		- 479	297	2,198	183	2,381
Total amount of changes during the year	-	- 0	1,361	- 3,622	- 2,261	2,380	-	- 479	297	2,198	183	120
Balance at end of the year	11,626	7,788	46,552	- 12,642	53,324	2,555	3,798	- 1,720	147	4,781	5,001	63,106

Together with employees

Relevant SDGs



Social Issues to be addressed

The average age of the population is becoming high throughout the world, and the number of people who suffer from chronic disease or health issues are increasing which has become a social issue. In Japan, aging of the working population is progressing due to decline in birthrate, the risk of lifestyle-related disease are rising, and the number of persons taking leave for mental disorders are increasing. In such a circumstances, improving the working environment became essential to achieve the sustainability for the company.

Sites covered: CMP (Japan only)

Benefits

Re-employment system

FY	2018	2019	2020
Number of retirees at the retirement age of 60	9	11	10
Number of employees re-employed (after age 60, up to 65)	7	9	10

Child Care Leave, Family Care Leave

FY	2018	2019	2020
Number of employees who have taken the child-care leave	2	1	2
Number of employees who have taken the family care leave	0	0	1

CMP formulates action plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on the Promotion of Female Participation and Career Advancement in the Workplace.

Employment of disabled persons

Since November 2017, CMP has contracted with a farm operating company in Kashiwa City, Chiba Prefecture, where people with disabilities are employed to cultivate vegetables, etc. As of the end of March 2021, we had an employment rate of approximately 1.7% for people with disabilities, including those working in agricultural operations. We will continue to strive to fulfill our social responsibilities.



Prevention of harassment

The work regulations have been amended to reflect CMP's determination on prevention of harassment in workplaces.

Education / training

Training for newly promoted managers
Safety training
Training in countermeasure against static electricity
Technical training

(*)In fiscal 2020, many of the training sessions planned were discontinued due to the impact of COVID-19.

Benefits program

Annual paid holidays
Accumulated paid holiday system (for medical leave, volunteering, nursing, etc.)
Refresh vacation system(longtime employees,Before reemployment)
Recreation facilities(Hakone, Atami, Izu, and Toba)

Labor-management relations

CMP has the labor union and participates in its upper tier union, the Japan Federation of Energy and Chemistry Workers Unions. In this way labor and management maintain a harmonious favorable relationship which has been cultivated for a long time.

Turnover rate

Through the Labor-Management Council, we are striving to improve the work environment, thoroughly implement safety measures and strengthen the welfare system, in order to create more pleasant and satisfying workplace environment. As a result of these efforts, our voluntary turnover rate has remained at a low level, and the voluntary turnover rate in fiscal 2020 was approximately 1.3%.

Health care

2020 - Target -

Prevention and measures against lifestyle-related diseases
Promotion of mental health maintenance measures

Prevention and measures against lifestyle-related diseases

Interviews by a public health nurse were held for persons at risk of metabolic syndrome.

Promotion of mental healthcare

Following activities were conducted to promote mental health care.

Training for management level employees (raising the awareness and creating a climate of managers)
Establishment and introduction of an external window for 'mental health counseling'.
Mental tests conducted
"Promotion of Exercise for Mind and Physical Health" and Radio Calisthenics Encouraging Week (Kyushu Factory)

Healthcare for Employees

At each workplace, we have a health supervisor, which periodically opens a Health and Safety Committee and, based on discussions with employees (Labour Union), have been working to improve the work environment.

Main measures against heat stroke

- Early morning shifts in working hours
- Increasing the number of electric fans
- Distribution of items for preventing heat-related illnesses such as salt candy and drinking water
- Placement of thermometers with WBGT index for heat stroke
- Installation of equipment that lowers the sensible temperature by putting air into clothing
- Sprinkling of water on the asphalt
- Installation of refrigerators near workplaces

Major countermeasures against COVID-19

- Promotion of staggered working hours and remote working
- Online in-house meetings
- Voluntary restraint on employees' going out or traveling on business
- Installation of the partitions and thermal cameras
- Regular ventilation



- ① Temperature measurement at the factory gate
- ② Acrylic board in the conference room

Installation of AED units

- Placement of AED (automated external defibrillators) units in the workplace and training of its operation

Occupational Safety and Health

2020 - Target -

- Strict observance of safe operation standards
- Achievement of zero industrial accident

Major Activities

In accordance with the Industrial Safety and Health Act, we take steps and monitor safety and hygiene.

- Promotion of 5S activities (Sort, Set in order, Shine, Standardize and Sustain)
- Environmental measurements (measurement of organic solvent concentration, ventilation in the workplace, illumination, noise measurement and room temperature measurement)

Improvement of workplace environment

Measurements based on the Working Environment Measurement Act are conducted annually (at unit workplaces to which the Organic Solvent Poisoning Prevention Regulations, Dust Disruption Prevention Regulations, etc. apply)

Wear earplugs or other protective equipment at unit workplaces that fall under the Control Category II

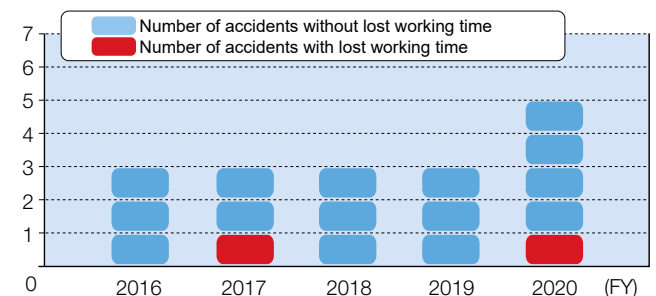
Occupational accidents at work-place (frequency of accidents) and frequency rate of accident

With the aim of eliminating occupational injuries, we make efforts to review work procedures, provide education and trainings, establish a system for checking these and extend measures and information horizontally to each workplace.

Additionally, work injuries, accidents and near miss cases that occurred at each business site are investigated at the Central Safety & Health Committee for the causes, and measures are distributed throughout the company.

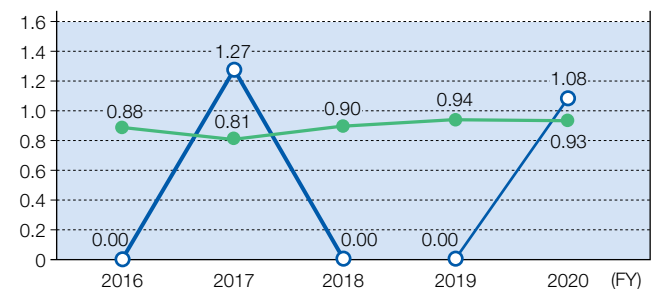
Occupational accidents at work-place (Number of accidents)

Sites covered: CMP (Japan only)



	(FY)	2016	2017	2018	2019	2020
Accidents without lost working time	Full-time employees	2	1	3	3	3
	Contract employees	1	1	0	0	1
	Total	3	2	3	3	4
Accidents with lost working time	Full-time employees	0	1	0	0	1
	Contract employees	0	0	0	0	0
	Total	0	1	0	0	1
Fatal accident	Full-time employees	0	0	0	0	0
	Contract employees	0	0	0	0	0
	Total	0	0	0	0	0

Disabling Injury Frequency Rate



- Frequency rate of accident / CMP (financial year)
- Frequency rate of accident / chemical industry average (calendar year)

Formula for calculation: Number of lost-time deaths and injuries from work-related accidents / Total number of working hours x 1,000,000

(*) Calendar year values from the "Chemical Industry" section of Survey on Industrial Accidents by Ministry of Health, Labour and Welfare.

Environmental management

Self-imposed control to protect environment, safety and health

Basic policies to secure environmental protection and ensure human safety & health

Basic principle

To conduct business activities reducing the loading on the environment and maintaining harmony with it, as well as considering safety and health.

Basic policies

- ① To comply with the law and regulations regarding the environment, safety and health.
- ② To promote our business activities through all the steps from the development of our products to their disposal, not only keeping in mind the environment, safety and health, but also resource conservation.
- ③ To develop and improve the products and technologies that are eco-friendly and safe to the global environment.
- ④ To consider the environment, safety and health of our employees and local residents through our business process of production, operation and distribution, as well as to promote the reduction of the environmental loading and waste products, resource conservation and recycling.
- ⑤ To shift to eco-friendly products and provide information and give advice to customers regarding the safe use and handling of our products in respect of the environment, safety and health in product markets.
- ⑥ To widely disclose information to the government and the local community regarding our products and operations.

Action guideline

Environmental preservation activities

Based on the basic policy of promoting Coatings Care, CMP will propel biodiversity preservation-conscious activities in accordance with the principle of “sustainable development” in the designing, manufacturing and sales of its products.

Safety and health maintenance activities

Based on the fundamental policies of the Coatings Care Action Guideline, safe and hygienic equipment, operation methods and management methods are established in order to eliminate industrial injuries and occupational diseases due to toxic substances. Operation methods are properly improved through mechanization etc. in order to eliminate severe duties such as heavy labor. Health conditions of workers are monitored and appropriate instruction for maintaining health is given as necessary.



