

# 2025 Financial Section

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## Consolidated Balance Sheets

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
March 31, 2025 and 2024

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Current assets			
Cash and deposits (Notes 3, 6 and 11)	¥ 76,656	¥ 76,587	\$ 512,680
Trade notes and accounts receivable, and contract assets (Notes 3, 6, 18 and 19)	120,858	113,202	808,306
Securities (Notes 3 and 4)	32,489	24,209	217,288
Finished goods (Note 6)	59,053	56,765	394,950
Work-in-process (Note 6)	8,642	8,917	57,798
Raw materials and supplies (Note 6)	44,233	38,641	295,833
Other	19,588	15,234	131,005
Allowance for doubtful receivables	(5,992)	(4,838)	(40,074)
Total current assets	355,530	328,720	2,377,808
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	76,498	68,517	511,623
Machinery, equipment and vehicles, net	44,699	41,688	298,949
Tools, furniture and fixtures, net	12,758	9,883	85,326
Land	31,800	27,759	212,680
Construction in progress	18,041	11,111	120,659
Total property, plant and equipment (Note 6)	183,798	158,961	1,229,253
Intangible assets			
Leasehold right	3,203	3,206	21,421
Software	3,362	3,221	22,485
Software in progress	8,193	3,712	54,795
Goodwill	35,711	34,051	238,837
Other	30,051	21,969	200,983
Total intangible assets	80,522	66,160	538,536
Investments and other assets			
Investment securities (Notes 3, 4 and 6)	57,907	70,937	387,285
Investments in capital	31,401	26,939	210,012
Loans receivable	2,748	2,781	18,378
Net defined benefit asset (Note 12)	26,962	25,081	180,323
Deferred tax assets (Note 13)	6,791	5,784	45,418
Other	10,303	9,914	68,907
Allowance for doubtful receivables	(5,267)	(5,579)	(35,226)
Total investments and other assets	130,847	135,860	875,113
Total non-current assets	395,168	360,982	2,642,910
Total assets	¥ 750,699	¥ 689,703	\$ 5,020,726

See accompanying notes.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Current liabilities			
Trade notes and accounts payable (Notes 3, 6 and 19)	¥ 85,218	¥ 86,707	\$ 569,943
Short-term borrowings (Notes 3, 5 and 6)	11,895	9,653	79,554
Short-term borrowings from unconsolidated subsidiaries and affiliates (Note 5)	72	20	481
Current portion of long-term debt (Notes 5 and 6)	132	258	882
Short-term bonds payable (Notes 3 and 5)	31,985	—	213,917
Lease obligations	1,677	1,511	11,215
Accrued expenses	14,483	11,901	96,863
Income and enterprise taxes payable	5,348	17,571	35,767
Provision for bonuses	5,932	5,854	39,673
Other (Note 18)	20,301	19,370	135,774
Total current liabilities	177,049	152,849	1,184,115
Non-current liabilities			
Bonds payable (Notes 3 and 5)	60,000	—	401,284
Convertible bonds with stock acquisition rights (Notes 3 and 5)	100,472	100,592	671,963
Long-term debt (Notes 5 and 6)	7,595	6,108	50,795
Lease obligations	4,589	4,418	30,691
Deferred tax liabilities (Note 13)	41,248	35,589	275,869
Net defined benefit liability (Note 12)	7,331	7,759	49,030
Retirement benefits for directors and corporate auditors	456	477	3,049
Provision for management board incentive plan trust	331	278	2,213
Other	1,614	1,381	10,794
Total non-current liabilities	223,639	156,605	1,495,712
Total liabilities	400,689	309,455	2,679,835
Net assets (Note 9):			
Shareholders' equity			
Common stock	25,658	25,658	171,602
Capital surplus	18,343	19,953	122,679
Retained earnings	186,659	234,131	1,248,388
Treasury stock, at cost	(2,101)	(2,128)	(14,051)
Total shareholders' equity	228,560	277,614	1,528,624
Accumulated other comprehensive income			
Net unrealized holding gains on securities	12,451	22,141	83,273
Deferred gains (losses) on derivatives under hedge accounting	(0)	3	(0)
Foreign currency translation adjustments	19,615	1,537	131,186
Remeasurements of defined benefit plans	8,562	8,659	57,263
Total accumulated other comprehensive income	40,628	32,341	271,722
Stock acquisition rights (Note 20)	224	—	1,498
Non-controlling interests	80,595	70,291	539,024
Total net assets	350,009	380,248	2,340,884
Total liabilities and net assets	¥ 750,699	¥ 689,703	\$ 5,020,726

See accompanying notes.

## Consolidated Statements of Income

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net sales (Note 18)	¥ 588,825	¥ 562,277	\$ 3,938,101
Cost of sales	403,117	388,917	2,696,074
Gross profit	185,708	173,359	1,242,027
Selling, general and administrative expenses (Note 20)	133,657	121,764	893,907
Operating income	52,050	51,595	348,113
Non-operating income			
Interest income	1,900	991	12,707
Dividend income	667	1,226	4,460
Gain on valuation of securities	980	434	6,554
Equity in earnings of unconsolidated subsidiaries and affiliates	1,829	7,643	12,232
Foreign currency exchange gain	—	1,837	—
Miscellaneous income	2,000	1,502	13,376
Total non-operating income	7,378	13,636	49,344
Non-operating expenses			
Interest expense	3,239	2,091	21,662
Loss on disposal of inventories	412	391	2,755
Foreign currency exchange loss	1,556	—	10,406
Loss on net monetary position	3,268	3,718	21,856
Miscellaneous expenses	1,848	1,345	12,359
Total non-operating expenses	10,325	7,547	69,054
Ordinary income	49,103	57,685	328,404
Extraordinary income			
Gain on sale of property, plant and equipment	12,197	17,355	81,574
Reversal of impairment losses	188	—	1,257
Gain on sale of investment securities (Note 4)	7,023	33,863	46,970
Gain on sale of shares of subsidiaries and affiliates	—	41	—
Gain on liquidation of subsidiaries and affiliates	—	31	—
Total extraordinary income	19,409	51,291	129,808
Extraordinary losses			
Loss on sale or disposal of property, plant and equipment	350	369	2,340
Impairment loss (Note 16)	106	69	708
Loss on sale of investment securities (Note 4)	—	41	—
Write-down of securities and investment securities (Note 4)	0	9	0
Loss on sale of shares of subsidiaries and affiliates	56	—	374
Loss on liquidation of subsidiaries	—	101	—
Loss on withdrawal from business (Note 16)	1,094	—	7,316
Extra early retirement payments	1,636	8	10,941
Total extraordinary losses	3,244	600	21,696
Income before income taxes and non-controlling interests	65,268	108,376	436,516
Income taxes - current	18,841	30,946	126,009
Income taxes - deferred	1,193	1,083	7,978
Total income taxes (Note 13)	20,034	32,029	133,988
Net income	45,234	76,347	302,528
Net income attributable to non-controlling interests	6,927	9,237	46,328
Net income attributable to owners of the parent	¥ 38,306	¥ 67,109	\$ 256,193

	Yen		U.S. dollars (Note 1)
	2025	2024	2025
Net income per share	¥ 202.02	¥ 299.15	\$ 1.35
Diluted net income per share	169.25	291.90	1.13
Cash dividends per share	50.00	40.00	0.33

See accompanying notes.

## Consolidated Statements of Comprehensive Income

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net income	¥ 45,234	¥ 76,347	\$ 302,528
Other comprehensive income (Note 10):			
Net unrealized holding losses on securities	(5,467)	(17,998)	(36,563)
Deferred gains (losses) on derivatives under hedge accounting	(4)	2,025	(26)
Foreign currency translation adjustments	13,182	10,709	88,162
Remeasurements of defined benefit plans	(97)	4,274	(648)
Shares in other comprehensive income of equity method affiliates	2,599	9,827	17,382
Total other comprehensive income	10,213	8,838	68,305
Comprehensive income	¥ 55,447	¥ 85,185	\$ 370,833
Comprehensive income attributable to:			
Owners of the parent	¥ 46,592	¥ 72,303	\$ 311,610
Non-controlling interests	8,854	12,881	59,216

See accompanying notes.

## Consolidated Statements of Changes in Net Assets

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2025 and 2024

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred gains on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2023	¥ 25,658	¥ 21,056	¥ 299,019	¥ (79,971)	¥ 265,762	¥ 32,744	¥ (2,045)	¥ (7,937)	¥ 4,385	¥ 27,147	¥ —	¥ 60,110	¥ 353,020
Effect of hyperinflation			2,397		2,397							2,062	4,460
Restated balance	25,658	21,056	301,416	(79,971)	268,160	32,744	(2,045)	(7,937)	4,385	27,147	—	62,173	357,480
Changes during the period													
Cash dividends paid			(7,585)		(7,585)								(7,585)
Net income attributable to owners of the parent			67,109		67,109								67,109
Purchase of treasury stock				(49,139)	(49,139)								(49,139)
Disposal of treasury stock		0		59	59								59
Cancellation of treasury stock		(0)	(126,921)	126,922	—								—
Purchase of shares of consolidated subsidiaries		(1,102)			(1,102)								(1,102)
Increase due to decrease in affiliates			28		28								28
Change of functional currency of consolidated subsidiaries			84		84								84
Net changes in items other than shareholders' equity						(10,603)	2,048	9,475	4,274	5,194		8,118	13,313
Balance at April 1, 2024	¥ 25,658	¥ 19,953	¥ 234,131	¥ (2,128)	¥ 277,614	¥ 22,141	¥ 3	¥ 1,537	¥ 8,659	¥ 32,341	¥ —	¥ 70,291	¥ 380,248
Effect of hyperinflation			2,972		2,972							2,538	5,510
Restated balance	25,658	19,953	237,103	(2,128)	280,587	22,141	3	1,537	8,659	32,341	—	72,830	385,759
Changes during the period													
Cash dividends paid			(8,741)		(8,741)								(8,741)
Net income attributable to owners of the parent			38,306		38,306								38,306
Purchase of treasury stock				(80,062)	(80,062)								(80,062)
Disposal of treasury stock		0		82	82								82
Cancellation of treasury stock		(0)	(80,008)	80,008	—								—
Purchase of shares of consolidated subsidiaries		(1,609)			(1,609)								(1,609)
Net changes in items other than shareholders' equity						(9,689)	(3)	18,077	(97)	8,286	224	7,765	16,277
Balance at March 31, 2025	¥ 25,658	¥ 18,343	¥ 186,659	¥ (2,101)	¥ 228,560	¥ 12,451	¥ (0)	¥ 19,615	¥ 8,562	¥ 40,628	¥ 224	¥ 80,595	¥ 350,000

	Thousands of U.S. dollars (Note 1)													
	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred gains on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income				
Balance at April 1, 2024	\$ 171,602	\$ 133,447	\$ 1,565,884	\$ (14,232)	\$ 1,856,701	\$ 148,080	\$ 20	\$ 10,279	\$ 57,911	\$ 216,298	\$ —	\$ 470,111	\$ 2,543,124	
Effect of hyperinflation			19,876		19,876							16,974	36,851	
Restated balance	171,602	133,447	1,585,761	(14,232)	1,876,585	148,080	20	10,279	57,911	216,298	—	487,092	2,579,982	
Changes during the period														
Cash dividends paid			(58,460)		(58,460)								(58,460)	
Net income attributable to owners of the parent			256,193		256,193								256,193	
Purchase of treasury stock				(535,460)	(535,460)								(535,460)	
Disposal of treasury stock		0		548	548								548	
Cancellation of treasury stock		(0)	(535,098)	535,098	—								—	
Purchase of shares of consolidated subsidiaries		(10,761)			(10,761)								(10,761)	
Net changes in items other than shareholders' equity						(64,800)	(20)	120,900	(648)	55,417	1,498	51,932	108,861	
Balance at March 31, 2025	\$ 171,602	\$ 122,679	\$ 1,248,388	\$ (14,051)	\$ 1,528,624	\$ 83,273	\$ (0)	\$ 131,186	\$ 57,263	\$ 271,722	\$ 1,498	\$ 539,024	\$ 2,340,884	

See accompanying notes.

