KANSAI PAINT

2026 Financial Section

Consolidated Balance Sheets

Kansai Paint Co., Ltd. and Consolidated Subsidiaries
March 31, 2026 and 2025

Assets	Millions of yen 2026	2025	Thousands of U.S. dollars (Note 1) 2026
Current assets			
Cash and deposits (Notes 3, 6 and 11)	¥ 78,661	¥ 76,656	$ 492,000
Notes and accounts receivable - trade, and contract assets (Notes 3, 6, and 17)	129,542	120,858	810,245
Securities (Notes 3 and 4)	40,380	32,489	252,564
Merchandise and finished goods (Note 6)	55,996	59,053	350,237
Work in process (Note 6)	9,912	8,642	61,996
Raw materials and supplies (Note 6)	48,072	44,233	300,675
Other	19,314	19,588	120,803
Allowance for doubtful accounts	(5,639)	(5,992)	(35,270)
Total current assets	376,241	355,530	2,353,271
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	83,341	76,498	521,272
Machinery, equipment and vehicles, net	48,940	44,699	306,104
Tools, furniture and fixtures, net	13,108	12,758	81,986
Land	33,833	31,800	211,614
Construction in progress	24,609	18,041	153,921
Total property, plant and equipment (Note 6)	203,833	183,798	1,274,912
Intangible assets			
Leasehold interests in land	3,129	3,203	19,570
Software	15,019	3,362	93,939
Software in progress	1,173	8,193	7,336
Goodwill	34,046	35,711	212,947
Other	28,785	30,051	180,041
Total intangible assets	82,154	80,522	513,847
Investments and other assets			
Investment securities (Notes 3, 4 and 6)	58,285	57,907	364,554
Investments in capital	33,647	31,401	210,451
Long-term loans receivable	2,931	2,748	18,332
Retirement benefit asset (Note 12)	32,459	26,962	203,021
Deferred tax assets (Note 13)	7,219	6,791	45,152
Other	10,406	10,303	65,086
Allowance for doubtful accounts	(5,487)	(5,267)	(34,319)
Total investments and other assets	139,463	130,847	872,297
Total non-current assets	425,451	395,168	2,661,064
Total assets	¥ 801,693	¥ 750,699	$ 5,014,342

See accompanying notes.

Liabilities and Net Assets	Millions of yen 2026	Millions of yen 2025	Thousands of U.S. dollars (Note 1) 2026
Current liabilities			
Notes and accounts payable - trade (Notes 3 and 6)	¥ 83,170	¥ 85,218	$ 520,202
Short-term borrowings (Notes 3, 5 and 6)	19,604	11,895	122,616
Short-term borrowings from subsidiaries and associates (Note 5)	20	72	125
Current portion of long-term borrowings (Notes 5)	167	132	1,044
Short-term bonds payable (Notes 3 and 5)	29,981	31,985	187,521
Lease liabilities	1,955	1,677	12,227
Accrued expenses	15,880	14,483	99,324
Income taxes payable	7,765	5,348	48,567
Provision for bonuses	6,484	5,932	40,555
Other (Note 17)	30,717	20,301	192,125
Total current liabilities	195,748	177,049	1,224,343
Non-current liabilities			
Bonds payable (Notes 3 and 5)	60,000	60,000	375,281
Convertible-bond-type bonds with share acquisition rights (Notes 3 and 5)	100,352	100,472	627,670
Long-term borrowings (Notes 5 and 6)	2,646	7,595	16,549
Lease liabilities	4,697	4,589	29,378
Deferred tax liabilities (Note 13)	46,047	41,248	288,009
Retirement benefit liability (Note 12)	9,126	7,331	57,080
Provision for retirement benefits for directors (and other officers)	356	456	2,226
Provision for share awards for directors (and other officers)	312	331	1,951
Other	1,200	1,614	7,505
Total non-current liabilities	224,741	223,639	1,405,685
Total liabilities	420,489	400,689	2,630,028
Net assets (Note 9):			
Shareholders' equity			
Share capital	25,658	25,658	160,482
Capital surplus	18,414	18,343	115,173
Retained earnings	205,135	186,659	1,283,056
Treasury shares	(2,584)	(2,101)	(16,162)
Total shareholders' equity	246,625	228,560	1,542,563
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	16,105	12,451	100,731
Deferred gains or losses on hedges	(1)	(0)	(6)
Foreign currency translation adjustment	26,828	19,615	167,800
Remeasurements of defined benefit plans	10,277	8,562	64,279
Total accumulated other comprehensive income	53,209	40,628	332,805
Share acquisition rights (Note 18)	223	224	1,394
Non-controlling interests	81,145	80,595	507,536
Total net assets	381,203	350,009	2,384,306
Total liabilities and net assets	¥ 801,693	¥ 750,699	$ 5,014,342