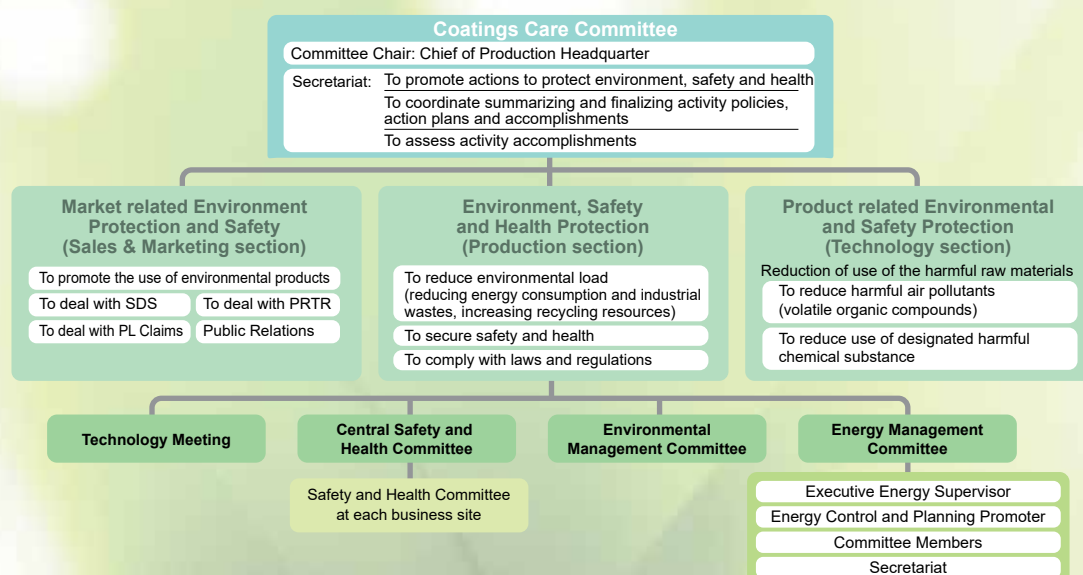
What is the Coatings Care?

Coatings Care is the self-imposed voluntary initiative proposed and advocated by the International Paint & Printing Ink Industry Council (IPPIC) and The Japan Paint Manufacturers Association to protect the environment, safety, and health at all stages of chemical processing, from their development right through to manufacturing, transportation usage and their disposal.

CMP declared participating in Coatings Care (a program to protect the environment, safety and health) in 2001, and has since promoted various activities along with the policy.

Organizational chart to promote Coatings Care

(1, April, 2020)



Registration

CMP manage the risks concerning environmental measures and occupational safety and health to improve the performance at the actual work site. CMP's work sites listed below have acquired relevant certification.

ISO 14001

CHUGOKU MARINE PAINTS, LTD. Shiga Factory & Technical Center(Shiga)	Japan
CHUGOKU MARINE PAINTS, LTD. Kyushu Factory	
CHUGOKU SAMHWA PAINTS, LTD.	Korea
TOA-CHUGOKU PAINTS CO., LTD.	Thailand
PT. CHUGOKU PAINTS INDONESIA	Indonesia
Acquisition rate: 50%	

OHSAS18001 / ISO45001

CHUGOKU SAMHWA PAINTS, LTD. (OHSAS18001)	Korea
P.T. CHUGOKU PAINTS INDONESIA (ISO45001)	Indonesia
Acquisition rate: 13%	

*ISO 9001 Registration: page 19

Environmental education and training

CMP conducts environmental seminars and trainings under its program.

Status of implementation

- ☒ Energy-saving activities
- ☒ Training to prevent water contamination
- ☒ Prevention of Transport Accidents
- ☒ Acquiring knowledge of operations on organic solvent
- ☒ Measures against dust when compounding
- ☒ Pick out dangerous areas

Training of Internal environmental auditors

CMP conducts seminars and training of Internal auditors according to the plan in order for improving the environmental management system.

Official qualification regarding the environment

CMP encourages its staff to obtain the qualification for environmental preservation such as pollution control manager and dangerous object handler, and our staff obtain such qualification in a planned manner.



Plans to deal with environment, Safety and health issues

In order to further strengthen its activities toward the environment, safety and health, CMP sets annual targets at Coatings Care Committee meetings.

Industrial safety and health

Prevention of industrial accidents	Page 29
Creation of comfortable workplaces	
Health promotion of employees	

Disaster and accident prevention

Prevention of accidents regarding safety maintenance	Page 44
Disaster preparedness	
Risk management	

Environmental preservation

Climate change	Page 34
Resource utilization and pollution prevention	Page 37
Conservation of biodiversity	Page 43

Product safety

Thorough apprehension, communication and evaluation of product safety information	Page 19
Compliance with related laws and regulations	Page 41

Chemicals control

Promotion of compliance with related laws and regulations in Japan and overseas	Page 41
Minimization of risk for chemicals	

Logistics safety

Prevention of accidents and disasters related to logistics	Page 44
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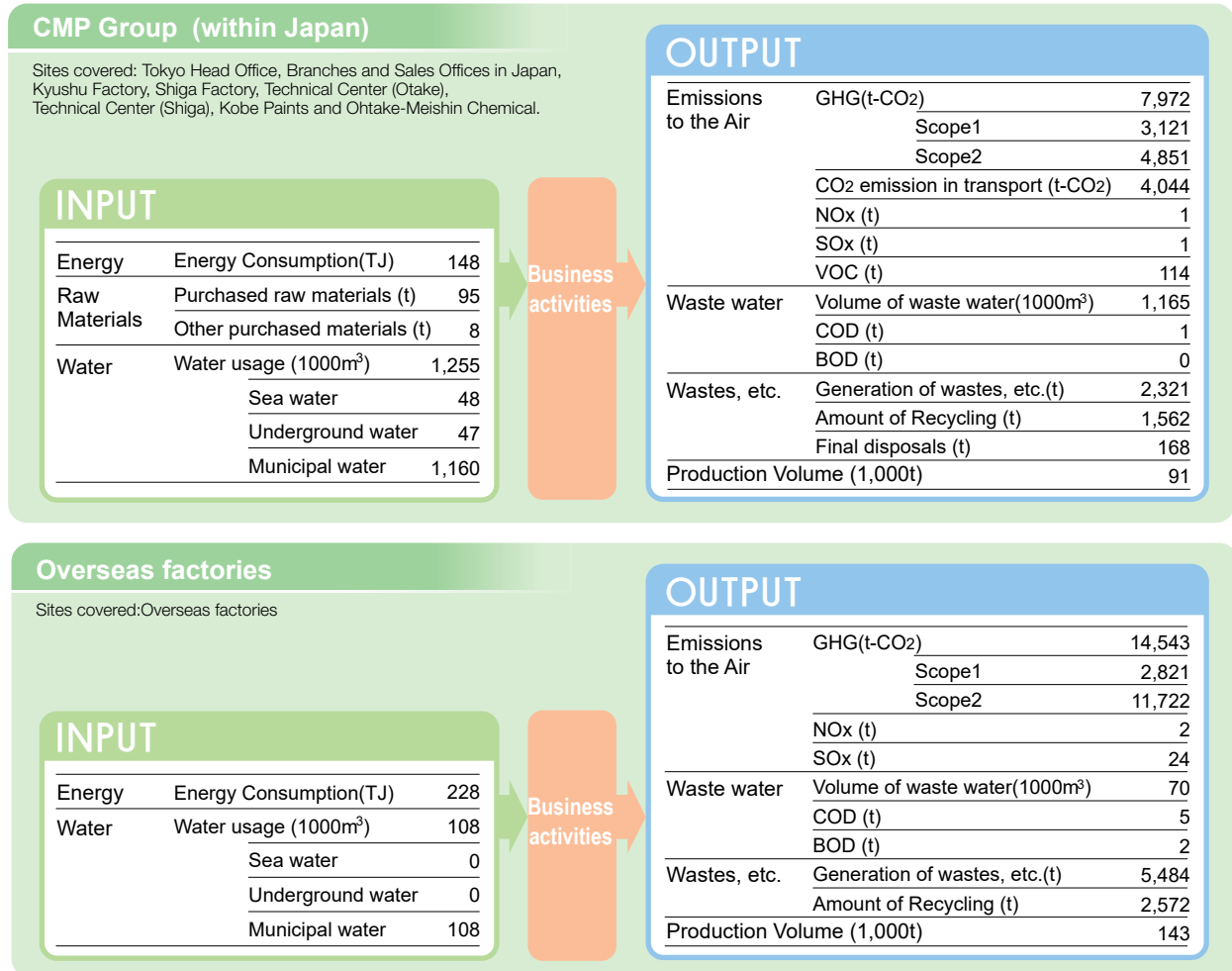
Communication with local residents and community