## Consolidated Statements of Cash Flows

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash flows from operating activities			
Income before income taxes and non-controlling interests	¥ 65,268	¥ 108,376	\$ 436,516
Depreciation and amortization	20,703	17,962	138,463
Impairment loss	106	69	708
Reversal of impairment loss	(188)	—	(1,257)
Loss on withdrawal from business	1,094	—	7,316
Amortization of goodwill	5,138	4,573	34,363
Increase in allowance for doubtful receivables	46	418	307
Decrease in net defined benefit liability	(2,989)	(1,329)	(19,990)
Interest and dividend income	(2,568)	(2,218)	(17,174)
Interest expense	3,239	2,091	21,662
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,829)	(7,643)	(12,232)
Gain on sale of investment securities	(7,023)	(33,821)	(46,970)
Write-down of investment securities	0	9	0
Loss (gain) on sale of shares of subsidiaries and affiliates	56	(41)	374
Gain on sale or disposal of property, plant and equipment, net	(11,847)	(16,985)	(79,233)
Increase in trade notes and accounts receivable	(249)	(1,915)	(1,665)
Decrease in inventories	3,614	10,856	24,170
Increase (decrease) in trade notes and accounts payable	(5,108)	3,176	(34,162)
Other, net	(5,244)	757	(35,072)
Subtotal	62,219	84,336	416,124
Interest and dividends received	6,834	6,047	45,706
Interest paid	(2,795)	(1,451)	(18,693)
Income taxes paid	(31,292)	(21,847)	(209,283)
Net cash provided by operating activities	34,966	67,084	233,855
Cash flows from investing activities			
Payments into time deposits	(15,081)	(5,925)	(100,862)
Proceeds from withdrawal of time deposits	8,115	4,226	54,273
Net increase in securities	(7,514)	(13,203)	(50,254)
Purchase of property, plant and equipment	(20,105)	(15,965)	(134,463)
Proceeds from sale of property, plant and equipment	13,238	19,738	88,536
Purchase of intangible assets	(5,231)	(4,101)	(34,985)
Purchase of investment securities	(19)	(1,017)	(127)
Proceeds from sale of investment securities	7,107	37,534	47,532
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(19,400)	(16,734)	(129,748)
Payments of loans receivable	(49)	(83)	(327)
Collection of loans receivable	62	2,068	414
Payments for settlement of derivative, net	—	(14,593)	—
Payments for acquisition of businesses	—	(429)	—
Other, net	(322)	(557)	(2,153)
Net cash used in investing activities	(39,200)	(9,043)	(262,172)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	361	(67,589)	2,414
Proceeds from long-term debt	1,809	4,043	12,098
Repayments of long-term debt	(8,709)	(453)	(58,246)
Proceeds from issuance of bonds	463,907	195,000	3,102,641
Redemption of bonds	(371,921)	(239,999)	(2,487,433)
Proceeds from issuance of convertible bonds with stock acquisition rights	—	100,600	—
Purchase of treasury stock	(80,008)	(49,027)	(535,098)
Cash dividends paid	(8,741)	(7,585)	(58,460)
Cash dividends paid to non-controlling interests	(4,723)	(3,367)	(31,587)
Proceeds from share issuance to non-controlling shareholders	4,313	—	28,845
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,370)	(2,900)	(15,850)
Other, net	(1,924)	(1,574)	(12,867)
Net cash used in financing activities	(8,006)	(72,856)	(53,544)
Effect of exchange rate changes on cash and cash equivalents	4,435	2,503	29,661
Decrease in cash and cash equivalents	(7,805)	(12,311)	(52,200)
Cash and cash equivalents at beginning of period	70,952	83,263	474,531
Cash and cash equivalents at end of period (Note 11)	¥ 63,147	¥ 70,952	\$ 422,331

See accompanying notes.



# Notes to Consolidated Financial Statements

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Kansai Paint Co., Ltd. (the "Company") and its consolidated subsidiaries (together the "Companies") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act and their related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory

consolidated financial statements in Japanese, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2025, which was ¥149.52 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange. Amounts less than 1 million yen have been rounded down. As a result, the totals in Japanese yen shown in the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

## 2. Summary of Significant Accounting Policies

### Principles of consolidation

The consolidated financial statements in the fiscal year ended March 31, 2025 include the accounts of the Company and its 112 (104 at March 31, 2024) significant subsidiaries.

Intercompany transactions and accounts have been eliminated.

Investment in 8 unconsolidated subsidiaries and 23 affiliates in the fiscal year ended March 31, 2025 (9 and 23, respectively, at March 31, 2024) are stated at cost, adjusted for equity in undistributed earnings and losses since acquisition.

The accounts of 91 consolidated subsidiaries in the fiscal year ended March 31, 2025 (84 on March 31, 2024) are included on the basis of their respective fiscal years end on December 31. These subsidiaries do not prepare for consolidation purposes statements for the period which corresponds with the fiscal year of the Company, which ends on March 31. For these consolidated subsidiaries, when there are significant transactions between their respective fiscal year end and that of the Company, necessary adjustments are made to reflect the transactions in the consolidated financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

From the fiscal year ended March 31, 2025, the fiscal year-end of Kuboko Paint Co., Ltd. has been changed from February 28 to March 31, the same date as the consolidated financial statement. Accordingly, for the fiscal year ended March 31, 2025, the Company consolidated the financial statements of this consolidated subsidiary for the 13-month period from March 1, 2024, to March 31, 2025, and the effect of the change in the fiscal year-end was adjusted for on the consolidated statements of profit and loss. The effect of this change on net sales, operating income, ordinary income, and income before income taxes were immaterial.

### Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

Accounting Standards Board of Japan ("ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the presentation of the consolidated financial statements. Moreover, if the financial statements of foreign subsidiaries are prepared in accordance with IFRS or U.S. GAAP, they may tentatively be used for the consolidation process. However, if the five specified items are material to the group's consolidated financial statements, then they should be adjusted for in the consolidation process.

### Allowance for doubtful receivables

The allowance for doubtful receivables is determined by adding the estimated uncollectible amounts of individual receivables to an amount calculated using a rate based on past experience.

### Provision for bonuses

To provide for employee bonuses, the estimated amount to be paid out in the next year is recorded under liabilities in the current year.

### Securities

Held-to-maturity debt securities are stated at amortized cost. Investments in securities other than equity securities without market prices are stated at fair value. Cost on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income. Realized gains and losses on the sale of such securities are computed using moving average cost.

Investments in equity securities without market prices are stated mainly by the moving average cost method. If the fair value of investments in equity securities without market prices

declines significantly, the securities are written down to the fair value with a corresponding charge in the consolidated statements of income. In these cases, the fair value will be the carrying amount of the securities at the beginning of the next year.

### **Inventories**

Inventories held for the purpose of ordinary sale are stated principally at the lower of moving average cost or net realized value.

### **Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost. Depreciation is computed primarily using the declining balance method for the Company and the domestic consolidated subsidiaries and the straight-line method for overseas consolidated subsidiaries. For the Company and the domestic consolidated subsidiaries, buildings (excluding facilities attached to buildings) acquired after March 31, 1998 and facilities attached to buildings and structures acquired after March 31, 2016 are depreciated using the straight-line method.

### **Software costs**

Software held for own use, recorded in intangible assets, is amortized using the straight-line method over the estimated useful life (mainly five years).

### **Amortization of goodwill**

Goodwill is amortized using the straight-line method over an appropriate period not to exceed 20 years.

### **Research and development expenses**

Research and development expenses are charged to income as incurred. Research and development expenses for the years ended March 31, 2025 and 2024 were ¥10,037 million (\$67,128 thousand) and ¥9,098 million, respectively.

### **Income taxes**

Income taxes comprise corporation tax, prefectural and municipal inhabitants' taxes and enterprise tax. Enterprise tax is deducted from taxable income when paid.

The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

### **Finance leases**

Finance leases which do not transfer ownership of the lease assets are capitalized and depreciated by the straight-line method over the term of the lease with the assumption of no residual value.

### **Right of use assets**

Depreciation of right of use assets is calculated by using the straight-line method over the shorter of the lease term or the useful life of the asset with a residual value of zero.

### **Retirement benefits**

- (1) Method used to attribute expected benefit payments to periods of service  
In determining retirement benefit obligations, the benefit formula basis is used for attributing expected benefit payments to periods of service.
- (2) Actuarial gains and losses and past service cost  
Actuarial gains and losses and past service cost are recognized in expenses using the straight-line method mainly over 13 years, which is within the average of the estimated remaining service years of the employees.

### **Retirement benefits for directors and corporate auditors**

Retirement benefits for directors and corporate auditors of certain domestic consolidated subsidiaries are provided on an accrual basis in accordance with the Companies' established rules.

### **Provision for board incentive plan trust**

Provision for a board incentive plan trust is provided based on the estimated amounts to be granted to eligible Board Directors and Executive Officers in accordance with share delivery regulations.

### **Cash and cash equivalents**

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

### **Derivatives**

The Companies state derivative financial instruments at fair value and recognize any change in the fair value as gain or loss, unless the derivative financial instruments are used for hedging purposes.

### **Accounting policy for recognition of significant revenues and expenses**

Revenue from contracts with customers is recognized based on the following five-step approach.

- Step 1: Identify the contracts with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation

The Companies' principal business is the manufacture and sale of paints and related services. The Companies' performance obligation is primarily to supply finished products to customers. Revenue from these products is recognized when control of the promised product or service is transferred to the customer because the Companies fulfill the performance obligations at that time. The Companies recognize revenue at the time of shipment when the period from the time of shipment until the time that control of the merchandise or finished goods is transferred to the customer is a typical period in cases of domestic sales of



merchandise and finished goods in Japan.

The transaction price is calculated by deducting the estimated amount of any discount, etc., from the consideration promised to the customer in the contract.