See accompanying notes.

Consolidated Statements of Income

Kansai Paint Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2026 and 2025

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2026	2025	**2026**
Net sales (Note 17)	¥ 589,795	¥ 588,825	$ 3,688,985
Cost of sales	398,449	403,117	2,492,175
Gross profit	191,345	185,708	1,196,803
Selling, general and administrative expenses (Note 18)	141,618	133,657	885,776
Operating profit	49,726	52,050	311,020
Non-operating income			
Interest income	1,928	1,900	12,059
Dividend income	560	667	3,502
Share of profit of entities accounted for using equity method	4,160	1,829	26,019
Foreign exchange gains	5,268	—	32,949
Miscellaneous income	2,785	2,980	17,419
Total non-operating income	14,704	7,378	91,968
Non-operating expenses			
Interest expense	3,093	3,239	19,345
Loss on abandonment of inventories	576	412	3,602
Foreign exchange losses	—	1,556	—
Loss on net monetary position	3,922	3,268	24,530
Miscellaneous expenses	2,124	1,848	13,284
Total non-operating expenses	9,716	10,325	60,770
Ordinary profit	54,713	49,103	342,212
Extraordinary income			
Gain on sale of non-current assets	5,017	12,197	31,379
Reversal of impairment loss	—	188	—
Gain on sale of investment securities (Note 4)	2,602	7,023	16,274
Gain on sale of shares of subsidiaries and associates	148	—	925
Gain on liquidation of subsidiaries and associates	202	—	1,263
Total extraordinary income	7,972	19,409	49,862
Extraordinary losses			
Loss on sale and retirement of non-current assets	477	350	2,983
Impairment losses (Note 15)	1,069	106	6,686
Loss on sale of investment securities (Note 4)	0	—	0
Loss on valuation of investment securities (Note 4)	999	0	6,248
Loss on sale of shares of subsidiaries and associates	216	56	1,351
Loss on disaster	219	—	1,369
Loss on withdrawal from business (Note 15)	—	1,094	—
Extra payments for early retirements	2,059	1,636	12,878
Loss on revision of retirement benefit plan	627	—	3,921
Total extraordinary losses	5,670	3,244	35,464
Profit before income taxes	57,016	65,268	356,617
Income taxes - current	20,638	18,841	129,084
Income taxes - deferred	1,776	1,193	11,108
Total income taxes (Note 13)	22,414	20,034	140,192
Profit	34,601	45,234	216,418
Profit attributable to non-controlling interests	2,960	6,927	18,513
Profit attributable to owners of parent	¥ 31,641	¥ 38,306	$ 197,904

	Yen		*U.S. dollars (Note 1)*
	2026	2025	**2026**
Basic earnings per share	¥ 179.65	¥ 202.02	$ 1.12
Diluted earnings per share	148.44	169.25	0.92
Cash dividends per share	110.00	50.00	0.68

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kansai Paint Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2026 and 2025

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2026	2025	**2026**
Profit	¥ 34,601	¥ 45,234	$ 216,418
Other comprehensive income (Note 10):			
Valuation difference on available-for-sale securities	1,019	(5,467)	6,373
Deferred gains or losses on hedges	(1)	(4)	(6)
Foreign currency translation adjustment	5,692	13,182	35,601
Remeasurements of defined benefit plans, net of tax	1,715	(97)	10,726
Share of other comprehensive income of entities accounted for using equity method	4,284	2,599	26,795
Total other comprehensive income	12,709	10,213	79,490
Comprehensive income	¥ 47,310	¥ 55,447	$ 295,909
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 44,222	¥ 46,592	$ 276,594
Comprehensive income attributable to non-controlling interests	3,088	8,854	19,314

See accompanying notes.