Promotion of communication with local residents and community	Page 21
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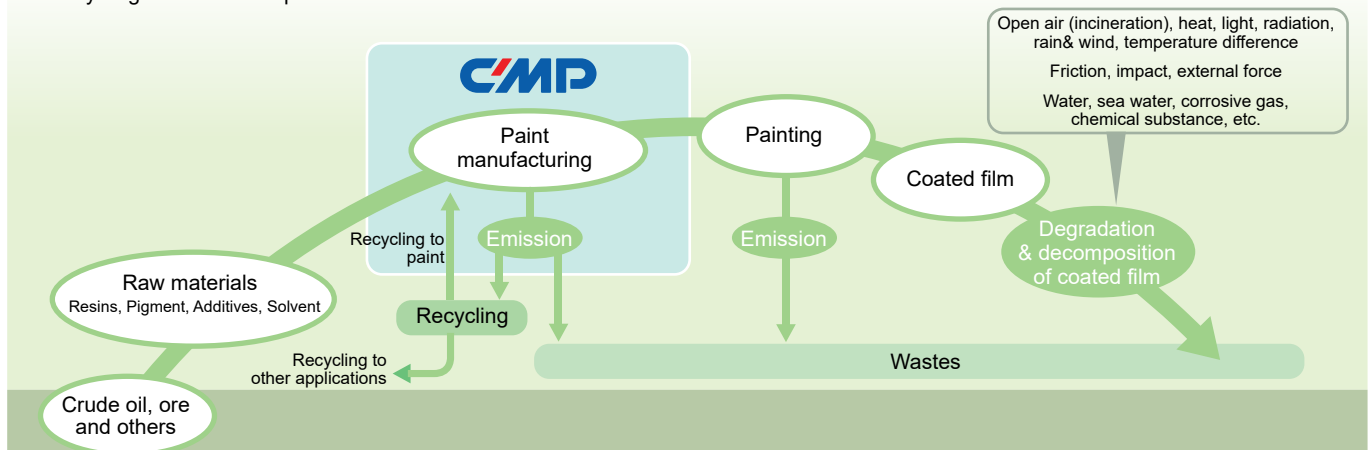
Material balance

Material balance

Material balance expresses the input of energy and resources in business activities and the output of products and environmentally hazardous substances generated due to such activities. CMP endeavors to understand the environmental burden of its business activities and to reduce environmentally hazardous substances.



The schematic illustration below depicts the life cycle of paint products from collection of raw materials, manufacturing, painting and recycling to eventual disposal.



Climate change

Relevant SDGs



Social Issues to be addressed

The progress of global warming has broadened the impact of climate changes such as meteorological disasters and water scarcity, which is raising various risks such as illness due to heat waves, lack of food caused by atmospheric temperature increase, and disruption of infrastructure functions due to extreme weather events. Business operators are expected to take both "mitigation measures" to reduce greenhouse gas emissions and "adaptation measures" to prevent and alleviate existing and potential influences of climate changes.

Major actions

Sites covered: Tokyo Head Office, Branches and Sales Offices in Japan, Kyushu Factory, Shiga Factory, Technical Center (Otake) and Technical Center (Shiga)

2020 - Target -

Reduce energy consumption per unit	99% compared with fiscal 2019
Reduce electricity demand rating per unit	99% compared with fiscal 2019

2020 - Results -

Reduce energy consumption per unit	106% compared with fiscal 2019
Reduce electricity demand rating per unit	106% compared with fiscal 2019

2021 Target : 98% compared with fiscal 2019

Sites covered: Kobe Paints, Ohtake-Meishin Chemical.

2020 - Target -

Reduce energy consumption per unit	99% compared with fiscal 2019
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2020 - Results -

Reduce energy consumption per unit	113% compared with fiscal 2019
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2021 Target : 97% compared with fiscal 2019



Changeover of lighting to LEDs
(Kyushu Factory)



Solar Power Generation System
(Headquarters in Hiroshima)

Values CMP can offer



CMP's fuel-saving antifouling contribute to reduction of environmental burden by curbing CO₂ emissions from ships.



CMP's high-reflective (heat reflective) coatings contribute to reduction of environmental burden through its high energy-saving effect.

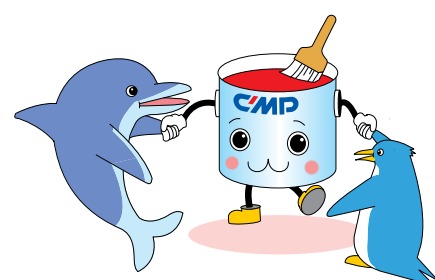
► Please see page 11 - 12 "Environmental products" for details.

Compliance with the Act on Rational Use and Proper Management of Fluorocarbons

In Japan CMP group possesses 404 specified equipment, and we work to appropriately figure out the amount of fluorocarbons leaked in accordance with the management criteria established by the country. In fiscal year 2020, there was no leakage of 1000t-CO₂ or more fluorocarbons.

Initiatives of the Japan Paint Manufacturers Association

The Japan Paint Manufacturers Association is indirectly working to reduce CO₂ through reducing NMVOC (non-methane hydrocarbons). Based on information from member companies each year, JPMA summarize the "Estimation of VOC emissions from paints" and also promote the activities of each member company in the Coatings Care activities.

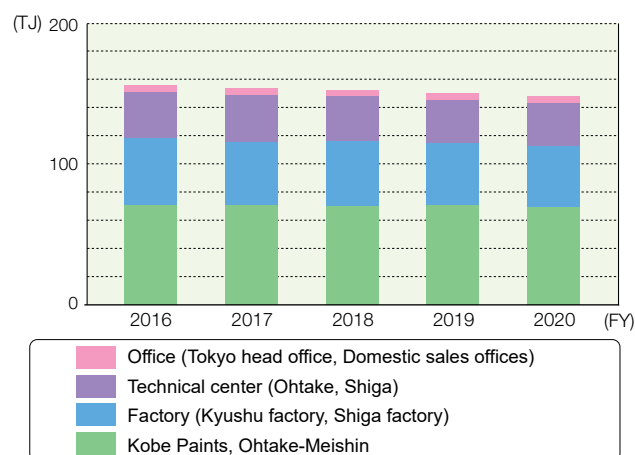


Climate change

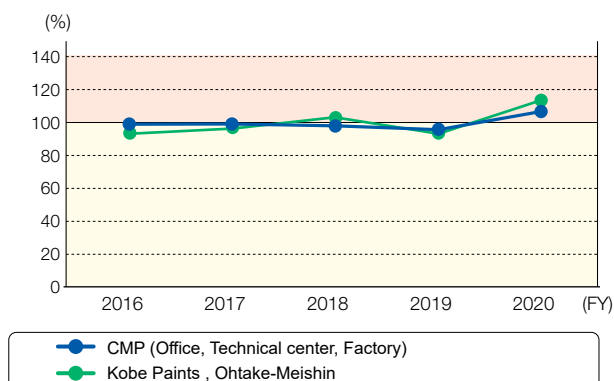
Initiatives at Factories, Technical Centers and Sales Office

We are working to reduce fixed energy consumption by promoting the visualization of energy consumption, appropriately adjusting the set temperature of air conditioners, turning off lights during lunch breaks, and encouraging the use of energy-saving mode of PC monitors. Energy-saving measures such as upgrading air conditioners and changing to LED fluorescent lamps were implemented. We encourage Cool Biz campaign and post an electric-saving poster to raise awareness among employees.

Transition of Energy Consumption



Per Unit data comparison with previous years

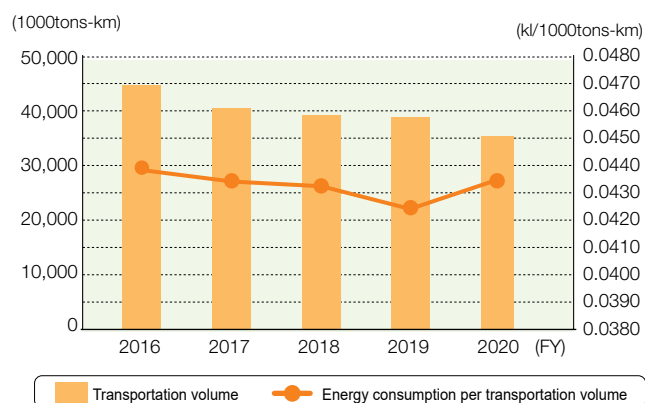


FY	2018	2019	2020
Energy Use (GJ)	152,285	149,977	148,472
Electricity	105,909	102,526	101,149
Fuel	45,677	46,751	46,395
Heat	699	700	928
Specific energy consumption per unit of production (MJ/t)	1,154	1,122	1,235
Specific energy consumption per floor area for other than production (MJ/m ²)	2,326	2,221	2,280

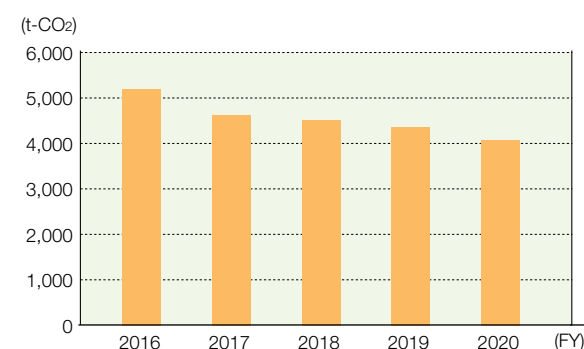
Initiatives for Transportation

We try to improve transport efficiency through modal shifts and improvements in the loading ratio of freight vehicle transport, and also reduce the number of deliveries by placing bulk orders. We have asked transporters to stop idling, promote the use of eco-tires and eco-drive recorders, and switch to hybrid vehicles. Efforts are made to change to fuel-efficient business cars, and in fiscal 2020, 75% of our business vehicles held were low-emission vehicles.