The Companies receive payments or other consideration for fulfilling obligations generally within one year, and this does not include a significant financial component.

### Significant hedge accounting methods

#### (1) Hedge accounting method

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair value until the related loss or gain on the hedged item is recognized. However, in cases in which forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the foreign currency receivables or payables are translated at the contracted rate.

#### (2) Hedging instruments and hedged items

Hedging instruments include foreign currency forward contracts, etc.. Hedged items comprise receivables, payables, and forecasted transactions denominated in foreign currencies.

#### (3) Hedging policy

The Companies utilize forward exchange contracts to reduce the risk of exchange rate fluctuations associated with receivables, payables and forecasted transactions denominated in foreign currencies within actual demand.

#### (4) Assessment method for hedge effectiveness

Hedge effectiveness is not assessed for foreign currency forward contracts as the substantial terms and conditions of the hedging instruments and hedged items are the same and considered highly counterbalanced.

#### (5) Transaction risk management structure

The finance department of the Company administers hedging transactions based on the Company's rules and with the approval of management.

### Net income and cash dividends per share

The calculation of net income per share is based on the weighted average number of shares of common stock in issue during the year. The calculation of diluted net income per share is based on the weighted average number of shares of common stock in issue during the year after giving effect to the dilutive potential of shares to be issued upon the exercise of convertible bonds with stock acquisition rights.

Cash dividends per share presented in the accompanying consolidated statements of income are based on the dividends attributable to the profit for the year, including dividends to be paid after the end of the year.

### Reclassification

Certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2024 to conform to the presentation for the year ended March 31, 2025.

### Significant Accounting Estimates

Fiscal year ended March 31, 2024 (April 1, 2023 - March 31, 2024)

#### Valuation of investments in Polisan Kansai Boya Sanayi Ve Ticaret A.S. of equity method affiliates

In our consolidated financial statements for the fiscal year under review, an investment in Polisan Kansai Boya Sanayi Ve Ticaret A.S., an affiliate accounted for by the equity method, of ¥9,134 million, was recorded in investment securities. If it is determined that goodwill related to an equity method affiliate has indicators of impairment, the Company is required to determine whether an overall investment, including goodwill, needs to be recognized for impairment. If the determination indicates that the recognition of an impairment loss is necessary, the carrying amount is written down to the recoverable amount, and the reduction in the carrying amount is recognized as an equity in loss of affiliates.

With respect to investments in Polisan Kansai Boya Sanayi Ve Ticaret A.S., there was an indication of impairment in goodwill related to equity method affiliates, and the Company assessed whether to recognize an impairment loss. As a result of the assessment, "the sum of undiscounted future cash flows from the investment" exceeds the "carrying amount of the investment in Polisan Kansai Boya Sanayi Ve Ticaret A.S.," the Company has determined that it is unnecessary to recognize an impairment loss in the current fiscal year. The total undiscounted future cash flows are estimated based on the business plan for the following fiscal year and beyond.

The Company believes that its estimates of the total undiscounted future cash flows are reasonable. However, as the business plan for the following fiscal year and beyond uses assumptions that involve uncertainties, such as future sales volumes and unit prices, changes in the market or unpredictable economic and business assumptions could have an impact on the Company's financial position and results of operations for the following fiscal year.

Fiscal year ended March 31, 2025 (April 1, 2024 - March 31, 2025)

There was no applicable matter to report for the fiscal year ended March 31, 2025.

### Accounting standards issued but not yet effective

•Accounting Standards for lease (Corporate Accounting Standards No. 34, September 13, 2024 Accounting Standards Board of Japan)  
•Implementation Guidelines on Accounting Standard for lease accounting (Corporate Accounting Standards Application Guideline No. 33, September 13, 2024 Accounting Standards Board of Japan)

#### (1) Summary

The Accounting Standards Board of Japan (ASBJ) considered the development of lease accounting that a lessee recognizes all leased assets and the corresponding liabilities on balance sheet in light of IFRS 16, as part of the convergence efforts to align the Japanese GAAP with the

IFRS.

As a fundamental policy, ASBJ decided to absorb the primary provisions of IFRS 16, with a single lessee accounting model, rather than taking all the provisions of IFRS 16 into account. As a result of absorbing the primary provisions, ASBJ published the lease accounting principles that aim to apply the provisions of IFRS 16 to separate financial statements with simplicity and convenience and without the need for revision basically.

Accounting standards for lease apply a single lessee accounting model that recognizes depreciation expenses on right-of-use assets and interest expenses on the lease liabilities with respect to expense distribution of lessees regardless of finance lease or operating lease, as with IFRS 16.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of the adoption of the new accounting standards

The Company is currently evaluating the impact of the adoption of the "Accounting Standard for lease," etc. on its consolidated financial statements.

## Additional Information (Year ended March 31, 2025)

### A Performance-based Stock Compensation Plan

The Company has introduced a performance-based stock compensation plan (hereinafter, the "Plan") for Board Directors (excluding Outside Board Directors; hereinafter the same shall apply), Managing Executive Officers, Senior Executive Officers and Executive Officers (hereinafter collectively, "Board Directors, etc.," excluding non-residents in Japan) as a transparent and

objective remuneration plan for officers that is highly linked with the Company's performance for the purpose of further raising awareness of helping improve the Company's medium-to-long-term business results and increase corporate value, in addition to awareness of corporate management that emphasizes shareholders.

(1) Overview of the transactions

The Plan adopts a scheme called the Board Incentive Plan ("BIP") trust (hereinafter, "BIP Trust"). A BIP Trust is a plan that delivers and provides (hereinafter, "delivers/delivery, etc.") Company shares as well as money in an amount equivalent to Company shares converted into cash (hereinafter, "Company Shares, etc.") to Board Directors, etc. according to the relevant Board Director, etc.'s position and his/her achievement of business performance targets, as with performance shares and restricted stock in Europe and the United States.

The Plan shall apply to three fiscal years that correspond to the target period of the Company's medium-term management plan, and delivers, etc. Company Shares, etc. according to the relevant Board Director's position, and achievement, etc. of business performance targets for each fiscal year at the time of the Board Director's retirement.

(2) Company shares remaining in the trust

Company shares remaining in the trust are recognized as treasury stock under net assets based on the carrying amount in the BIP trust (less ancillary expenses). The carrying amount and the number of shares of the treasury stock were ¥498 million (\$3,330 thousand) and 252,629 shares as of March 31, 2025 (¥580 million and 294,133 shares as of March 31, 2024).

## Audit remuneration

(1) Remuneration to the Independent Auditor

Category	Millions of yen				Thousands of U.S. dollars			
	Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2024		Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2024	
	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services
The Company	¥ 89	¥ 14	¥ 65	¥ 19	\$ 595	\$ 93		
Consolidated subsidiaries	9	—	9	—	60	—		
Total	¥ 99	¥ 14	¥ 74	¥ 19	\$ 662	\$ 93		

(Note)

The non-audit services provided to the Company in the current fiscal year mainly involved the real-time assessment engagement related to the implementation of ERP and the preparation of comfort letters related to bond issuance.  
The non-audit services provided to the Company in the previous fiscal year mainly involved the preparation of comfort letters related to bond issuance.

- (2) Remuneration to the network firms to which the Auditor belongs (KPMG International), excluding remuneration to the Independent Auditor

Category	Millions of yen				Thousands of U.S. dollars			
	Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2024		Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2024	
	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services
The Company	¥ —	¥ 11	¥ —	¥ 2	\$ —	\$ 73	\$ —	\$ 73
Consolidated subsidiaries	194	21	146	17	1,297	140	1,297	140
Total	¥ 194	¥ 32	¥ 146	¥ 19	\$ 1,297	\$ 214	\$ 1,297	\$ 214

(Note)

The non-audit services provided to the Company and its consolidated subsidiaries in the current fiscal year mainly involved tax consultations. The non-audit services provided to the Company and its consolidated subsidiaries in the previous fiscal year mainly involved tax consultations.

- (3) Remuneration paid for other significant audit and attestation services

Kansai Nerolac Paints Ltd., a significant subsidiary of the Company, pays fees to SRBC & CO LLP, while Kansai Plascon Africa Ltd. pays fees to Deloitte & Touche, for the auditing certification services.

### 3. Financial Instruments

#### 1. Status of financial instruments

- (1) Policies on financial instruments

The Companies procure funds necessary for capital investment and raise short-term working capital mainly through bank loans and the issuance of bonds. The Companies manage temporary surplus funds through financial assets that have a high level of safety. The Companies use derivative financial instruments to hedge foreign currency exchange rate fluctuation risk and do not enter into derivative transactions for trading or speculative purposes.

- (2) Details of financial instruments and associated risks

Trade notes and accounts receivable are exposed to customer credit risk. In addition, receivables denominated in foreign currencies from overseas operations are exposed to the risk of exchange rate fluctuations. Investment securities are primarily the stocks of business partners and customers and are exposed to market price fluctuation risk.

Most trade notes and accounts payable are due for payment within one year. Those denominated in foreign currencies are exposed to the risk of exchange rate fluctuations. The Companies generally raise working capital required for business transactions through short-term borrowings and procure funds required for capital expenditure and investment through long-term debt and bonds. The Companies use foreign currency forward contracts, currency option contracts and currency swap contracts to reduce the risk of exchange rate fluctuations associated with receivables, payables, forecasted transactions and equity investments in foreign subsidiaries denominated in foreign currencies within the actual demand. Refer to "Significant hedge accounting methods" in Note 2, "Summary of Significant Accounting Policies," for a description of the Company's accounting policies related to hedging activities.

- (3) Risk management framework for financial instruments

- 1) Credit risk management (counterparty risk)

The Company has established internal rules and procedures for receivables under which the Business Planning & Administration Division and Finance and Accounting Department are primarily responsible for monitoring counterparty status. The departments manage amounts and settlement dates by counterparty and work to quickly identify and mitigate payment risk that may result from situations such as the deterioration of the financial condition of a counterparty. Consolidated subsidiaries of the Company are subject to the same risk management rules. In using derivative transactions, the Company mitigates counterparty risk by conducting transactions with financial institutions with high credit ratings.

- 2) Market risk management (risk of exchange rate and interest rate fluctuations)

For some receivables and payables denominated in foreign currencies, the Companies use foreign currency forward contracts and currency option contracts to hedge the risk of exchange rate fluctuations on a monthly and currency-by-currency basis.

For securities and investment securities, the Companies periodically examine the fair value of the instruments and the financial condition of the issuing entities. In addition, the Companies regularly evaluate whether securities other than those classified as held-to-maturity should be maintained, taking into account their fair values and relationship with the issuing entities.

For derivative transactions, the Finance & Accounting Department handles the transactions after receiving approval from those with final approval authority in accordance with the Company's internal rules. Administrative reports on the results are periodically provided to the Management Committee.

- 3) Management of liquidity risk associated with capital procurement (payment default risk)

In the Companies, the Finance & Accounting Department is responsible for maintaining adequate liquidity and manages liquidity risk by creating and updating a capital deployment plan based on reports from each division.