Consolidated Statements of Changes in Equity

Kansai Paint Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2026 and 2025

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
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
Hyperinflation 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 period													
Dividends of surplus			(8,741)		(8,741)								(8,741)
Profit attributable to owners of parent			38,306		38,306								38,306
Purchase of treasury shares				(80,062)	(80,062)								(80,062)
Disposal of treasury shares		0		82	82								82
Cancellation of treasury shares		(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 April 1, 2025	¥ 25,658	¥ 18,343	¥ 186,659	¥ (2,101)	¥ 228,560	¥ 12,451	¥ (0)	¥ 19,615	¥ 8,562	¥ 40,628	¥ 224	¥ 80,595	¥ 350,009
Effect of hyperinflation			1,606		1,606							1,878	3,485
Restated balance	25,658	18,343	188,266	(2,101)	230,167	12,451	(0)	19,615	8,562	40,628	224	82,473	353,495
Changes during period													
Dividends of surplus			(14,771)		(14,771)								(14,771)
Profit attributable to owners of parent			31,641		31,641								31,641
Purchase of treasury shares				(601)	(601)								(601)
Disposal of treasury shares				118	118								118
Purchase of shares of consolidated subsidiaries		70			70								70
Net changes in items other than shareholders' equity						3,653	(1)	7,213	1,715	12,580	(0)	(1,328)	11,251
Balance at March 31, 2026	¥ 25,658	¥ 18,414	¥ 205,135	¥ (2,584)	¥ 246,625	¥ 16,105	¥ (1)	¥ 26,828	¥ 10,277	¥ 53,209	¥ 223	¥ 81,145	¥ 381,203

	Thousands of U.S. dollars (Note 1)												
	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2025	$ 160,482	$ 114,729	$1,167,494	$ (13,141)	$1,429,572	$ 77,877	$ 0	$ 122,685	$ 53,552	$ 254,115	$ 1,401	$ 504,096	$2,189,198
Effect of hyperinflation			10,045		10,045							11,746	21,797
Hyperinflation restated balance	160,482	114,729	1,177,545	(13,141)	1,439,623	77,877	(0)	122,685	53,552	254,115	1,401	515,843	2,211,002
Changes during period													
Dividends of surplus			(92,388)		(92,388)								(92,388)
Profit attributable to owners of parent			197,904		197,904								197,904
Purchase of treasury shares				(3,759)	(3,759)								(3,759)
Disposal of treasury shares				738	738								738
Purchase of shares of consolidated subsidiaries		437			437								437
Net changes in items other than shareholders' equity						22,848	(6)	45,115	10,726	78,684	(0)	(8,306)	70,371
Balance at March 31, 2026	$ 160,482	$ 115,173	$1,283,056	$ (16,162)	$1,542,563	$ 100,731	$ (6)	$ 167,800	$ 64,279	$ 332,805	$ 1,394	$ 507,536	$2,384,306

See accompanying notes.