Transition of transportation volume and energy consumption per transportation volume



Trends in CO₂ emissions from transportation



FY	2018	2019	2020
Transportation volume (1000tons-km)	39,292	38,850	35,318
Energy consumption per transportation volume (kl/1000tons-km)	0.0431	0.0423	0.0433
CO ₂ emissions(t-CO ₂)	4,475	4,336	4,044



Partial uninstallation of fluorescent lights (Headquarters in Tokyo)

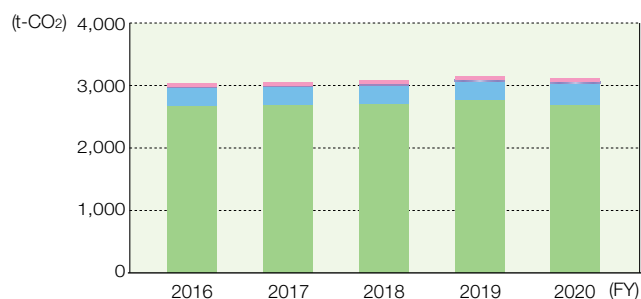


Posters to promote electric power savings (Headquarters in Tokyo)

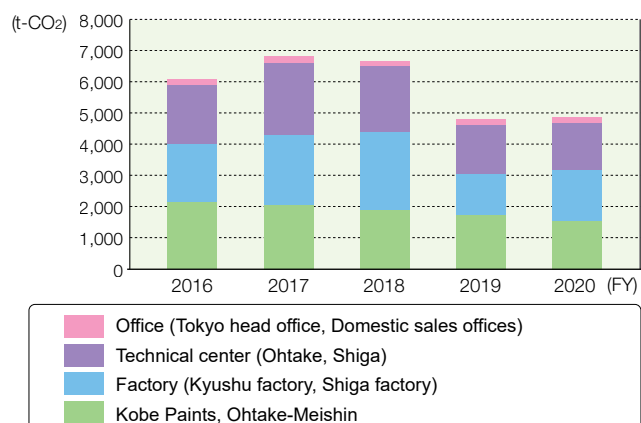
CO₂ emissions

In response to the heightened importance of ascertaining CO₂ emissions throughout the supply chain, CMP calculates CO₂ emissions in Scope 1, Scope 2, as well as Scope 3. CO₂ emissions in Scope 3 were accounted on a trial basis for the Head Office in accordance with the calculation method provided in the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.3 (Ministry of the Environment, Ministry of Economy, Trade and Industry; December 2017).

Scope 1



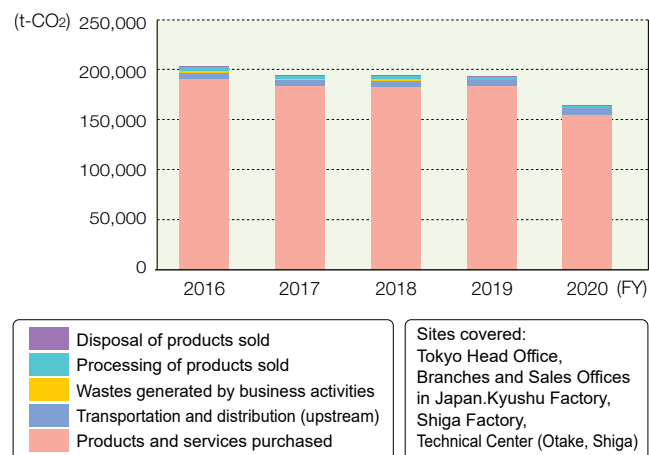
Scope 2



GHG (Greenhouse Gas)

FY	2018	2019	2020
Scope1(t-CO ₂ e)	3,087	3,154	3,121
CO ₂ (energy source)	3,087	3,154	3,121
(non-energy source)	0	0	0
N ₂ O	0	0	0
HFCs	0	0	0
PFCs	0	0	0
CH ₄	0	0	0
SF ₆	0	0	0
NF ₃	0	0	0
Scope2(t-CO ₂)	6,653	4,795	4,851
Total GHG emissions (Scope1+Scope2)(t-CO ₂)	9,740	7,950	7,972
GHG emissions (t-CO ₂) during production	7,398	6,141	6,225
Intensity (kg-CO ₂ /t) of GHG emissions per production volume	74	60	68
GHG emissions from other than production (t-CO ₂)	2,342	1,808	1,747
Intensity of GHG emissions per total floor area from other than production (kg-CO ₂ /m ²)	149	115	111

Scope 3



Sites covered:
Tokyo Head Office,
Branches and Sales Offices
in Japan, Kyushu Factory,
Shiga Factory,
Technical Center (Otake, Shiga)

FY	2018	2019	2020
1 Goods and services purchased	182,944	183,076	154,063
2 Capital goods	(*)	(*)	(*)
3 Fuel- and energy-related activities (not included in scope 1 or scope 2)	—	—	—
4 Transportation and distribution (upstream)	7,299	7,144	6,598
5 Waste generated in operations	801	519	498
6 Business travels	281	266	189
7 Employee commuting	67	68	51
8 Leased assets (upstream)	(*)	(*)	(*)
9 Transportation and distribution (downstream)	—	—	—
10 Processing of products sold	3,252	2,592	2,266
11 Use of products sold	—	—	—
12 End-of-life treatment of products sold	257	258	233
13 Leased assets (downstream)	—	—	—
14 Franchises	—	—	—
15 Investments	—	—	—
Total	194,901	193,924	163,896

(*) Under investigation



Supply-chain emissions

Supply-chain emissions are emissions of greenhouse gas generated in the entire flow of organization activities of business operator, including raw material procurement, manufacturing, logistics, sales and disposal, classified into Scope 1 (direct emissions), Scope 2 (energy-derived indirect emissions), and Scope 3 (other indirect emissions). In recent years, a movement to control and disclose greenhouse gas emissions up to Scope 3 for the entire supply chain has become predominant.

Resource utilization and pollution prevention

Waste

Relevant SDGs



Social issues to be addressed

Due to the growth of the population and economy, restriction of resources now became actualized globally. The evolvement from mass-production, mass-consumption and mass waste-producing society to a recycling society restraining natural resource consumption and with less environmental impact is required.

Initiatives

3R (Reduce, Reuse and Recycle) are thoroughly implemented, and wastes generated during business activities are reused as much as possible to make effective use of resources.

In order to prevent illegal disposal and treatment of wastes, we regularly visit the contractors to check that wastes are properly treated.

Major actions

Formation of recycling society

2020 - Target -

Volume of wastes, etc.
Kyushu Factory, Shiga Factory

5% reduction compared with fiscal 2019

Recycling ratio of wastes
Kyushu Factory, Shiga Factory,
Technical Center (Otake, Shiga),
Kobe Paints, Ohtake-Meishin

66%

2020 - Results -

Achievement evaluation ★★★★★

Volume of wastes, etc.
Kyushu Factory, Shiga Factory

11% reduction compared with fiscal 2019

2021 Target: 5% reduction compared with fiscal 2019

Recycling ratio of wastes
Kyushu Factory, Shiga Factory,
Technical Center (Otake, Shiga),
Kobe Paints, Ohtake-Meishin

67%

2021 Target: 67%

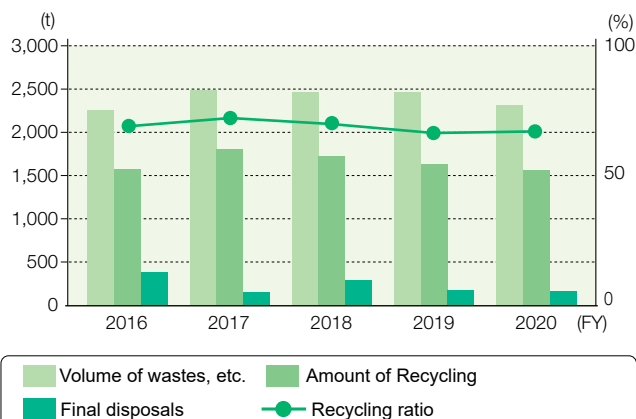


Separate collection containers (Shiga Factory)
Promoting resource recovery and reuse of industrial waste

Waste Reduction

Volume of wastes, amounts of external intermediate and final disposals, recycling ratio of wastes

Sites covered: Kyushu Factory, Shiga Factory, Technical Center (Otake, Shiga), Kobe Paints and Ohtake-Meishin Chemical



FY	2016	2017	2018	2019	2020
Volume of wastes, etc.(t)	2,266	2,488	2,466	2,467	2,321
Harmful waste(t)	0	0	0	0	0
Amount of Recycling(t)	1,568	1,797	1,723	1,624	1,562
Recycling ratio(%)	69	72	70	66	67
Final disposals(t)	390	150	294	185	168

On-site confirmation of waste disposal contractors

In fiscal 2020, five contractors were visited to check the state of disposal, facility, storage and improper disposal. As a result, none of the contractors was rated as noncompliant.

Values CMP can offer

CMP's anti-corrosive coatings contribute to resource saving by reducing corrosion and deterioration of materials.



► Please see page 11 "Environmental products" for details.

Delivery system that have been advanced with users in an effort to create a Sound Material-Cycle Society



IBC(Intermediate Bulk Container)



IBC



Automatic paint blending equipment



Blending & Weighing

IBC system

In 1995, sales of IBC system started to reduce the use of petroleum cans and other containers disposed after paint use, and to reduce paints remaining in containers after paint use. With this system, we provide paints in repeatedly usable IBC container tanks, and after use, the tanks are collected and cleaned to refill and resell paints. This system is realized in cooperation with users who construct a building for installing equipment such as automated paint mixing devices.

IBC system will lead to the practice of circular economy that effectively utilize resources while reducing resource input and using stocks effectively.