- (4) Supplementary explanations about matters concerning fair value of financial instruments

The fair value of financial instruments is calculated using certain assumptions and may differ if the assumptions change.

## 2. Fair value information of financial instruments

Book values of the financial instruments included in the consolidated balance sheets and their fair values at March 31, 2025 and 2024 were as follows:

	Millions of yen		
	2025		
	Book value	Fair value	Difference
(1) Securities and investment securities			
Available-for-sale securities	¥ 44,174	¥ 44,174	¥ —
Total assets	44,174	44,174	—
(1) Bonds payable	60,000	59,193	(807)
(2) Convertible bonds with stock acquisition rights	100,472	102,112	1,640
Total liabilities	160,472	161,305	833
Derivative transactions *3	(134)	(134)	—

	Millions of yen		
	2024		
	Book value	Fair value	Difference
(1) Securities and investment securities			
Available-for-sale securities	¥ 44,816	¥ 44,816	¥ —
Total assets	44,816	44,816	—
(1) Convertible bonds with stock acquisition rights	100,592	101,470	877
Total liabilities	100,592	101,470	877
Derivative transactions *3	46	46	—

	Thousands of U.S. dollars (Note 1)		
	2025		
	Book value	Fair value	Difference
(1) Securities and investment securities			
Available-for-sale securities	\$ 295,438	\$ 295,438	\$ —
Total assets	295,438	295,438	—
(1) Bonds payable	401,284	395,886	(5,397)
(2) Convertible bonds with stock acquisition rights	671,963	682,932	10,968
Total liabilities	1,073,247	1,078,818	5,571
Derivative transactions *3	(896)	(896)	—

Notes:

\*1 "Cash" is not included in the table above.

"Deposits," "Trade notes and accounts receivable, and contract assets" and "Trade notes and accounts payable" are not included in the table above because the book values are a reasonable approximation of fair value as they are expected to be settled in a short period.

\*2 Equity securities without market prices are not included in "(1) Securities and investment securities."

The book values of those financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Non-listed equity securities	¥ 3,319	¥ 3,319	\$ 22,197
Non-listed investment securities of unconsolidated subsidiaries and affiliates	42,902	47,010	286,931

\*3 Derivative assets and liabilities were on a net basis.

The redemption schedule for money claims subsequent to the consolidated balance sheet date

	Millions of yen			
	2025			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	¥ 76,656	¥ —	¥ —	¥ —
Trade notes and accounts receivable, and contract assets	120,858	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	100	40	—	—
Other	32,343	—	—	—
Total	229,957	40	—	—

	Millions of yen			
	2024			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	¥ 76,587	¥ —	¥ —	¥ —
Trade notes and accounts receivable, and contract assets	113,202	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	—	104	42	—
Other	24,045	—	—	—
Total	213,835	104	42	—

	Thousands of U.S. dollars (Note 1)			
	2025			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	\$ 512,680	\$ —	\$ —	\$ —
Trade notes and accounts receivable, and contract assets	808,306	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	668	267	—	—
Other	216,312	—	—	—
Total	1,537,968	267	—	—

### 3. Fair value information for financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair value, fair value information for financial instruments is presented by categorizing the measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair values measured using unobservable inputs.

When multiple inputs from different categories are used in measuring the fair value, the Company and its subsidiaries classify the fair values into the lowest category from which inputs were used.

Financial instruments measured at fair values in the consolidated balance sheet at March 31, 2025 and 2024

	Millions of yen			
	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	¥ 11,567	¥ —	¥ —	¥ 11,567
Corporate bonds	—	145	—	145
Investment trust beneficiary certificates	—	32,461	—	32,461
Total assets	11,567	32,607	—	44,174
Derivative transactions *				
Currency related	—	(134)	—	(134)

	Millions of yen			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	¥ 20,465	¥ —	¥ —	¥ 20,465
Corporate bonds	—	163	—	163
Investment trust beneficiary certificates	—	24,187	—	24,187
Total assets	20,465	24,350	—	44,816
Derivative transactions *				
Currency related	—	46	—	46

Thousands of U.S. dollars (Note 1)				
2025				
Fair value				
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	\$ 77,360	\$ —	\$ —	\$ 77,360
Corporate bonds	—	969	—	969
Investment trust beneficiary certificates	—	217,101	—	217,101
Total assets	77,360	218,077	—	295,438
Derivative transactions *				
Currency related	—	(896)	—	(896)

Notes:

\* Derivative assets and liabilities were on a net basis.

Financial instruments other than those measured at fair values in the consolidated balance sheet at March 31, 2025 and 2024

Millions of yen				
2025				
Fair value				
	Level 1	Level 2	Level 3	Total
Bonds payable	¥ —	¥ 59,193	¥ —	¥ 59,193
Convertible bonds with stock acquisition rights	—	102,112	—	102,112
Total liabilities	—	161,305	—	161,305

Millions of yen				
2024				
Fair value				
	Level 1	Level 2	Level 3	Total
Convertible bonds with stock acquisition rights	¥ —	¥ 101,470	¥ —	¥ 101,470
Total liabilities	—	101,470	—	101,470

Thousands of U.S. dollars (Note 1)				
2025				
Fair value				
	Level 1	Level 2	Level 3	Total
Bonds payable	\$ —	\$ 395,886	\$ —	\$ 395,886
Convertible bonds with stock acquisition rights	—	682,932	—	682,932
Total liabilities	—	1,078,818	—	1,078,818

Notes:

Valuation techniques and inputs used in measuring fair values

Securities and investment securities

Listed equity securities are measured using quoted prices. The fair value of listed equity securities is classified as Level 1 because they are exchanged in active markets. The fair value of corporate bonds and investment trust beneficiary certificates are classified as Level 2 because their quoted prices are not considered derived from active markets due to the low frequency of their transactions.

Derivative transactions

Derivatives classified as Level 2 are measured using valuation techniques such as the discounted cash flow method, based on observable inputs including interest rates and foreign exchange rates.

Short-term borrowings and Short-term bonds payable

The fair value of short-term borrowings and short-term bonds payable are classified as Level 2, because their quoted prices are not considered quoted prices from active markets due to the low frequency of the transactions.

Bonds payable and convertible bonds with stock acquisition rights

The fair value of bonds payable and convertible bonds with stock acquisition rights are classified as Level 2, because their quoted prices are not considered quoted prices from active markets due to low frequency of transactions.



## 4. Securities

(1) The following table summarizes acquisition costs and book values of available-for-sale securities with available fair values at March 31, 2025 and 2024.

	Millions of yen		
	2025		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 3,224	¥ 11,258	¥ 8,034
Corporate bonds	100	104	4
Investment trust funds	31,497	32,461	963
Total	¥ 34,822	¥ 43,825	¥ 9,002
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 371	¥ 309	¥ (62)
Corporate bonds	40	40	(0)
Investment trust funds	0	0	—
Total	¥ 412	¥ 349	¥ (62)

	Millions of yen		
	2024		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 4,401	¥ 20,253	¥ 15,852
Corporate bonds	42	58	16
Investment trust funds	23,283	23,783	500
Total	¥ 27,726	¥ 44,095	¥ 16,369
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 321	¥ 212	¥ (109)
Corporate bonds	104	104	—
Investment trust funds	403	403	—
Total	¥ 829	¥ 720	¥ (109)

	Thousands of U.S. dollars (Note 1)		
	2025		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	\$ 21,562	\$ 75,294	\$ 53,731
Corporate bonds	668	695	26
Investment trust funds	210,654	217,101	6,440
Total	\$ 232,891	\$ 293,104	\$ 60,205
Securities with book value not exceeding acquisition cost:			
Equity securities	\$ 2,481	\$ 2,066	\$ (414)
Corporate bonds	267	267	0
Investment trust funds	0	0	—
Total	\$ 2,755	\$ 2,334	\$ (414)

(2) The following table summarizes book values of available-for-sale securities with no available fair value at March 31, 2025 and 2024.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Nonlisted equity securities	¥ 3,319	¥ 3,319	\$ 22,197

(3) Total sales of available-for-sale securities for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Selling amount	¥ 99,579	¥ 119,364	\$ 665,991
Realized gains	7,023	33,863	46,970
Realized losses	—	41	—

(4) Write-down of securities

For the year ended March 31, 2025, an impairment loss of ¥2,045 million (\$13,677 thousand) related to an investment in Polisan Kansai Boya Sanayi Ve Ticaret A.S., an affiliate accounted for using the equity method, was recognized as an equity in loss of affiliates.

In the consolidated financial statements, the amounts of investment in this affiliate, recorded in investment securities, were ¥8,439 million (\$56,440 thousand) and ¥9,134 million, for the fiscal years ended March 31, 2025 and 2024, respectively.

The disclosure in relation to the write-down of securities for the year ended March 31, 2024 is omitted due to lack of materiality.

Write-down is recognized if the fair value has fallen to less than 50% of the acquisition cost. If the fair value is less than the acquisition cost by an amount between 30% and 50% of the acquisition cost, write-down is recognized as deemed necessary considering the recoverability of the value. Write-down of securities with no fair value is basically recognized if the financial condition is deteriorating and the value is less than 50% of the acquisition cost unless the value is considered to be recoverable on an individual basis.

## 5. Short-Term Debt and Long-Term Debt

Annual interest rates on the short-term debt ranged from 0.04% to 56.35% at March 31, 2025 and from 0.01% to 50.40% at March 31, 2024.

Short-term debt at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Bank loans	¥ 11,895	¥ 9,653	\$ 79,554
Loans from unconsolidated subsidiaries and affiliates	72	20	481
Short-term bonds payable	31,985	—	213,917
Total	¥ 43,954	¥ 9,673	\$ 293,967

Long-term debt at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Bank loans with interest rates ranging from 0.46% to 16.00% in 2025 (from 0.46% to 18.44% in 2024) due serially to 2029	¥ 7,728	¥ 6,366	\$ 51,685
Bonds payable with interest rate of 0.74%, due July 2027	30,000	—	200,642
Bonds payable with interest rate of 0.96%, due August 2029	30,000	—	200,642
Zero-coupon convertible bonds, due March 2029	60,472	60,592	404,440
Zero-coupon convertible bonds, due March 2031	40,000	40,000	267,522
Total	168,200	106,959	1,124,933
Current portion of long-term debt	(132)	(258)	(882)
Long-term debt	¥ 168,068	¥ 106,701	\$ 1,124,050

The aggregate annual maturities of long-term debt subsequent to March 31, 2025 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2026	¥ 132	\$ 882
2027	5,426	36,289
2028	31,254	209,028
2029	60,069	401,745
2030 and thereafter	70,845	473,816
Total	¥ 167,728	\$ 1,121,776

## 6. Pledged Assets

At March 31, 2025, the following assets were pledged as collateral for certain trade notes and accounts payable and for short-term borrowing and long-term debt.