Consolidated Statements of Cash Flows

Kansai Paint Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2026 and 2025

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2026	2025	**2026**
Cash flows from operating activities			
Profit before income taxes	¥ 57,016	¥ 65,268	$ 356,617
Depreciation	23,280	20,703	145,609
Impairment losses	1,069	106	6,686
Reversal of impairment loss	—	(188)	—
Loss on withdrawal from business	—	1,094	—
Amortization of goodwill	5,344	5,138	33,425
Increase (decrease) in allowance for doubtful accounts	(364)	46	(2,276)
Increase (decrease) in retirement benefit liability	(1,444)	(2,989)	(9,031)
Interest and dividend income	(2,488)	(2,568)	(15,561)
Interest expenses on borrowings and bonds	3,093	3,239	19,345
Share of loss (profit) of entities accounted for using equity method	(4,160)	(1,829)	(26,019)
Loss (gain) on sale of investment securities	(2,602)	(7,023)	(16,274)
Loss (gain) on valuation of investment securities	999	0	6,248
Loss (gain) on sale of shares of subsidiaries and associates	67	56	419
Loss (gain) on liquidation of subsidiaries and associates	(202)	—	(1,263)
Loss (gain) on sale and retirement of non-current assets	(4,539)	(11,847)	(28,390)
Decrease (increase) in trade receivables	(6,600)	(249)	(41,280)
Decrease (increase) in inventories	4,530	3,614	28,333
Increase (decrease) in trade payables	(3,102)	(5,108)	(19,402)
Loss on disaster	219	—	1,369
Other, net	(1,054)	(5,244)	(6,592)
Subtotal	69,059	62,219	431,942
Interest and dividends received	7,146	6,834	44,696
Interest paid	(4,295)	(2,795)	(26,863)
Income taxes paid	(19,295)	(31,292)	(120,684)
Net cash provided by (used in) operating activities	52,616	34,966	329,096
Cash flows from investing activities			
Payments into time deposits	(8,843)	(15,081)	(55,310)
Proceeds from withdrawal of time deposits	10,886	8,115	68,088
Net decrease (increase) in short-term investment securities	(6,960)	(7,514)	(43,532)
Purchase of property, plant and equipment	(26,065)	(20,105)	(163,028)
Proceeds from sale of property, plant and equipment	6,792	13,238	42,481
Purchase of intangible assets	(5,622)	(5,231)	(35,163)
Purchase of investment securities	(217)	(19)	(1,357)
Proceeds from sale of investment securities	2,057	7,107	12,865
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(19,400)	—
Proceeds from the liquidation of subsidiaries and associates	757	—	4,734
Loan advances	(54)	(49)	(337)
Proceeds from collection of loans receivable	69	62	431
Other, net	175	(322)	1,094
Net cash provided by (used in) investing activities	(27,026)	(39,200)	(169,039)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	1,389	361	8,687
Proceeds from long-term borrowings	246	1,809	1,538
Repayments of long-term borrowings	(173)	(8,709)	(1,082)
Proceeds from issuance of bonds	407,792	463,907	2,550,612
Redemption of bonds	(409,797)	(371,921)	(2,563,153)
Purchase of treasury shares	(491)	(80,008)	(3,071)
Dividends paid	(14,758)	(8,741)	(92,306)
Dividends paid to non-controlling interests	(4,182)	(4,723)	(26,157)
Proceeds from share issuance to non-controlling shareholders	—	4,313	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(364)	(2,370)	(2,276)
Other, net	(1,843)	(1,924)	(11,527)
Net cash provided by (used in) financing activities	(22,182)	(8,006)	(138,741)
Effect of exchange rate change on cash and cash equivalents	675	4,435	4,221
Net increase (decrease) in cash and cash equivalents	4,083	(7,805)	25,537
Cash and cash equivalents at beginning of period	63,147	70,952	394,964
Cash and cash equivalents at end of period (Note 11)	¥ 67,230	¥ 63,147	$ 420,502

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 as of March 31, 2026, which was ¥159.88 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, 2026 include the accounts of the Company and its 113 (112 as of March 31, 2025) significant subsidiaries. Intercompany transactions and accounts have been eliminated.

Investment in 5 unconsolidated subsidiaries and 22 affiliates in the fiscal year ended March 31, 2026 (8 and 23, respectively, as of March 31, 2025) are stated at cost, adjusted for equity in undistributed earnings and losses since acquisition.

The accounts of 92 consolidated subsidiaries in the fiscal year ended March 31, 2026 (91 as of March 31, 2025) 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.

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. Unrealized gains and losses, net of applicable income taxes, are reported other comprehensive income, and cost of sales is determined by the moving-average method.

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, 2026 and 2025 were ¥10,484 million ($65,574 thousand) and ¥10,037 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, 2025 to conform to the presentation for the year ended March 31, 2026.

Significant Accounting Estimates

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.

Fiscal year ended March 31, 2026 (April 1, 2025 - March 31, 2026)

Significant lawsuit

(1) The amount recorded in the consolidated financial statements for the current fiscal year
Income taxes - current　¥1,967 million ($12,302 thousand)

(2) Information on significant accounting estimates related to the identified Item
Kansai Plascon Tanzania Ltd., a subsidiary of Kansai Plascon East Africa (Pty) Ltd., which is a consolidated subsidiary of the Company, has been subject to a tax audit conducted by the Tanzania Revenue Authority and has received a notice alleging an underpayment of taxes. The matter is currently under dispute. In relation to this matter, the Company has estimated a reasonable amount based on the information currently available, taking into consideration the opinions of legal counsel and other advisors. However, if a revision becomes necessary due to changes in future circumstances, such a revision may have a material impact on the consolidated financial statements for the following fiscal year.