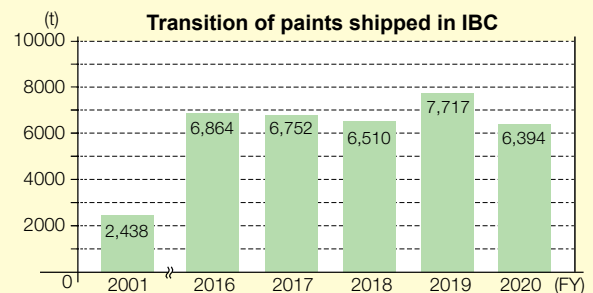
To reduce paint loss

In general, 2 - 5% residues of paints are disposed together with cans. In the case of IBC container tanks, paints are hardly left due to the properties of their shapes, and in addition, paints are forcibly sucked by the pumping of the automated paint mixing device, so that the amount of paints remaining in a container tank is extremely small.

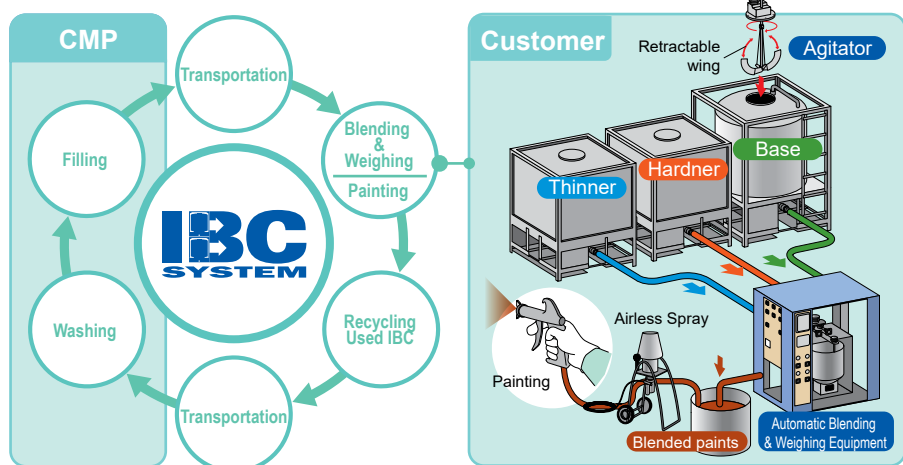
To reduce waste can disposals

We can reduce the amount of waste cans equivalent to 70 to 100 oil cans per IBC container tank. Industrial wastes of paint containers such as 18L petroleum cans and drums are reduced in proportion to the volume of paints delivered using IBC system. In fiscal year 2020, we shipped 6,394 tons of products in IBC container tanks and reduced 610,000 waste cans. In the past 20 years, we have reduced approximately 11.92 million waste cans (*), which contributed to the reduction of industrial wastes.

(*) Approximate quantity calculated by converting the paint volume shipped from IBC into conventional 18 liter oil cans.



Concept of IBC system



By switching to IBC, premise of the shipyards were much better put in order

Resource utilization and pollution prevention

Water resources

Relevant SDGs



Social issues to be addressed

Only 0.01% of the water existing on this planet is directly usable by the people as a water resource. Even such limited water resource is exposed to water pollution and the volume of available water resources has been continuously decreasing, resulting in increased water stress. On top of that, climate change is inducing water-related issues such as drought and deluge throughout the world.

Initiatives

We assessed and confirmed the water risks at factories and technology sites with Aqueduct Water Risk Atlas, a tool of the World Resources Institute (WRI).

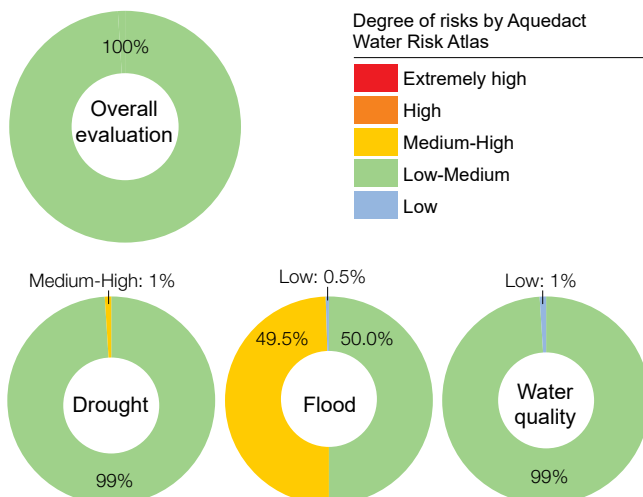
Efficient use of water is promoted by appropriately managing wastewater from each factory and laboratory.



Effluent treatment facility
(Shiga factory)

Results from water risk survey

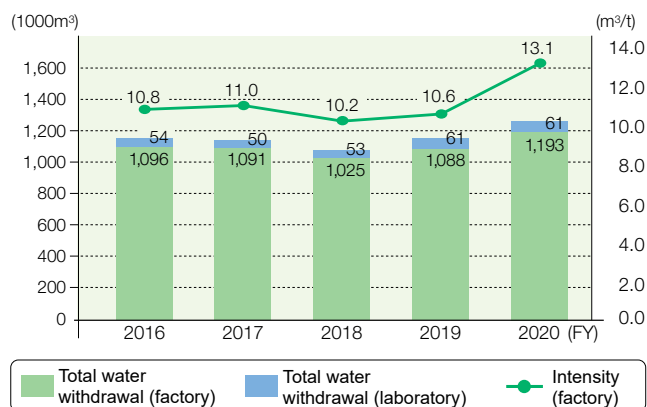
Sites covered: Kyushu Factory, Shiga Factory, Technical Center (Otake, Shiga), Kobe Paints and Ohtake-Meishin Chemical



Total water withdrawal, Total water discharge, Water pollution prevention

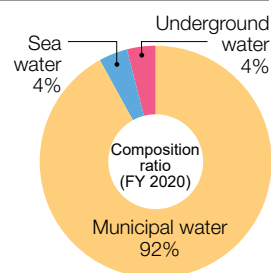
Sites covered: Kyushu Factory, Shiga Factory, Technical Center (Otake, Shiga), Kobe Paints and Ohtake-Meishin Chemical

Trends in water consumption (water withdrawal) and intensity



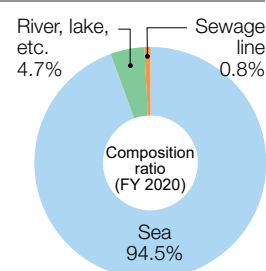
Trends in total water withdrawal

FY	2018	2019	2020
Sea water	38	45	48
Underground water	56	38	47
Municipal water	983	1,066	1,160
Surface water	0	0	0
Rain water	0	0	0
Total	1,077	1,149	1,255



Trends in total water discharge by destination to discharge

FY	2018	2019	2020
Sea	925	977	1,101
River, lake, etc.	54	45	55
Sewage line	10	12	9
Underground / well	0	0	0
Others	0	0	0
Total	989	1,034	1,165



Water pollutants

FY	2018	2019	2020
COD	1.2	1.1	1.5
BOD	0.5	0.6	0.3

COD (Chemical Oxygen Demand)

This is used as one of the major indexes to see the state of water pollution by organics in sea or lake water quality, by converting the amount of oxidant consumed when decomposing organic matter in water into the amount of oxygen.

BOD (Biochemical Oxygen Demand)

This is used as one of the major indexes to see the state of river water pollution, by calculating the amount of oxygen consumed when organic matter in water is decomposed by the action of microorganisms.

Resource utilization and pollution prevention

Air pollution control

Relevant SDGs



Social issues to be addressed

Volatile Organic Compounds (VOC) is known to cause photochemical oxidants (Ox) and suspended particulate matter (SPM) that cause photochemical smog. In addition, it has been pointed out that VOC affects the human body, along with nitrogen oxides (NOx) and sulfur oxides (SOx) generated from the combustion of fossil fuels. Due to the increase in air pollutants associated with the economic development of the world, issues such as acid rain are spreading globally.

Initiatives

By introducing deodorization devices, we reduce VOC emissions and simultaneously reduce odors to neighborhoods.

Major Actions

Amount of VOC

(Shiga Factory, Kyushu Factory)

2020 - Target - 48% reduction compared with fiscal 2000

2020 - Result - 49% reduction compared with fiscal 2000

2021 Target : 50% reduction compared with fiscal 2000

Transition of emissions discharged into air

(t)

Sites covered: Kyushu Factory, Shiga Factory, Technical Center (Otake, Shiga), Kobe Paints and Ohtake-Meishin Chemical

FY	2018	2019	2020
VOC	127	128	114
NOx	2	1	1
SOx	1	1	1

Ventilation equipment
(Shiga factory)



Deodorization equipment
(Kyushu Factory)

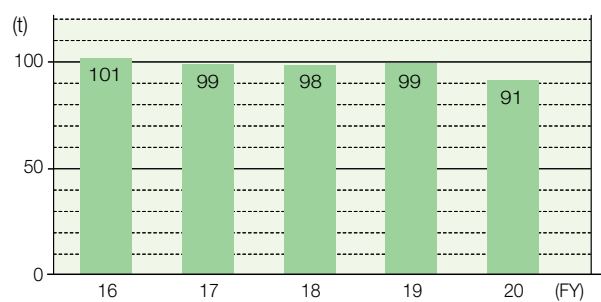


The PRTR substances

CMP engages in necessary actions through investigation of 462 substances designated by ordinance. 34 among the 462 PRTR substances designated by the government became subjects of notification (according to the record of 2020) in 2021. Three substances of Xylene, Toluene and Ethyl benzene comprise 99.4% of the total emission to the air from CMP.