At March 31, 2024, the following assets were pledged as collateral for certain trade notes and accounts payable and for short-term borrowings, the current portion of long-term debt and long-term debt.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash and deposits	¥ 164	¥ 193	\$ 1,096
Trade notes and accounts receivable	993	1,349	6,641
Inventories	3,543	3,511	23,695
Property, plant and equipment	565	625	3,778
Investment securities	25	25	167
Total	¥ 5,292	¥ 5,705	\$ 35,393

## 7. Derivative Transactions

(1) Derivative transactions to which the Companies did not apply hedge accounting as of March 31, 2025 and 2024 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Contract amount	Fair value *	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts						
Buy						
U.S. dollar	¥ 488	¥ 3	¥ 3	\$ 3,263	\$ 20	\$ 20
Japanese yen	577	(4)	(4)	3,859	(26)	(26)
Sell						
U.S. dollar	51	0	0	341	0	0
Currency option contracts						
Buy (Call)						
U.S. dollar	7,599	182	182	50,822	1,217	1,217
Buy (Put)						
U.S. dollar	387	32	32	2,588	214	214
Sell (Put)						
U.S. dollar	7,599	(353)	(353)	50,822	(2,360)	(2,360)
Total	¥ 16,704	¥ (139)	¥ (139)	\$ 111,717	\$ (929)	\$ (929)

	Millions of yen		
	2024		
	Contract amount	Fair value *	Unrealized gain (loss)
Foreign currency forward contracts			
Buy			
U.S. dollar	¥ 319	¥ (3)	¥ (3)
Japanese yen	426	2	2
Sell			
Japanese yen	41	0	0
Currency option contracts			
Buy (Call)			
U.S. dollar	7,293	203	203
Buy (Put)			
U.S. dollar	348	141	141
Sell (Call)			
U.S. dollar	757	(0)	(0)
Sell (Put)			
U.S. dollar	7,293	(308)	(308)
Total	¥ 16,481	¥ 35	¥ 35

Notes:

\* The fair values of derivative transactions are determined at the quoted prices obtained from the relevant financial institutions.

(2) Derivative transactions to which the Companies applied hedge accounting

The disclosure in relation to the derivative transactions to which the Companies applied hedge accounting for the year ended March 31, 2025 is omitted due to lack of materiality.

The disclosure in relation to the derivative transactions to which the Companies applied hedge accounting for the year ended March 31, 2024 is omitted due to lack of materiality.

## 8. Related Party Transactions

(1) The company did not have any transactions with related parties for the year ended March 31, 2025 and 2024.

(2) Transactions of the consolidated subsidiaries of the Company with related parties during the years ended March 31, 2025 and 2024 are omitted, since the amount did not reach the disclosure standard.

## 9. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 27, 2025, the shareholders approved cash dividends of ¥28.0 (\$0.18) per share, amounting to ¥4,983 million (\$33,326 thousand). This appropriation was not accounted for in the consolidated financial statements at March 31, 2025. Such appropriations are recognized in the period in which they are approved by the shareholders.

## 10. Comprehensive Income

Reclassification adjustments and tax effects for each component of other comprehensive income for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net unrealized holding losses on securities:			
Gains (losses) arising during the year	¥ (1,841)	¥ 7,179	\$ (12,312)
Reclassification adjustments	(5,930)	(33,092)	(39,660)
Amount before income tax effect	(7,772)	(25,912)	(51,979)
Income tax effect	2,305	7,914	15,415
Net unrealized holding losses on securities	(5,467)	(17,998)	(36,563)
Deferred gains (losses) on derivatives under hedge accounting:			
Gains (losses) arising during the year	(4)	(869)	(26)
Reclassification adjustments	—	2,894	—
Amount before income tax effect	(4)	2,025	(26)
Income tax effect	—	—	—
Deferred gains (losses) on derivatives under hedge accounting	(4)	2,025	(26)
Foreign currency translation adjustments:			
Gains (losses) arising during the year	13,182	10,614	88,162
Reclassification adjustments	—	95	—
Amount before income tax effect	13,182	10,709	88,162
Income tax effect	—	—	—
Foreign currency translation adjustments	13,182	10,709	88,162
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	1,377	7,008	9,209
Reclassification adjustments	(1,356)	(850)	(9,069)
Amount before income tax effect	20	6,158	133
Income tax effect	(118)	(1,884)	(789)
Remeasurements of defined benefit plans	(97)	4,274	(648)
Shares in other comprehensive income of equity method affiliates:			
Gains (losses) arising during the year	2,623	10,105	17,542
Reclassification adjustments	(23)	(278)	(153)
Shares in other comprehensive income of equity method affiliates	2,599	9,827	17,382
Total other comprehensive income	¥ 10,213	¥ 8,838	\$ 68,305

## 11. Supplementary Cash Flow Information

Reconciliation of cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets as of March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash and deposits	¥ 76,656	¥ 76,587	\$ 512,680
Time deposits with original maturity of more than three months	(13,509)	(5,635)	(90,349)
Cash and cash equivalents	¥ 63,147	¥ 70,952	\$ 422,331

## 12. Employees' Severance and Retirement Benefits

The Company and some of the consolidated subsidiaries have defined benefit plans, i.e., corporate pension fund plans and lump-sum payment plans. The Company and certain consolidated subsidiaries have defined contribution pension plans. Some of the consolidated subsidiaries use the simplified method for the calculation of net defined benefit liability and retirement benefit costs. In certain cases, the Company and some of the consolidated subsidiaries pay additional retirement benefits upon the retirement of employees.

### (1) Defined benefit plans

- 1) Reconciliation of beginning and ending balances of the retirement benefit obligations (except plans applying the simplified method) at March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Retirement benefit obligations at beginning of year	¥ 38,555	¥ 38,662	\$ 257,858
Service cost	1,636	1,625	10,941
Interest cost	685	690	4,581
Actuarial (gains) losses	(2,863)	467	(19,147)
Benefits paid	(3,529)	(3,154)	(23,602)
Past service cost	(129)	—	(862)
Changes in the scope of consolidation	408	—	2,728
Foreign currency exchange differences	326	264	2,180
Retirement benefit obligations at end of year	¥ 35,088	¥ 38,555	\$ 234,670

- 2) Reconciliation of beginning and ending balances of plan assets (except plans applying the simplified method) at March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Plan assets at beginning of year	¥ 57,076	¥ 49,697	\$ 381,728
Expected return on plan assets	1,312	1,130	8,774
Actuarial gains (losses)	(1,510)	7,312	(10,098)
Contributions from the employer	945	646	6,320
Benefits paid	(1,753)	(1,823)	(11,724)
Foreign currency exchange differences	(11)	113	(73)
Plan assets at end of year	¥ 56,059	¥ 57,076	\$ 374,926

- 3) Reconciliation of beginning and ending balances of net defined benefit liability applying the simplified method at March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net defined benefit liability at beginning of year	¥ 1,198	¥ 1,030	\$ 8,012
Net periodic benefit costs	291	209	1,946
Contributions from the employer	(60)	(53)	(401)
Benefits paid	(88)	(90)	(588)
Changes due to absorption-type split	—	101	—
Net defined benefit liability at end of year	¥ 1,340	¥ 1,198	\$ 8,962



4) Reconciliation of ending balances of retirement benefit obligations and plan assets with net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheets at March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Funded retirement benefit obligations	¥ 30,091	¥ 34,497	\$ 201,250
Plan assets	(57,197)	(58,226)	(382,537)
	(27,106)	(23,728)	(181,286)
Unfunded retirement benefit obligations	7,475	6,406	49,993
Net amount of asset and liability recognized in the consolidated balance sheets	(19,630)	(17,322)	(131,286)
Net defined benefit liability	7,331	7,759	49,030
Net defined benefit asset	(26,962)	(25,081)	(180,323)
Net amount of asset and liability recognized in the consolidated balance sheets	¥ (19,630)	¥ (17,322)	\$ (131,286)

Note: Including plans applying the simplified method.

5) The components of net periodic benefit costs for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Service cost	¥ 1,636	¥ 1,625	\$ 10,941
Interest cost	685	690	4,581
Expected return on plan assets	(1,312)	(1,130)	(8,774)
Recognized actuarial gains	(1,331)	(584)	(8,901)
Amortization of past service cost	(130)	(102)	(869)
Net periodic benefit costs calculated by the simplified method	291	209	1,946
Net periodic benefit costs	(161)	708	(1,076)
Additional retirement benefits *	1,704	58	11,396
Total	¥ 1,542	¥ 766	\$ 10,313

Notes:

\* The amounts of extra early retirement payments were ¥1,636 million (\$10,941 thousand) and ¥8 million for the years ended March 31, 2025 and 2024, respectively.

6) The amounts recognized in remeasurements of defined benefit plans (before the tax effect) in other comprehensive income for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Past service cost	¥ —	¥ (102)	\$ —
Actuarial gains	20	6,261	133
Total	¥ 20	¥ 6,158	\$ 133

7) The amounts recognized in remeasurements of defined benefit plans (before the tax effect) in accumulated other comprehensive income at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Unrecognized past service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gains	(12,486)	(12,465)	(83,507)
Total	¥ (12,486)	¥ (12,465)	\$ (83,507)

8) The component ratio of plan assets by asset category at March 31, 2025 and 2024 was as follows:

	2025	2024
Debt securities	43%	34%
Equity securities	32	41
Life insurance company general accounts	11	12
Cash and deposits	12	11
Other	2	2
Total	100%	100%

9) The expected long-term rate of return on plan assets is determined based on the current and expected future distribution of plan assets and the current and expected future long-term rate of return of various assets of which plan assets are composed.

10) Principal actuarial assumptions for the years ended March 31, 2025 and 2024 were as follows (presented as weighted averages):

	2025	2024
Discount rate	2.6%	1.7%
Expected long-term rate of return on plan assets	2.6%	2.6%
Salary increase rate	2.8%	2.9%

(2) Defined contribution pension plans

The amounts of contribution to defined contribution plans of the Company and certain consolidated subsidiaries were ¥1,975 million (\$13,208 thousand) and ¥1,914 million for the years ended March 31, 2025 and 2024, respectively.

### 13. Deferred Income Taxes

(1) The following table summarizes the significant differences between the statutory tax rate and the Companies' effective income tax rate for financial statement purposes for the years ended March 31, 2025 and 2024.