Accounting standards issued but not yet effective

1. Accounting Standard for Leases, etc.
・Accounting Standard for Leases (Corporate Accounting Standards No. 34, September 13, 2024 Accounting Standards Board of Japan)
・Implementation Guidance on Accounting Standard for Leases (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 Leases," etc. on its consolidated financial statements.

2. Accounting Standard for Subsequent Events, etc.
・Accounting Standard for Subsequent Events (Corporate Accounting Standards No. 41, January 9, 2026 Accounting

Standards Board of Japan)
・Implementation Guidance on Accounting Standard for Subsequent Events (Corporate Accounting Standards Application Guideline No. 35, January 9, 2026 Accounting Standards Board of Japan)

(1) Summary
The Accounting Standard for Subsequent Events, etc. set out accounting treatment and disclosure requirements for subsequent events. In developing these standards, ASBJ gave priority to establishing comprehensive accounting standards addressing the definition of subsequent events, accounting treatment, disclosure and other matters. Its basic policy was to transfer to ASBJ the accounting-related content set out in Practical Guideline No. 1 of Auditing Standards Committee Statement No. 560, Audit Treatment Concerning Subsequent Events, issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants, while in principle carrying over that content. The standards also revise the wording, clarify the evaluation period for subsequent events, and newly require notes on approval for the issuance of financial statements.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2028.

Additional Information (Year ended March 31, 2026)
A Performance-based Stock Compensation Plan
The Company has introduced a performance-based stock compensation plan (hereinafter, the "Plan") for Board Directors, Managing Executive Officers, and Executive Officers (hereinafter collectively, "Board Directors, etc.," excluding Outside Board Directors, Audit & Supervisory Board Directors, and 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 ¥865 million ($5,410 thousand) and 381,679 shares as of March 31, 2026 (¥498 million and 252,629 shares as of March 31, 2025).

Audit remuneration
(1) Remuneration to the Independent Auditor

	Millions of yen				*Thousands of U.S. dollars*	
	Fiscal year ended March 31, 2026		Fiscal year ended March 31, 2025		**Fiscal year ended March 31, 2026**	
Category	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	¥ 81	¥ 0	¥ 89	¥ 14	$ 506	$ 0
Consolidated subsidiaries	9	–	9	–	56	–
Total	¥ 91	¥ 0	¥ 99	¥ 14	$ 569	$ 0

(Note)
The non-audit services provided to the Company in the current fiscal year mainly involved specialized tasks for overseas projects.
The non-audit services provided to the Company in the previous 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.

(2) Remuneration to the member firms in the same network as the Independent Auditor (KPMG International), excluding remuneration to the Independent Auditor

Category	*Millions of yen*				*Thousands of U.S. dollars*	
	Fiscal year ended March 31, 2026		Fiscal year ended March 31, 2025		**Fiscal year ended March 31, 2026**	
	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	¥ —	¥ 31	¥ —	¥ 11	$ —	$ 193
Consolidated subsidiaries	201	21	194	21	1,257	131
Total	¥ 201	¥ 53	¥ 194	¥ 32	$ 1,257	$ 331

(Note)
The non-audit services provided to the Company and its consolidated subsidiaries in the current fiscal year mainly involved Advisory services related to the assessment of the current ERM framework and the design of organizational structure and roles, and 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 (Pty) Ltd. pays fees to Deloitte & Touche, for the audit and attestation 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
Notes and accounts receivable - trade 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 notes and accounts payable - trade 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, 2026 and 2025 were as follows:

	Millions of yen		
	2026		
	Book value	Fair value	Difference
(1) Securities and investment securities			
Available-for-sale securities	¥ 52,949	¥ 52,949	¥ —
Total assets	52,949	52,949	—
(1) Bonds payable	60,000	58,803	(1,197)
(2) Convertible-bond-type bonds with share acquisition rights	100,352	101,757	1,404
Total liabilities	160,352	160,560	207
Derivative transactions *3	(1,441)	(1,441)	—