Transition of emissions discharged into air

Sites covered: Kyushu Factory, Shiga Factory, Technical Center (Otake, Shiga), Kobe Paints and Ohtake-Meishin Chemical



Environmental emissions of PRTR substances

	Air	Water area	Soil
Emission (t)	91	0	0

Substances with environmental emissions or transfers are 10kg or more

Designated chemical names (Unit: kg)	Serial number of chemical substance	Emission volume			Transfer volume	
		Emission into the air	Emissions to water	Emissions to soil	To sewage system	Transfer to outside the premise
Water-soluble zinc compound	1	0	0	0	0	18
Antimony and its compounds	31	0	0	0	0	46
4,4'-Isopropylidenediphenol	37	0	0	0	0	62
Ethyl benzene	53	40,906	0	0	0	50,115
Xylene	80	37,330	0	0	0	72,909
Cumene	83	14	0	0	0	1
Chromium & trivalent-chromium compounds	87	0	0	0	0	15
3,3'-dichloro-4,4' diamino diphenyl methane	160	0	0	0	0	21
Styrene	240	71	0	0	0	220
Triethylenetetramine	278	0	0	0	0	200
1,2,4-trimethylbenzene	296	335	0	0	0	223
1,3,5-trimethyl-benzene	297	129	0	0	0	255
Toluene	300	12,128	0	0	0	17,804
Hexamethylene diacrylate	306	0	0	0	0	33
Polycarbamate	329	0	0	0	0	17
Phenol	349	0	0	0	0	41
Bis(2-ethylhexyl)phthalate)	355	0	0	0	0	75
Benzophenone	403	0	0	0	0	180
Formaldehyde	411	0	0	0	0	24
Phthalic Anhydride	413	0	0	0	0	11
Methylenebis(4,1-phenylene)diisocyanate	448	0	0	0	0	100
Molybdenum and its compounds	453	0	0	0	0	59
Tritolyl phosphate	460	6	0	0	0	82

Management of chemical substances contained in products

Relevant SDGs



Social issues to be addressed

Chemical substances are widely used in modern society, yet some of them can be harmful to humans, other life forms and the natural environment. Safe use of chemical substances requires understanding their characteristics including toxicity as well as properly controlling their manufacturing, distribution and use to minimize associated risks. Establishment of laws and regulations for the purpose of proper management of chemical substances and protection of human health and the environment has been progressing globally.

Initiatives

As a company that handles a wide range of chemical substances, CMP introduced its own chemical substance management system in 2008 and has since been conducting proper management of chemical substances. Through this system, information on the safety of raw materials, on relevant laws and regulations, and on product design is processed into chemical information of products, which is then utilized in observing laws and regulations of respective countries, ensuring safety, and providing customers with necessary information in a prompt and appropriate manner.

Values CMP can offer



CMP's silicone antifouling reduce adverse effects of antifouling agents on the marine environment.



CMP's low-VOC products have significantly reduced levels of volatile organic compounds (VOCs), the main cause of photochemical smog.

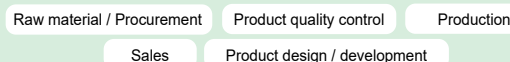


CMP's waterborne coatings are highly effective in reducing sick building syndrome for their low-VOC levels.

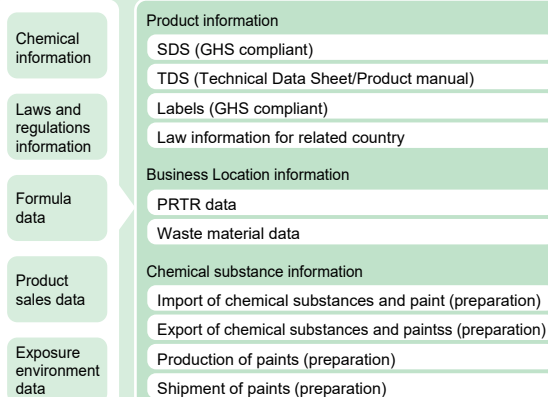
► Please see page 11-12 "Environmental products" for details.

Management of chemical substances

Quality Management System (JIS Q 9001:2015)



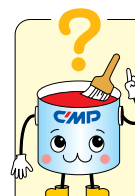
Management system



Risk assessment of chemical substances

The Industrial Safety and Health Act obligates business bases that deal with substances subject to issuance of SDS (674 substances) to conduct risk assessment. CMP have appointed persons responsible of such risk assessment, and promotes assessment based on the control-banding method by the safety and health committees of each business base.

Benzyl alcohol was added to the hazardous substances in the revision of the Order for Enforcement of the Industrial Safety and Health Act on January 1, 2021. The Ministry of Health, Labour and Welfare has shown a policy to expand the range of hazardous substances in the future, and it is anticipated that more target substances will be added.



What is SDS?

SDS (Safety Data Sheet) describes the characteristics and handling information of chemicals. In case the ownership of chemicals or products containing chemicals is transferred to another party, the SDS should be presented.

What is GHS?

GHS, "Globally Harmonized System of Classification and Labeling of Chemicals" is an internationally agreed system to classify chemicals according to the kind and extent of hazard. Such classified information is displayed on labels for easy understanding and a SDS is provided.

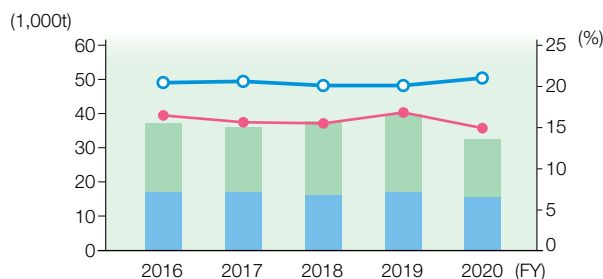
Reduction of harmful substance

CMP sets reduction target to use harmful substance and promotes its reduction plan.

Reduction in the toxic substance content rate (○) in the amount of products manufactured at the Kyushu Factory and the Shiga Factory (comparison to fiscal 2019)

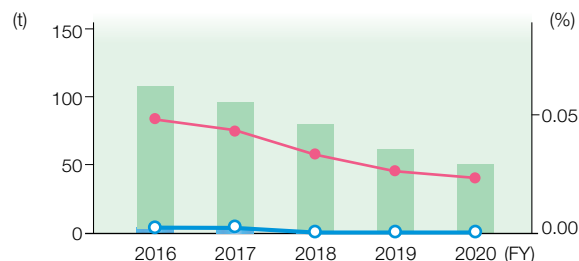
2020 target		2019 Results Achievement evaluation ☆☆☆	2021 target	
T,X,EB	Decreased by 0.2 percentage points from fiscal 2019		Decrease by 0.4 percentage point from fiscal 2019	
Lead and chromium	Maintained the same as fiscal 2019 results		Maintain the same as fiscal 2019 results	
Environmental Hormones	Maintained the same as fiscal 2019 results		Maintain the same as fiscal 2019 results	
Tar	0% maintained		Maintain 0%	
		1 point increased from fiscal 2019		
		0.00007 percentage points increased from fiscal 2019		
		0.001 percentage points decreased from fiscal 2019		
		0% maintained		

Toluene, Xylene and Ethyl Benzene



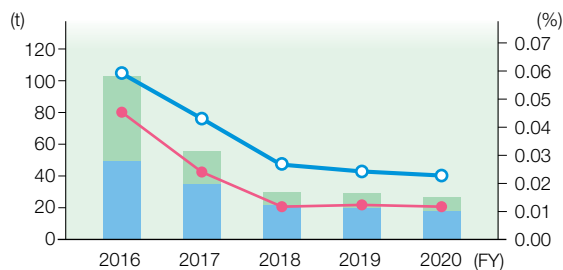
FY		2018	2019	2020
Kyushu Factory + Shiga Factory	Usage(t)	17	17	16
	Content Ratio(10 ⁻² %)	20	20	21
Kyushu Factory + Shiga Factory + overseas factories	Usage(t)	37	39	32
	Content Ratio(10 ⁻² %)	16	17	15

Lead/Chrome



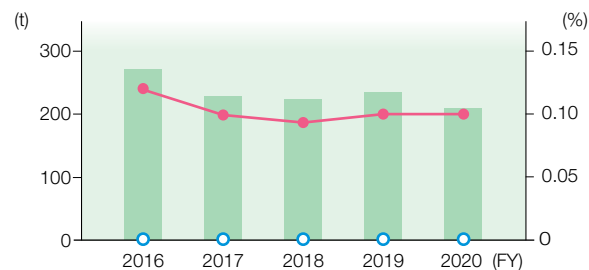
FY		2018	2019	2020
Kyushu Factory + Shiga Factory	Usage(t)	0.1	0.1	0.1
	Content Ratio(10 ⁻² %)	1.1	1.1	1.8
Kyushu Factory + Shiga Factory + overseas factories	Usage(t)	80	61	51
	Content Ratio(10 ⁻² %)	3.3	2.6	2.3

Environmental Hormones (Endocrine Disrupter)



FY		2018	2019	2020
Kyushu Factory + Shiga Factory	Usage(t)	22	20	17
	Content Ratio(10 ⁻² %)	2.7	2.4	2.3
Kyushu Factory + Shiga Factory + overseas factories	Usage(t)	29	29	26
	Content Ratio(10 ⁻² %)	1.2	1.2	1.2

Tar



FY		2018	2019	2020
Kyushu Factory + Shiga Factory	Usage(t)	0	0	0
	Content Ratio(10 ⁻² %)	0	0	0
Kyushu Factory + Shiga Factory + overseas factories	Usage(t)	223	232	211
	Content Ratio(10 ⁻² %)	9.3	9.9	9.8

Sites covered: Kyushu Factory, Shiga Factory and overseas factories

Usage (Kyushu Factory, Shiga Factory)

Usage (Overseas factories)

Content Ratio (Kyushu Factory, Shiga Factory)

Content Ratio (Kyushu Factory, Shiga Factory and overseas factories)

Conservation of biodiversity

Relevant SDGs



Social issues to be addressed

The blessings of biodiversity are the very foundation of affluent life of humans. However, human social activities are slowly maiming biodiversity on a global scale. In order to achieve the 2050 vision of "coexistence with nature", there is a growing need to link initiatives related to the conservation and regeneration of biodiversity at all levels.