	2025	2024
Statutory tax rate	30.6%	30.6%
Amortization of goodwill	2.4	1.3
Elimination of dividends from subsidiaries	11.1	3.1
Equity in earnings of affiliates	(0.9)	(2.2)
Undistributed foreign earnings	2.5	3.7
Difference in statutory tax rates of foreign subsidiaries	(3.6)	(2.8)
Valuation allowance	2.0	0.2
Non-taxable dividend income	(9.6)	(2.4)
Increase in year end deferred tax liabilities due to tax rate change	0.2	—
Other	(4.0)	(1.9)
Effective tax rate	30.7%	29.6%

(2) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Deferred tax assets:			
Valuation loss on inventories	¥ 493	¥ 387	\$ 3,297
Elimination of unrealized gain on inventories	823	799	5,504
Write-down of investment securities	353	346	2,360
Allowance for doubtful receivables	2,173	2,011	14,533
Accrued expenses	1,002	1,020	6,701
Provision for bonuses	991	1,166	6,627
Net defined benefit liability	3,532	3,703	23,622
Carryforward tax loss	6,957	5,622	46,528
Revaluation of assets of subsidiaries on consolidation	1,487	1,469	9,945
Other	4,892	4,497	32,718
Deferred tax assets—subtotal	22,707	21,025	151,865
Valuation allowance for carryforward tax loss	(3,215)	(2,313)	(21,502)
Valuation allowance for deductible temporary differences	(5,119)	(4,742)	(34,236)
Valuation allowance—total	(8,334)	(7,055)	(55,738)
Total deferred tax assets	14,373	13,969	96,127
Deferred tax liabilities:			
Net defined benefit asset	8,481	7,669	56,721
Adjustments to fixed assets based on corporate tax laws	1,763	1,734	11,791
Net unrealized holding gains on securities	2,763	4,956	18,479
Tax effect of foreign subsidiaries' and affiliates' undistributed earnings	18,266	16,626	122,164
Revaluation of assets of subsidiaries on consolidation	14,162	10,106	94,716
Other	3,392	2,681	22,685
Total deferred tax liabilities	48,829	43,774	326,571
Net deferred tax liabilities	¥ 34,456	¥ 29,805	\$ 230,444

(3) Carryforward tax loss and its deferred tax assets by expiration periods.

Millions of yen							
2025							
	2026	2027	2028	2029	2030	2031 and thereafter	Total
Carryforward tax loss	¥ 43	¥ 82	¥ 12	¥ 94	¥ 27	¥ 6,697	¥ 6,957
Valuation allowance	(43)	(82)	(12)	(94)	(27)	(2,955)	(3,215)
Net deferred tax assets	—	—	—	—	—	3,742	3,742

Millions of yen							
2024							
	2025	2026	2027	2028	2029	2030 and thereafter	Total
Carryforward tax loss	¥ 103	¥ 38	¥ 163	¥ 62	¥ 264	¥ 4,990	¥ 5,622
Valuation allowance	(103)	(38)	(154)	(56)	(260)	(1,700)	(2,313)
Net deferred tax assets	—	—	9	6	3	3,289	3,309

Thousands of U.S. dollars (Note 1)							
2025							
	2026	2027	2028	2029	2030	2031 and thereafter	Total
Carryforward tax loss	\$ 287	\$ 548	\$ 80	\$ 628	\$ 180	\$ 44,789	\$ 46,528
Valuation allowance	(287)	(548)	(80)	(628)	(180)	(19,763)	(21,502)
Net deferred tax assets	—	—	—	—	—	25,026	25,026

(4) Amendments to deferred tax assets and deferred tax liabilities due to changes in corporate income tax rates, etc.

Following the enactment of the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) by the Diet on March 31, 2025, "Special Defense Corporation Tax" will be imposed from fiscal years beginning on or after April 1, 2026. Accordingly, the effective statutory income tax rate used to measure deferred tax assets and deferred tax liabilities has been revised from 30.6% to 31.5% for temporary differences expected to be resolved from the fiscal year beginning on April 1, 2026. As a result of these changes, deferred tax liabilities (net amount after deduction of deferred tax assets) increased by ¥390 million (\$2,608 thousand), income taxes-deferred increased by ¥206 million (\$1,377 thousand), remeasurements of defined benefit plans decreased by ¥112 million (\$749 thousand), and net unrealized holding gains on securities decreased by ¥71 million (\$474 thousand).

## 14. Leases

(As lessee)

(1) Finance leases

Finance lease transactions without title transfer

1) Leased assets

Tangible fixed assets

Consisting of buildings and structures, etc.

2) Depreciation and amortization methods for leased assets

As described in Note 2, "Summary of Significant Accounting Policies - Finance leases"

(2) Operating leases

Future minimum lease payments under non-cancellable operating leases at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Due within 1 year	¥ 350	¥ 328	\$ 2,340
Due over 1 year	¥ 792	¥ 1,039	\$ 5,296
Total	¥ 1,143	¥ 1,367	\$ 7,644

## 15. Contingent Liabilities

At March 31, 2025 and 2024, the Companies had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025	2024	2025	
Guarantees of bank borrowings	¥ —	¥ 176	\$ —	

## 16. Impairment Loss

Impairment loss for the year ended March 31, 2025 was as follows.

Location	Use	Type of assets	Millions of yen	Thousands of U.S. dollars (Note 1)	Accounting Items on Consolidated Statements of Income
			2025	2025	
Germany	Other	Goodwill	¥ 106	\$ 708	Impairment Loss
Bangladesh	Assets for operations	Buildings and structures, Machinery, equipment and vehicles, Tools, furniture and fixtures, Land, Construction in progress, and Software etc.	¥ 572	\$ 3,825	Loss on withdrawal from business
China	Assets for operations	Machinery, equipment and vehicles, Tools, furniture and fixtures etc.	¥ 133	\$ 889	Loss on withdrawal from business
Total			¥ 812	\$ 5,430	

The Companies group assets for operations based on operating activities. Assets to be sold are grouped based on each asset. For other in Germany, regarding the goodwill of Kansai HELIOS Wefa GmbH, a consolidated subsidiary of the Company, the possibility of achieving the initially expected revenues has diminished due to a deteriorating business environment. Consequently, the unamortized balance of goodwill was written down to zero, and an impairment loss of ¥106 million (\$708 thousand) was recognized.

For assets for operations in Bangladesh, the carrying amounts were reduced to the recoverable amounts, and a loss on withdrawal from business of ¥572 million (\$3,825 thousand) was recognized when the decision to exit the business was made. Recoverable amounts are measured at either net sale prices or estimated disposal price or by other means. As the factory buildings and related assets were expected to be difficult to sell or repurpose for other business uses, the recoverable amounts were assessed to be zero.

For assets for operations in China, the carrying amounts were reduced to the recoverable amounts, and a loss on withdrawal from business of ¥133 million (\$889 thousand) was recognized when the decision to exit the business was made. Recoverable amounts are measured at either net sale prices or estimated disposal price or by other means.

Impairment loss for the year ended March 31, 2024 was as follows.

Location	Use	Type of assets	Millions of yen	
			2024	
Germany etc.	Assets for operations	Buildings and structures etc.	¥	69
Total			¥	69

The Companies group assets for operations based on operating activities. Assets to be sold are grouped based on each asset. For assets for operations, the carrying amounts were reduced to the recoverable amounts, and an impairment loss of ¥69 million was recognized when it was determined that the recoverable amount due to disposal is lower than the carrying amount. Recoverable amounts are measured at either net sale prices or estimated disposal price or by other means.

## 17. Segment Information

### 1. Segment information

#### (1) General information for reportable segments

The reportable segments of the Kansai Paint Group are defined as components of the Group for which separate financial information is available and reviewed regularly by the Board of Directors in determining how to allocate management resources and evaluate operating performance. The Company and its consolidated subsidiaries and affiliates are primarily engaged in the manufacturing and sale of paints and coatings. The Company is mainly in charge of business activities in Japan while locally incorporated overseas subsidiaries are in charge in each region. Locally incorporated overseas subsidiaries are independent business units that develop their own business activities and establish their own comprehensive strategies in each region. Accordingly, the Kansai Paint Group, being composed of regional segments based on manufacturing and selling systems, has the following five reportable segments: Japan, India, Europe, Asia and Africa.

#### (2) Methods of measurement for sales, profit and loss, assets and essentially all other items for each reportable segment

The accounting methods applied to reportable segments are the same as those described in Note 2, "Summary of Significant Accounting Policies." Intersegment sales and transfers are based on prevailing market prices.

#### (3) Information about sales, profit and loss, assets and other material items by reportable segment

Segment information for the fiscal years ended March 31, 2025 and 2024 were as follows:

	Millions of yen									
	2025						Other *1	Total	Adjustment *2	Consolidated financial statements *3
	Japan	India	Europe	Asia	Africa	Total				
Net sales										
Sales to customers	¥ 163,896	¥ 142,335	¥ 156,469	¥ 68,670	¥ 47,423	¥ 578,794	¥ 10,031	¥ 588,825	¥ —	¥ 588,825
Intersegment sales and transfers	15,367	113	190	3,154	180	19,005	—	19,005	(19,005)	—
Total sales	179,263	142,448	156,659	71,824	47,603	597,800	10,031	607,831	(19,005)	588,825
Operating income	¥ 22,636	¥ 14,360	¥ 3,514	¥ 5,941	¥ 4,125	¥ 50,578	¥ 1,470	¥ 52,048	¥ 2	¥ 52,050
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	¥ 1,283	¥ (167)	¥ (4,493)	¥ 3,247	¥ 224	¥ 94	¥ 1,734	¥ 1,829	¥ —	¥ 1,829
Segment income (loss)	¥ 23,919	¥ 14,193	¥ (979)	¥ 9,188	¥ 4,350	¥ 50,673	¥ 3,204	¥ 53,877	¥ 2	¥ 53,879
Segment assets	¥ 253,880	¥ 142,878	¥ 208,041	¥ 119,039	¥ 46,278	¥ 770,117	¥ 21,176	¥ 791,294	¥ (40,594)	¥ 750,699
Other items										
Depreciation and amortization	¥ 4,611	¥ 3,512	¥ 7,799	¥ 2,759	¥ 1,285	¥ 19,968	¥ 735	¥ 20,703	¥ —	¥ 20,703
Amortization of goodwill	—	—	3,387	67	1,297	4,753	384	5,138	—	5,138
Interest income	2,207	170	309	502	458	3,649	86	3,735	(1,834)	1,900
Interest expense	379	575	3,191	18	933	5,099	0	5,099	(1,859)	3,239
Investments in unconsolidated subsidiaries and affiliates	22,893	130	10,213	33,461	2,019	68,718	5,572	74,291	—	74,291
Increase in property, plant and equipment and intangible assets	12,755	4,976	6,222	1,111	774	25,839	197	26,037	—	26,037