	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-bond-type bonds with share acquisition rights	100,472	102,112	1,640
Total liabilities	160,472	161,305	833
Derivative transactions *3	(134)	(134)	—

	Thousands of U.S. dollars (Note 1)		
	2026		
	Book value	Fair value	Difference
(1) Securities and investment securities			
Available-for-sale securities	$ 331,179	$ 331,179	$ —
Total assets	331,179	331,179	—
(1) Bonds payable	375,281	367,794	(7,486)
(2) Convertible-bond-type bonds with share acquisition rights	627,670	636,458	8,781
Total liabilities	1,002,952	1,004,253	1,294
Derivative transactions *3	(9,013)	(9,013)	—

Notes:

*1 "Cash" is not included in the table above.
"Deposits," "Notes and accounts receivable - trade, and contract assets" and "Notes and accounts payable - trade" 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)*
	2026	2025	**2026**
Non-listed equity securities	¥ 2,304	¥ 3,319	$ 14,410
Non-listed investment securities of unconsolidated subsidiaries and affiliates	43,411	42,902	271,522

*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			
	2026			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	¥ 78,661	¥ —	¥ —	¥ —
Notes and accounts receivable - trade, and contract assets	129,542	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	—	39	—	—
Other	40,336	—	—	—
Total	248,541	39	—	—

	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	¥ —	¥ —	¥ —
Notes and accounts receivable - trade, and contract assets	120,858	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	100	40	—	—
Other	32,343	—	—	—
Total	229,957	40	—	—

	Thousands of U.S. dollars (Note 1)			
	2026			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	$ 492,000	$ —	$ —	$ —
Notes and accounts receivable - trade, and contract assets	810,245	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	—	243	—	—
Other	252,289	—	—	—
Total	1,554,547	243	—	—

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, 2026 and 2025

	Millions of yen			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	¥ 12,445	¥ —	¥ —	¥ 12,445
Corporate bonds	—	43	—	43
Investment trust beneficiary certificates	—	40,460	—	40,460
Total assets	12,445	40,504	—	52,949
Derivative transactions *				
Currency related	—	(1,441)	—	(1,441)

	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)

	Thousands of U.S. dollars (Note 1)			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	$ 77,839	$ —	$ —	$ 77,839
Corporate bonds	—	268	—	268
Investment trust beneficiary certificates	—	253,064	—	253,064
Total assets	77,839	253,340	—	331,179
Derivative transactions *				
Currency related	—	(9,013)	—	(9,013)

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, 2026 and 2025

	Millions of yen			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable	¥ —	¥ 58,803	¥ —	¥ 58,803
Convertible-bond-type bonds with share acquisition rights	—	101,757	—	101,757
Total liabilities	—	160,560	—	160,560

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

	Thousands of U.S. dollars (Note 1)			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable	$ —	$ 367,794	$ —	$ 367,794
Convertible-bond-type bonds with share acquisition rights	—	636,458	—	636,458
Total liabilities	—	1,004,253	—	1,004,253

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-bond-type bonds with share acquisition rights
The fair value of bonds payable and Convertible-bond-type bonds with share 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, 2026 and 2025.

	Millions of yen		
	2026		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 2,881	¥ 12,391	¥ 9,510
Corporate bonds	39	43	4
Investment trust funds	36,868	37,898	1,029
Total	¥ 39,789	¥ 50,333	¥ 10,543
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 108	¥ 53	¥ (54)
Corporate bonds	—	—	—
Investment trust funds	2,565	2,562	(2)
Total	¥ 2,673	¥ 2,616	¥ (56)

	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)

	Thousands of U.S. dollars (Note 1)		
	2026		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	$ 18,019	$ 77,501	$ 59,482
Corporate bonds	243	268	25
Investment trust funds	230,597	237,040	6,436
Total	$ 248,867	$ 314,817	$ 65,943
Securities with book value not exceeding acquisition cost:			
Equity securities	$ 675	$ 331	$ (337)
Corporate bonds	—	—	—
Investment trust funds	16,043	16,024	(12)
Total	$ 16,718	$ 16,362	$ (350)