Initiatives

Sites covered: CMP (Japan only)

In 2017, CMP introduced biodiversity conservation activities into the action policy of Coatings Care. The action policy prescribes propelling biodiversity preservation-conscious activities in accordance with the principle of "sustainable development" in the designing, manufacturing and sales of CMP's products. CMP is steadily increasing the ratio of Green Purchasing and Procurement in stationery and office items and switching copying paper and printed matters to FSC (Forest Stewardship Council)-certified paper to reduce the volume of copying paper used.

Additionally, in a bid to realize sustainable procurement of raw materials, CMP checks the approaches of raw material manufacturers and suppliers to environmental issues through surveys on their acquisition status of ISO 14001 certification. A survey conducted in FY2020 found that 51 percent of 272 manufacturers and suppliers have acquired the certification. Further, CMP participates in planting and river cleaning activities hosted by local governments, and promotes social activities in consideration of regional biodiversity.

2020- Target -

- Continue green procurement for raw materials and other materials
- Continue green procurement for office supplies

2020- Results -

Achievement evaluation ★★☆☆

- 51% of the suppliers surveyed obtained ISO14001 certification
- The rate of green products in the purchased amount was 58%

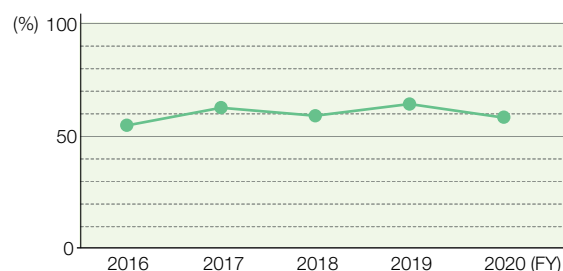


On October 12, 2020, January 25 and March 15, 2021, Shiga Factory participated in cleaning Gioi River sponsored by Fieldwork Yasu, a civil activity group.

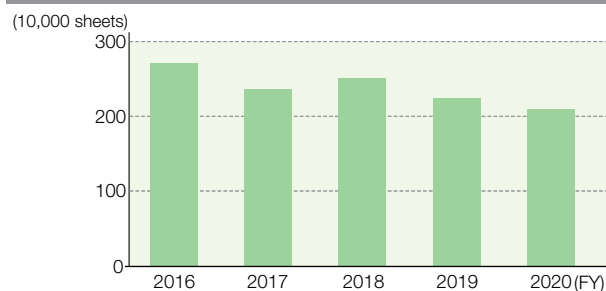


FSC certified paper is used in many documents issued by CMP, including this report and periodic reports to the shareholders.

Rate of green products in the total purchased amount



Number of copying paper purchased (A4 equivalent)



Sites covered: Tokyo Head Office, Branches and Sales Offices in Japan. Kyushu Factory, Shiga Factory, Technical Center (Otake, Shiga)

Values CMP can offer



CMP's high-performance antifoulings contribute to reduction of the number of organisms passing across borders associated with global voyage by reducing the number of marine organisms attaching to the bottom of ships.

Disaster and accident prevention

Relevant SDGs



Social issues to be addressed

Accidents such as fire, explosion, and leaking of harmful substances may have adverse effects on the surrounding environment. Business operators are required to prevent such accidents and minimize the damage of natural disasters that have been occurring more frequently in recent years to ensure the safety and security of their workers and local communities.

Initiatives

We have the Central Safety and Health Committee, consisting of the chief or vice chief of each Headquarter, general managers of at each workplace and the union's executive members, as an upper organization of the Safety and Health Committee at each workplace to provide a unified management of the safety and health of the company as a whole. The Central Safety and Health Committee holds regular meetings once every two months to solve new problems and to check the progress of the situation after solving the problem in order to eradicate the problem. In addition, such issues is further studied by developing to the possibility of occurring in other situations to prevent disasters and accidents.

Major actions

Sites covered: CMP (Japan only)

2020 - Target -

- Achievement of zero accidents regarding safety management
- Eradication of environmental incidents
- Continued achievement of zero logistics-related accidents

2020 - Results -

Achievement evaluation ★★☆☆

Accidents regarding safety management	6
Environmental incidents	0
Logistics-related accidents	0

Cases of possible emergency circumstance

- Air pollution by static electricity-induced fire
- Outflows of hazardous materials or paints from a damaged raw material warehouse or products warehouse caused by a natural disaster
- Leaks or outflows of hazardous materials caused by inappropriate transportation of raw materials
- Air pollution caused by fires triggered by an abnormal reaction during the manufacturing process
- Eruptions, leakages and discharges of toxic gas caused by inappropriate storage of wastes
- Leaks and outflows of hazardous materials and paints caused by damage to an outdoor storage
- Leaks and outflows of paints caused by a damaged production line

CMP has implemented wide-ranging measures in response to potential large-scale natural disasters, including the Tonankai Earthquake, and an inland earthquake affecting the metropolitan area, in order to maintain a stable supply and ensure the safety of our employees.

- Simulation of emergency alternative production
- Implementing earthquake-resistant measures for buildings, fixing dangerous indoor objects to walls, etc.
- Storing emergency foods and drinking water
- Conducting evacuation drills
- Preparing accommodation goods for employees unable to go home

Disaster prevention training

CMP have the "Emergency Action Plan" and periodically conducts trainings to prevent the environmental pollution in case of an emergency circumstance happens.

Kyushu Factory	Firefighting training (June, November 2020)
Shiga	Firefighting training (June 2020)
(Factory and Technical Center)	Emergency earthquake training (September 2020)
	Water discharge training (December 2020)
	Training to prevent water contamination (March 2021)
Shiga (Technical Center)	Training to prevent water contamination (September 2020)
Otake (Technical Center)	Firefighting training (October 2020, March 2021)
Kobe Paint	Firefighting training (September 2020)
	Emergency earthquake training (November 2020)
Ohtake-Meishin	Blackout response drill (April 2020)
	Training to prevent water contamination (July 2020)
	Water discharge training (August 2020, March 2021)
	Evacuation training (September 2020)
	Firefighting training (November 2020)
	Reporting training (December 2020)



Water discharge training (Shiga)



Firefighting training (Kyushu)



Firefighting training (Kobe)



Firefighting training (Ohtake-Meishin)

Environmental accounting & Eco-efficiency

Environmental accounting

CMP keeps track of the expenses associated with investment in environmental conservation, evaluates the costs versus the benefits and publicly reports this information.

Environmental Accounting Policy In reference to the Ministry of the Environment's "Environmental Accounting Guidelines (2005 Edition)", the below data has been collected based on our "Policy for Environmental Accounting".
Economical results have been figured out based on realistic reasons only and exclude hypothetical ones such as potential benefits by risk aversion.

Environmental Conservation Costs (Units: million yen)	Categories		Main activities	Investments	Expenses
	Business activity costs	Antipollution costs	Preventing pollution of air, water, noise, etc.	12	9
Sites covered: Kyushu Factory, Shiga Factory, Technical Center (Otake, Shiga)		Global environmental conservation costs	Prevention of global warming, etc.	7	13
		Resource recycling costs	Waste reduction and recycling, etc.	19	28
		Subtotal		38	50
	Administration costs		Expenses for the promotion of environmental safety, management of maintenance of ISO certification and monitoring & measurement	5	47
	Research and development costs (*1)	Climate change-related	Development of products related to climate change mitigation and adaptation	18	283
		Others	Development of other environmentally friendly products	49	702
		Subtotal		67	985
	Social activity costs		Contribution to society, etc.	0	1
	Environmental remediation costs		Costs for the restoration of nature, for the recovery of environmental damage caused by production activities, etc.	0	0
	Total			110	1,083

Effects on environmental conservation (*2)	Effects		Reductions
	Effects in business activities	Effects on invested resources	
Sites covered: Kyushu Factory, Shiga Factory, Technical Center (Otake, Shiga)		Energy usage (GJ)	-3,803
		Water usage (1000m ³)	-20
		CO ₂ emissions (ton-CO ₂)	-539
		Pollutant release (ton) (*3)	-2
		Waste generation (ton)	-125
		CO ₂ Emissions from Transportation (ton-CO ₂)	-158
Other effects on environmental conservation		Freight (Products) Transportation (1000 tons-km)	-503

*1) R&D cost = [Total R&D costs] × [Research staff ratio]

*2) The environmental conservation effect was calculated by comparison with the production volume in FY2019.