	Millions of yen									
	2024						Other *1	Total	Adjustment *2	Consolidated financial statements *3
	Japan	India	Europe	Asia	Africa	Total				
Net sales										
Sales to customers	¥ 165,301	¥ 136,648	¥ 135,902	¥ 71,876	¥ 43,338	¥ 553,066	¥ 9,210	¥ 562,277	¥ —	¥ 562,277
Intersegment sales and transfers	16,219	85	111	3,415	231	20,063	—	20,063	(20,063)	—
Total sales	181,521	136,733	136,013	75,291	43,569	573,129	9,210	582,340	(20,063)	562,277
Operating income	¥ 20,035	¥ 14,873	¥ 4,256	¥ 7,285	¥ 3,971	¥ 50,422	¥ 1,184	¥ 51,607	¥ (11)	¥ 51,595
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	¥ 1,416	¥ (66)	¥ 811	¥ 3,262	¥ 106	¥ 5,530	¥ 2,112	¥ 7,643	¥ —	¥ 7,643
Segment income	¥ 21,451	¥ 14,807	¥ 5,068	¥ 10,548	¥ 4,077	¥ 55,953	¥ 3,297	¥ 59,250	¥ (11)	¥ 59,239
Segment assets	¥ 258,744	¥ 133,424	¥ 163,261	¥ 112,960	¥ 41,812	¥ 710,203	¥ 20,621	¥ 730,825	¥ (41,121)	¥ 689,703
Other items										
Depreciation and amortization	¥ 4,360	¥ 3,204	¥ 5,777	¥ 2,733	¥ 1,204	¥ 17,281	¥ 681	¥ 17,962	¥ —	¥ 17,962
Amortization of goodwill	1	21	2,919	62	1,209	4,214	358	4,573	—	4,573
Interest income	2,074	78	112	435	170	2,871	27	2,898	(1,907)	991
Interest expense	50	474	2,170	24	1,134	3,853	0	3,854	(1,762)	2,091
Investments in unconsolidated subsidiaries and affiliates	26,027	294	11,109	29,177	1,889	68,497	5,441	73,938	—	73,938
Increase in property, plant and equipment and intangible assets	8,954	4,494	5,646	1,217	856	21,169	174	21,344	—	21,344



	Thousands of U.S. dollars (Note 1)									
	2025						Other *1	Total	Adjustment *2	Consolidated financial statements *3
	Reportable segments									
	Japan	India	Europe	Asia	Africa	Total				
Net sales										
Sales to customers	\$ 1,096,147	\$ 951,946	\$ 1,046,475	\$ 459,269	\$ 317,168	\$ 3,871,013	\$ 67,088	\$ 3,938,101	\$ —	\$ 3,938,101
Intersegment sales and transfers	102,775	755	1,270	21,094	1,203	127,106	—	127,106	(127,106)	—
Total sales	1,198,923	952,701	1,047,746	480,363	318,372	3,998,127	67,088	4,065,215	(127,106)	3,938,101
Operating income	\$ 151,391	\$ 96,040	\$ 23,501	\$ 39,733	\$ 27,588	\$ 338,269	\$ 9,831	\$ 348,100	\$ 13	\$ 348,113
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	8,580	(1,116)	(30,049)	21,716	1,498	628	11,597	12,232	—	12,232
Segment income (loss)	159,971	94,923	(6,547)	61,449	29,093	338,904	21,428	360,333	13	360,346
Segment assets	\$ 1,697,966	\$ 955,577	\$ 1,391,392	\$ 796,140	\$ 309,510	\$ 5,150,595	\$ 141,626	\$ 5,292,228	\$ (271,495)	\$ 5,020,726
Other items										
Depreciation and amortization	\$ 30,838	\$ 23,488	\$ 52,160	\$ 18,452	\$ 8,594	\$ 133,547	\$ 4,915	\$ 138,463	\$ —	\$ 138,463
Amortization of goodwill	—	—	22,652	448	8,674	31,788	2,568	34,363	—	34,363
Interest income	14,760	1,136	2,066	3,357	3,063	24,404	575	24,979	(12,265)	12,707
Interest expense	2,534	3,845	21,341	120	6,239	34,102	0	34,102	(12,433)	21,662
Investments in unconsolidated subsidiaries and affiliates	153,109	869	68,305	223,789	13,503	459,590	37,265	496,863	—	496,863
Increase in property, plant and equipment and intangible assets	85,306	33,279	41,613	7,430	5,176	172,813	1,317	174,137	—	174,137

Notes:

\*1 The "Other" category includes business activities of subsidiaries and affiliates in the U.S., Mexico and other locations.

\*2 Adjustments for segment income(loss), segment assets and other items represent the elimination of intersegment transactions.

\*3 Segment income(loss) is reconciled with the sum of operating income and equity in earnings (losses) of unconsolidated subsidiaries and affiliates in the Consolidated Statements of Income.

\*4 Reportable segments other than Japan include the following countries:

India: India, Bangladesh, Nepal and other locations.

Europe: Slovenia, Turkey, Austria and other locations.

Asia: Indonesia, Thailand, China and other locations.

Africa: South Africa, Uganda, Zimbabwe and other locations.

## 2. Related information

### (1) Information by products and services

Millions of yen						
	2025					
	Automotive	Industrial	Decorative	Automotive(refinish), marine and protective	Other	Total
Sales to customers	¥ 176,894	¥ 168,133	¥ 144,639	¥ 63,185	¥ 35,973	¥ 588,825

  

Millions of yen						
	2024					
	Automotive	Industrial	Decorative	Automotive(refinish), marine and protective	Other	Total
Sales to customers	¥ 172,898	¥ 147,761	¥ 143,708	¥ 62,872	¥ 35,036	¥ 562,277

  

Thousands of U.S. dollars (Note 1)						
	2025					
	Automotive	Industrial	Decorative	Automotive(refinish), marine and protective	Other	Total
Sales to customers	\$ 1,183,079	\$ 1,124,485	\$ 967,355	\$ 422,585	\$ 240,589	\$ 3,938,101

### (2) Information by geographical segment

Millions of yen							
	2025						
	Japan	India *1*2	Europe *2	Asia	Africa	Other	Total
Total sales	¥ 148,353	¥ 143,990	¥ 145,742	¥ 81,750	¥ 48,756	¥ 20,232	¥ 588,825
Property, plant and equipment	43,674	41,128	67,573	21,493	7,992	1,936	183,798

  

Millions of yen							
	2024						
	Japan	India	Europe	Asia	Africa	Other	Total
Total sales	¥ 149,719	¥ 136,860	¥ 130,682	¥ 83,632	¥ 44,335	¥ 17,046	¥ 562,277
Property, plant and equipment	40,027	40,838	48,273	21,097	7,017	1,707	158,961

Thousands of U.S. dollars (Note 1)

	2025						
	Japan	India *1*2	Europe *2	Asia	Africa	Other	Total
Total sales	\$ 992,195	\$ 963,014	\$ 974,732	\$ 546,749	\$ 326,083	\$ 135,313	\$ 3,938,101
Property, plant and equipment	292,094	275,066	451,932	143,746	53,451	12,948	1,229,253

Notes:

\*1 Net sales in India include net sales of ¥140,122 million (\$937,145 thousand) that make up 10% or more of net sales on the consolidated income statement.

\*2 Tangible fixed assets in India and Europe includes tangible fixed assets of ¥40,957 million (\$273,923 thousand) in India that makes up 10% or more of tangible fixed assets on the consolidated balance sheet and tangible fixed assets of ¥21,368 million (\$142,910 thousand) in Slovenia.

### (3) Information by major customers

No information is disclosed as there were no customers accounting for 10% or more of the Companies' total net sales for the fiscal year ended March 31, 2025 and 2024.

### 3. Impairment loss on property, plant and equipment and intangible assets by reportable segment

Impairment loss on property, plant and equipment and intangible assets by reportable segment for the fiscal year ended March 31, 2025 and 2024 were as follows:

	Millions of yen										
	2025										
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements	
	Japan	India	Europe	Asia	Africa	Total					
Impairment loss	¥ —	¥ 572	¥ 106	¥ 133	¥ —	¥ 812	¥ —	¥ 812	¥ —	¥ 812	

	Millions of yen										
	2024										
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements	
	Japan	India	Europe	Asia	Africa	Total					
Impairment loss	¥ —	¥ —	¥ 69	¥ —	¥ —	¥ 69	¥ —	¥ 69	¥ —	¥ 69	

Thousands of U.S. dollars (Note 1)										
2025										
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Europe	Asia	Africa	Total				
Impairment loss	\$ —	\$ 3,825	\$ 708	\$ 889	\$ —	\$ 5,430	\$ —	\$ 5,430	\$ —	\$ 5,430

Notes:

Impairment loss of ¥705 million (\$4,715 thousand) in India and Asia is included in loss on withdrawal from business of extraordinary losses.

### 4. Unamortized balance of goodwill by reportable segment

Unamortized balance of goodwill by reportable segment for the fiscal years ended March 31, 2025 and 2024 were as follows:

	Millions of yen										
	2025										
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements	
	Japan	India	Europe	Asia	Africa	Total					
Unamortized balance of goodwill	¥ —	¥ —	¥ 31,448	¥ 125	¥ 3,500	¥ 35,074	¥ 636	¥ 35,711	¥ —	¥ 35,711	

	Millions of yen																			
	2024																			
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements										
	Japan	India	Europe	Asia	Africa	Total														
Unamortized balance of goodwill	¥	—	¥	—	¥	28,595	¥	171	¥	4,353	¥	33,120	¥	931	¥	34,051	¥	—	¥	34,051

	Thousands of U.S. dollars (Note 1)									
	2025									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Europe	Asia	Africa	Total				
Unamortized balance of goodwill	\$ —	\$ —	\$ 210,326	\$ 836	\$ 23,408	\$ 234,577	\$ 4,253	\$ 238,837	\$ —	\$ 238,837

### 5. Gain on negative goodwill by reportable segment

There were no applicable related items for the fiscal years ended March 31, 2025 and 2024.

## 18. Revenue Recognition

1. Information that breaks down revenue from contracts with customers for the fiscal years ended March 31, 2025 and 2024 was as follows:

Millions of yen							
2025							
	Automotive	Industrial	Decorative	Automotive (refinish), marine and protective	Other	Total	
Japan	¥ 67,565	¥ 35,435	¥ 22,298	¥ 37,521	¥ 1,074	¥	163,896
India	48,066	23,484	67,088	2,996	698		142,335
Europe	12,004	90,379	8,268	16,054	29,761		156,469
Asia	38,758	13,856	10,648	3,623	1,783		68,670
Africa	467	4,977	36,335	2,988	2,654		47,423
Other *2	10,031	—	—	—	—		10,031
Revenue from contracts with customers	176,894	168,133	144,639	63,185	35,973		588,825
Other revenue	—	—	—	—	—		—
Sales to customers	176,894	168,133	144,639	63,185	35,973		588,825

Millions of yen							
2024							
	Automotive	Industrial	Decorative	Automotive (refinish), marine and protective	Other	Total	
Japan	¥ 66,077	¥ 37,048	¥ 23,610	¥ 37,910	¥ 655	¥	165,301
India	42,393	20,927	69,959	2,753	615		136,648
Europe	12,049	71,843	7,567	15,931	28,509		135,902
Asia	42,691	12,990	10,206	3,688	2,300		71,876
Africa	475	4,951	32,365	2,589	2,956		43,338
Other *2	9,210	—	—	—	—		9,210
Revenue from contracts with customers	172,898	147,761	143,708	62,872	35,036		562,277
Other revenue	—	—	—	—	—		—
Sales to customers	172,898	147,761	143,708	62,872	35,036		562,277

Thousands of U.S. dollars (Note 1)							
2025							
	Automotive	Industrial	Decorative	Automotive (refinish), marine and protective	Other	Total	
Japan	\$ 451,879	\$ 236,991	\$ 149,130	\$ 250,943	\$ 7,182	\$	1,096,147
India	321,468	157,062	448,689	20,037	4,668		951,946
Europe	80,283	604,460	55,296	107,370	199,043		1,046,475
Asia	259,216	92,669	71,214	24,230	11,924		459,269
Africa	3,123	33,286	243,010	19,983	17,750		317,168
Other *2	67,088	—	—	—	—		67,088
Revenue from contracts with customers	1,183,079	1,124,485	967,355	422,585	240,589		3,938,101
Other revenue	—	—	—	—	—		—
Sales to customers	1,183,079	1,124,485	967,355	422,585	240,589		3,938,101

Notes:

\*1 The amounts shown in the table above exclude intersegment transactions.