(2) The following table summarizes book values of available-for-sale securities with no available fair value at March 31, 2026 and 2025.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Nonlisted equity securities	¥ 2,304	¥ 3,319	$ 14,410

(3) Total sales of available-for-sale securities for the years ended March 31, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Selling amount	¥ 86,088	¥ 99,579	$ 538,453
Realized gains	2,602	7,023	16,274
Realized losses	0	–	0

(4) Write-down of securities

For the year ended March 31, 2026, a write-down of ¥999 million ($6,248 thousand) was recognized on investment securities, consisting of nonlisted equity securities in the amount of ¥999 million ($6,248 thousand).

For the year ended March 31, 2025, a write-down of ¥2,045 million 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, for the fiscal years ended March 31, 2025.

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 0.46% to 44.19% at March 31, 2026 and from 0.04% to 56.35% at March 31, 2025.

Short-term debt at March 31, 2026 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Bank loans	¥ 19,604	¥ 11,895	$ 122,616
Loans from unconsolidated subsidiaries and affiliates	20	72	125
Short-term bonds payable	29,981	31,985	187,521
Total	¥ 49,606	¥ 43,954	$ 310,270

Long-term debt at March 31, 2026 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Bank loans with interest rates ranging from 0.56% to 16.00% in 2026 (from 0.46% to 16.00% in 2025) due serially to 2030	¥ 2,814	¥ 7,728	$ 17,600
Bonds payable with interest rate of 0.74%, due July 2027	30,000	30,000	187,640
Bonds payable with interest rate of 0.96%, due August 2029	30,000	30,000	187,640
Zero-coupon convertible bonds, due March 2029	60,352	60,472	377,483
Zero-coupon convertible bonds, due March 2031	40,000	40,000	250,187
Total	163,167	168,200	1,020,559
Current portion of long-term debt	(167)	(132)	(1,044)
Long-term debt	¥ 162,999	¥ 168,068	$ 1,019,508

The aggregate annual maturities of long-term debt subsequent to March 31, 2026 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2027	¥ 167	$ 1,044
2028	31,477	196,878
2029	61,016	381,636
2030	30,139	188,510
2031 and thereafter	40,012	250,262
Total	¥ 162,814	$ 1,018,351

6. Pledged Assets

At March 31, 2026, the following assets were pledged as collateral for certain notes and accounts payable - trade and for short-term borrowings and long-term borrowings.
At March 31, 2025, the following assets were pledged as collateral for certain notes and accounts payable - trade and for short-term borrowings and long-term borrowings.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Cash and deposits	¥ 18	¥ 164	$ 112
Notes and accounts receivable - trade	527	993	3,296
Inventories	3,529	3,543	22,072
Property, plant and equipment	180	565	1,125
Investment securities	34	25	212
Total	¥ 4,290	¥ 5,292	$ 26,832

The secured obligations as of March 31, 2026 consisted of certain notes and accounts payable - trade, short-term borrowings of ¥1,987 million, and long-term borrowings of ¥929 million.
The secured obligations as of March 31, 2025 consisted of certain notes and accounts payable - trade, short-term borrowings of ¥1,154 million, and long-term borrowings of ¥1,840 million.

7. Derivative Transactions

(1) Derivative transactions to which the Companies didn't apply hedge accounting as of March 31, 2026 and 2025 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2026			2026		
	Contract amount	Fair value *	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts						
Buy						
U.S. dollar	¥ 964	¥ (13)	¥ (13)	$ 6,029	$ (81)	$ (81)
Japanese yen	643	(7)	(7)	4,021	(43)	(43)
Sell						
Japanese yen	56	(1)	(1)	350	(6)	(6)
Currency option contracts						
Buy (Call)						
U.S. dollar	8,929	4	4	55,848	25	25
Buy (Put)						
U.S. dollar	429	285	285	2,683	1,782	1,782
Sell (Put)						
U.S. dollar	8,929	(1,712)	(1,712)	55,848	(10,708)	(10,708)
Total	¥ 19,952	¥ (1,443)	¥ (1,443)	$ 124,793	$ (9,025)	$ (9,025)