Environmental Conservation Effect
= FY2019 Environmental Load × (FY2020 Production Volume / FY2019 Production Volume) - FY2020 Environmental Load

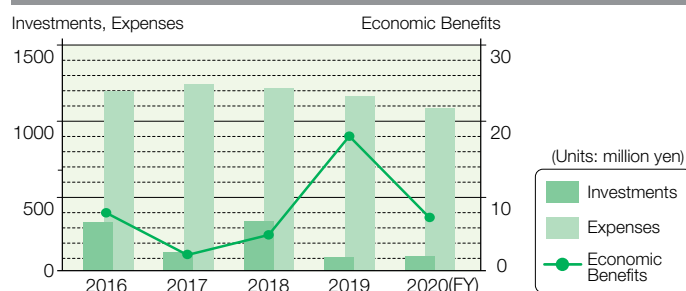
*3) Chemical Substances subject to the first kind of the PRTR Law

*4) The environmental conservation effect was calculated by comparison with the production volume in FY2019.

Cost saved = Cost in FY2019 × (FY2020 Production Volume / FY2019 Production Volume) - Cost in FY2020

Economic benefits (*4)	Benefits		
	Cost reduction	Proceeds from recycling	2.0
(Units: million yen)		Cost reductions from energy saving	1.5
		Cost reductions from water saving	0.2
	Total		3.7

Transition of environmental conservation costs And economic benefits



Efforts made in fiscal 2020

In fiscal 2020, environmental conservation costs amounted to 110 million yen for investments and 1,083 billion yen for expenses. With regard to investment, we implemented LEDs for fluorescent lights and renewal of air conditioners. There were no improved measures of physical effectiveness. In the future, we will set targets for improvements in accordance with ISO14001 management system.

Eco-efficiency

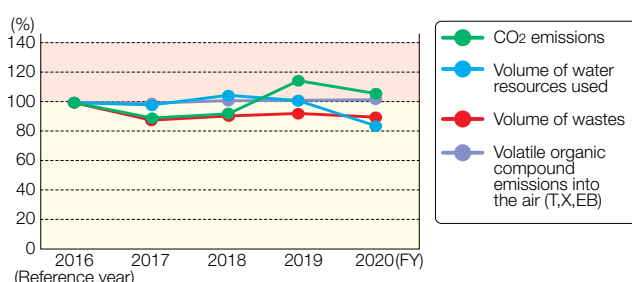
Environmental efficiency is an index of the value created by products or others divided by the environmental burden associated with the creation. The aim is to create greater value with smaller environmental impacts. In fiscal year 2020, CO₂ emissions and emissions of volatile organic compounds into the air improved compared with fiscal 2016, the benchmark year. We will strive to improve environmental efficiency.

FY	2016 (Reference year)	2017	2018	2019	2020
CO ₂ emissions	100.0	89.0	90.9	114.2	105.3
Volume of water resources used	100.0	97.3	104.4	100.4	84.9
Volume of wastes	100.0	88.0	89.7	91.6	89.9
Volatile organic compound emissions into the air (T,X,EB)	100.0	99.0	100.2	101.0	100.9

Eco-efficiency: An indicator of (sales amount/environmental load) setting the value in the reference year as 100.

Reference year: 2016

Sites covered: Kyushu Factory, Shiga Factory, Technical Center(Otake)
Technical Center(Shiga), Ohtake Meishin, Kobe paints



Environmental Performance

Environmental Performance

	(FY)	CMP			CMP Group in Japan			Overseas factory		
		Tokyo Head Office, Branches and Sales Offices in Japan, Kyushu Factory, Shiga Factory, Technical Center (Otake, Shiga)			CMP(left), Kobe Paints and Ohtake-Meishin Chemical.			Total of overseas factories		
		2018	2019	2020	2018	2019	2020	2018	2019	2020
Energy										
Energy Consumption(TJ)		82,356	79,321	79,272	152,285	149,977	148,472	240,365	246,420	227,564
Electricity		75,227	71,682	70,632	105,909	102,526	101,149	192,389	186,993	172,571
Fuel		6,430	6,939	7,712	45,677	46,751	46,395	47,976	59,427	54,993
Heat		699	700	928	699	700	928	0	0	0
Specific energy consumption per unit of production (MJ/t)		580	558	609	1,154	1,122	1,235	1,488	1,544	1,587
GHG										
Scope 1 (t-CO ₂ e) ^(*)		369	396	442	3,087	3,154	3,121	3,172	3,067	2,821
CO ₂ (energy source)		369	396	442	3,087	3,154	3,121	3,172	3,067	2,821
CO ₂ (non-energy source)		0	0	0	0	0	0			
N ₂ O		0	0	0	0	0	0			
HFCs		0	0	0	0	0	0			
PFCs		0	0	0	0	0	0			
CH ₄		0	0	0	0	0	0			
SF ₆		0	0	0	0	0	0			
NF ₃		0	0	0	0	0	0			
Scope 2 (t-CO ₂) ^(**)		4,782	3,024	3,283	6,653	4,795	4,851	12,856	12,789	11,722
Total GHG emissions (Scope1+Scope2)(t-CO ₂)		5,151	3,420	3,724	9,740	7,950	7,972	16,028	15,856	14,543
GHG emissions (t-CO ₂) during production		2,809	1,612	1,977	7,398	6,141	6,225	16,028	15,856	14,543
Intensity (kg-CO ₂ /t) of GHG emissions per production volume		36	20	28	74	60	68	99	99	101
Scope3(t-CO ₂) ^(***)		194,901	193,924	163,896	194,901	193,924	163,896			
CO ₂ emissions from transportation (t-CO ₂)		4,475	4,336	4,044	4,475	4,336	4,044			
Wastes										
Volume of wastes, etc. (t)		1,710	1,473	1,435	2,466	2,467	2,321	4,249	5,040	5,484
Harmful waste (t)		0	0	0	0	0	0			
Amount of Recycling (t)		1,490	1,248	1,208	1,723	1,624	1,562	2,378	1,936	2,572
Recycling ratio (%)		87	85	84	70	66	67	56	38	47
Final disposals (t)		66	78	64	294	185	168			
Water										
Water withdrawal (1000m ³)		144	135	146	1,077	1,149	1,255	169	154	108
Sea water		38	45	48	38	45	48	0	0	0
Underground water		56	38	47	56	38	47	1	0	0
Municipal water		50	52	52	983	1,066	1,160	168	154	108
Surface water		0	0	0	0	0	0	0	0	0
Rain water		0	0	0	0	0	0	0	0	0
Water discharge (1000m ³)		111	112	118	989	1,034	1,165	86	79	70
Sea		48	57	56	925	977	1,101	0	0	0
River, lake, etc.		54	45	55	54	45	55	27	28	28
Sewage line		9	11	7	10	12	9	58	51	42
Underground / well		0	0	0	0	0	0	1	0	0
Others		0	0	0	0	0	0	0	0	0
COD (t)		0	0	0	1	1	1	10	6	5
BOD (t)		1	1	0	1	1	0	2	1	2
Emissions to the Air										
NO _x (t)		0	0	0	2	1	1	3	1	2
SO _x (t)		0	0	0	1	1	1	24	24	24
Volatile Organic Compounds(VOC)(t)		117	117	106	127	128	114			
PRTR substances										
Environmental emissions of PRTR substances		91	91	84	98	99	91			
Emissions into air		91	91	84	98	99	91			
Emissions into water area		0	0	0	0	0	0			
Emissions into soil		0	0	0	0	0	0			
Others										
Environmental incidents ^(*)		0	0	0	0	0	0			
Purchased raw materials (t)		88,110	79,594	70,966	116,590	106,921	94,683			
Volatile Organic Compounds ^(*)		19,976	20,116	18,006	26,756	26,786	24,131			
Inorganic pigments ^(*)		10,470	10,603	9,610	11,289	11,485	10,370			
Others		57,664	48,875	43,351	78,545	68,650	60,182			
Other purchased materials (t)		13,317	13,218	7,236	13,919	13,888	7,817			
Production Volume (t)		78,871	79,568	71,290	100,214	102,540	91,217	161,557	159,589	143,360

(*) Calculated based on the "Manual for Calculation and Reporting of Greenhouse Gas Emissions" by the Ministry of the Environment and the Ministry of Economics and Industries, both at home and abroad.

(**) In Japan, we use the actual emission factor by electric business published by the Ministry of the Environment. Outside Japan, the 2010 national conversion factor described in "CO₂ Emissions from Fuel Combustion Highlights 2012 edition" issued by the International Energy Agency (IEA) is used.

(***) Calculated on a trial basis for our headquarters in accordance with the calculation method of the Guidelines for Calculating Greenhouse Gas Emissions through the Supply Chain (Version 2.3) (Ministry of the Environment, Ministry of Economy, Trade and Industry, December 2017).

(*) Accidents having caused serious environmental pollution, such as discharge to areas of public waters permeation underground are covered.

(*) Among substances that fall under Volatile Organic Compounds (VOCs), representative solvents are covered.

(*) Among inorganic pigments, inorganic compounds such as iron, copper, zinc, barium, calcium, titanium, antimony and molybdenum are covered.



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