\*2 The "Other" category includes business activities of subsidiaries and affiliates in the U.S..

## 2. Understanding revenue from contracts with customers

Information on which to base an understanding of the revenue arising from contracts with customers is as stated in Notes 2 "Summary of Significant Accounting Policies - Accounting policy for recognition of significant revenues and expenses."

## 3. Relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year

(1) Balance of contract assets and liabilities, etc. at March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Receivables from contracts with customers (Balance at beginning of period)	¥ 113,188	¥ 106,749	\$ 757,009
Trade notes receivable	9,002	7,763	60,205
Accounts receivable	104,185	98,985	696,796
Receivables from contracts with customers (Balance at end of period)	120,836	113,188	808,159
Trade notes receivable	10,237	9,002	68,465
Accounts receivable	110,599	104,185	739,693
Contract assets (Balance at beginning of period)	14	36	93
Contract assets (Balance at end of period)	21	14	140
Contract liabilities (Balance at beginning of period)	312	792	2,086
Contract liabilities (Balance at end of period)	378	312	2,528

Notes:

\*1 The Companies post mainly contract assets for services rendered to customers in advance of the receipt of the consideration received and contract liabilities for the consideration received from customers prior to the delivery of products. Contract liabilities are included in other current liabilities on the consolidated balance sheets.

\*2 The amount of revenue recognized in the current fiscal year and that recognized in the prior fiscal year as included in the balance of contract liabilities at the beginning of each fiscal year were immaterial.

(2) Transaction prices allocated to remaining performance obligations

The Companies apply the practical expedient method in which amounts do not include transaction prices allocated to performance obligations of a contract in which that performance obligation has an original expected duration of one year or less. There was no significant consideration from contracts with customers which was not included in the transaction price.

## 19. Effect of Bank Holiday

As financial institutions in Japan were closed on March 31, 2024, amounts of the following accounts that would normally be settled on March 31, 2024 were collected or paid on the following business day. Consequently, the impact on the consolidated financial statements was as follows.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Trade notes receivable	¥ —	¥ 803	\$ —
Accounts receivable	—	1,637	—
Trade notes payable	—	974	—
Accounts payable	—	4,451	—

## 20. Stock Options

### 1. Amount and account of expenses related to stock options

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2025	2024	2025	
Selling, general and administrative expenses	¥ (24)	¥ 213	\$ (160)	

### 2. Description, scale, and changes of stock options

#### (1) Description of stock options

	Stock Options (Time Base)	Stock Options (Performance Base)
Company name	Kansai Nerolac Paints Ltd. (Consolidated subsidiary)	Kansai Nerolac Paints Ltd. (Consolidated subsidiary)
Resolution date	October 25,2022 and June 15,2023	October 25,2022 and June 15,2023
Category and number of grantees	Directors of said company: 3 Employees of said company: 147	Directors of said company: 3 Employees of said company: 145
Number of stock options by stock type	Common stock of said company:912,203	Common stock of said company: 1,307,671
Grant date	January 1, 2023 - March 1, 2025	January 1, 2023 - December 1, 2024
Conditions for vesting	*1	*2
Requisite service period	Minimum period of 1 year and not later than maximum period of 4 years from the grant date	Minimum period of 1 year and not later than maximum period of 4 years from the grant date
Exercisable period	4 years from vested date	4 years from vested date

Notes:

\*1 Employee is required to be in employment or service of the said company on the date of vesting (service of minimum period of 1 year and not later than a maximum period of 4 years from the grant date). Other conditions are as stipulated in the share acquisition rights allotment agreement concluded between the said company and the rights holder.

\*2 The allocated share acquisition rights will be subject to performance achievement conditions, and they can be fully exercised if the said company achieves net sales of 110 billion Indian rupees and a profit before tax of 11 billion Indian rupees in the fiscal year ending March 31, 2026. However, if these performance achievement conditions are not met, a portion or all of the share acquisition rights may not be exercised, depending on the extent of non-fulfillment. The employee is required to be in employment or service of the said company on the date of vesting (service of minimum period of 1 year and not later than the maximum period of 4 years from the grant date). Other conditions are as stipulated in the share acquisition rights allotment agreement concluded between the said company and the rights holder.

#### (2) Scale of stock options and related changes

Changes in the scale of stock options that existed in the year ended March 31, 2025 are shown below. The number of stock options is presented as the number of underlying shares.

#### 1) Number of stock options

	Stock Options (Time Base)	Stock Options (Performance Base)
Company name	Kansai Nerolac Paints Ltd. (Consolidated subsidiary)	Kansai Nerolac Paints Ltd. (Consolidated subsidiary)
Resolution date	October 25,2022 and June 15,2023	October 25,2022 and June 15,2023
Non-vested (shares)		
As of March 31, 2024	620,972	1,140,981
Granted	207,233	96,247
Forfeited	104,694	161,015
Vested	130,438	—
Unvested	593,073	1,076,213
Vested (shares)		
As of March 31, 2024	60,784	—
Vested	130,438	—
Exercised	111,099	—
Forfeited	9,933	—
Unexercised	70,190	—

## 2) Price information

	Stock Options (Time Base)	Stock Options (Performance Base)
Company name	Kansai Nerolac Paints Ltd. (Consolidated subsidiary)	Kansai Nerolac Paints Ltd. (Consolidated subsidiary)
Resolution date	October 25,2022 and June 15,2023	October 25,2022 and June 15,2023
Exercise price (Indian Rupee)	1	1
Average share price at time of exercise (Indian Rupee)	268	—
Fair value per share at grant date (Indian Rupee)	278.31~431.74	165.88~281.84

## 3. Method for estimating fair value of stock options

### (1) Evaluation method used

	Stock Options (Time Base)	Stock Options (Performance Base)
Evaluation method used	Black-Scholes Model	Monte Carlo Simulation Model

### (2) Main base figures and their estimation methods

	Stock Options (Time Base)	Stock Options (Performance Base)
Company name	Kansai Nerolac Paints Ltd. (Consolidated subsidiary)	Kansai Nerolac Paints Ltd. (Consolidated subsidiary)
Resolution date	October 25,2022 and June 15,2023	October 25,2022 and June 15,2023
Share price volatility *1	29.97% - 37.80%	28.07% - 34.2%
Forecasted remaining period *2	3.00 - 5.00 years	2.08 - 3.25 years
Forecasted dividend yield *3	0.51% - 0.78%	0.60% - 0.78%
Risk free interest rate *4	6.87% - 7.23%	6.76% - 7.15%

#### Notes:

\*1 Calculated based on the actual share price for the period corresponding to the forecasted remaining period.

\*2 The period from the allotment date to the expiration date of the exercise period.

\*3 Based on the actual dividend forecast for the most recent fiscal year.

\*4 The yield on Indian government bonds corresponding to the forecasted remaining period.

## 4. Method for estimating the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of stock options vested only reflects the number of options that have actually expired.





# Independent auditor's report

To the Board of Directors of KANSAI PAINT Co., Ltd.:

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of KANSAI PAINT Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2025 and 2024, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Appropriateness of the valuation of the investment in Polisan Kansai Boya Sanayi Ve Ticaret A.S., an affiliate accounted for using the equity method

The key audit matter	How the matter was addressed in our audit
----------------------	---

As described in Note 4, “Securities, (4) Write-down of securities” to the consolidated financial statements, Kansai Paint Co., Ltd. (hereinafter, the “Company”) and its consolidated subsidiaries (collectively, the “Group”) recognized the investment in Polisan Kansai Boya Sanayi Ve Ticaret A.S. (an affiliate accounted for using the equity method; hereinafter, “Polisan”) amounting to ¥8,439 million in investment securities in the consolidated balance sheets as of March 31, 2025. In addition, equity in earnings of unconsolidated subsidiaries and affiliates recognized in the consolidated statements of income included an impairment loss of ¥2,040 million on the investment.

Whenever it is determined that there is an impairment indicator for goodwill related to affiliates accounted for using the equity method, the entire investment including goodwill needs to be tested for impairment. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as equity in losses of unconsolidated subsidiaries and affiliates.

With respect to the investment in Polisan, the Group identified an impairment indicator for the goodwill related to affiliates accounted for using the equity method and performed an impairment test. In the impairment testing, since the carrying amount of the investment in Polisan exceeded the total amount of undiscounted future cash flows that were expected to be generated from the investment, it was concluded that the recognition of an impairment loss was necessary.

The Company used the value in use as the recoverable amount in measuring an impairment loss. Assumptions involving uncertainty, such as an increase in future sales volume, were mainly used to estimate the future cash flows for measuring the value in use. Accordingly, management’s judgment on these assumptions had a significant effect on the estimated future cash flows.

In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the value in use requires a high degree of expertise in valuation. Moreover, selecting appropriate valuation methods to calculate the net selling price of land, which was used for measuring the value in use, also required a high degree of

The primary procedures we performed to assess the appropriateness of the valuation of the investment in Polisan, an affiliate accounted for using the equity method, included the following:

**(1) Internal control testing**

We assessed the design and operating effectiveness of certain of internal controls relevant to the valuation of the investment in Polisan, with a greater focus on controls to ensure that the Group measures impairment losses in accordance with the requirements of applicable accounting standards.

**(2) Assessment of the reasonableness of the estimate related to the measurement of an impairment loss**

In order to assess the appropriateness of key assumptions used to measure an impairment loss, we:

- performed a comparative analysis of the sales volume, which was a key assumption for the future business plan, and historical sales volume, and assessed the consistency of the sales volume with information published by external research organizations;
- assessed the appropriateness of the selection of models and input data used for estimating the discount rate by involving valuation specialists within our domestic network firms; and
- assessed the appropriateness of the valuation method used for the real estate appraisal, which formed the basis for calculating the net selling price of land, by involving valuation specialists within our domestic network firms.

expertise in valuation.

We, therefore, determined that our assessment of the appropriateness of the valuation of the investment in Polisan, an affiliate accounted for using the equity method, was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

## Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's reports thereon.

We do not perform any work on the other information as we determine such information does not exist.

## Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial

statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "Audit remuneration" included in "Additional Information" of the consolidated financial statements.

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

## Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kazuya Momohara  
Designated Engagement Partner  
Certified Public Accountant

Takehiro Nakamura  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

July 17, 2025

### **Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.