	Millions of yen		
	2025		
	Contract amount	Fair value *	Unrealized gain (loss)
Foreign currency forward contracts			
Buy			
U.S. dollar	¥ 488	¥ 3	¥ 3
Japanese yen	577	(4)	(4)
Sell			
U.S. dollar	51	0	0
Currency option contracts			
Buy (Call)			
U.S. dollar	7,599	182	182
Buy (Put)			
U.S. dollar	387	32	32
Sell (Put)			
U.S. dollar	7,599	(353)	(353)
Total	¥ 16,704	¥ (139)	¥ (139)

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, 2026 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, 2025 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, 2026 and 2025.
(2) Transactions of the consolidated subsidiaries of the Company with related parties during the years ended March 31, 2026 and 2025 are omitted, since the amount did not reach the disclosure standard.

9. Net Assets

Under Japanese laws and regulations, the entire amount paid for newly issued shares is required to be recorded as share capital. 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 shares 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 26, 2026, the shareholders approved cash dividends of ¥55.0 ($0.34) per share, amounting to ¥9,788 million ($61,220 thousand). This appropriation was not accounted for in the consolidated financial statements at March 31, 2026. 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, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥ 2,808	¥ (1,841)	$ 17,563
Reclassification adjustments	(1,319)	(5,930)	(8,249)
Amount before income tax effect	1,489	(7,772)	9,313
Income tax effect	(470)	2,305	(2,939)
Valuation difference on available-for-sale securities	1,019	(5,467)	6,373
Deferred gains or losses on hedges:			
Gains (losses) arising during the year	(1)	(4)	(6)
Reclassification adjustments	—	—	—
Amount before income tax effect	(1)	(4)	(6)
Income tax effect	—	—	—
Deferred gains or losses on hedges	(1)	(4)	(6)
Foreign currency translation adjustment:			
Gains (losses) arising during the year	5,960	13,182	37,277
Reclassification adjustments	—	—	—
Amount before income tax effect	5,960	13,182	37,277
Income tax effect	(267)	—	(1,670)
Foreign currency translation adjustment	5,692	13,182	35,601
Remeasurements of defined benefit plans, net of tax:			
Gains (losses) arising during the year	3,952	1,377	24,718
Reclassification adjustments	(1,448)	(1,356)	(9,056)
Amount before income tax effect	2,503	20	15,655
Income tax effect	(788)	(118)	(4,928)
Remeasurements of defined benefit plans, net of tax	1,715	(97)	10,726
Share of other comprehensive income of entities accounted for using equity method:			
Gains (losses) arising during the year	4,554	2,623	28,483
Reclassification adjustments	(270)	(23)	(1,688)
Share of other comprehensive income of entities accounted for using equity method	4,284	2,599	26,795
Total other comprehensive income	¥ 12,709	¥ 10,213	$ 79,490

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, 2026 and 2025 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Cash and deposits	¥ 78,661	¥ 76,656	$ 492,000
Time deposits with original maturity of more than three months	(11,430)	(13,509)	(71,491)
Cash and cash equivalents	¥ 67,230	¥ 63,147	$ 420,502

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, 2026 and 2025 was as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2026	2025	**2026**
Retirement benefit obligations at beginning of year	¥ 35,088	¥ 38,555	$ 219,464
Service cost	1,617	1,636	10,113
Interest cost	982	685	6,142
Actuarial (gains) losses	(1,877)	(2,863)	(11,740)
Benefits paid	(2,868)	(3,529)	(17,938)
Past service cost	515	(129)	3,221
Changes in the scope of consolidation	—	408	—
Foreign currency exchange differences	198	326	1,238
Retirement benefit obligations at end of year	¥ 33,657	¥ 35,088	$ 210,514

2) Reconciliation of beginning and ending balances of plan assets (except plans applying the simplified method) at March 31, 2026 and 2025 was as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2026	2025	**2026**
Plan assets at beginning of year	¥ 56,059	¥ 57,076	$ 350,631
Expected return on plan assets	1,347	1,312	8,425
Actuarial gains (losses)	2,117	(1,510)	13,241
Contributions from the employer	592	945	3,702
Benefits paid	(1,776)	(1,753)	(11,108)
Foreign currency exchange differences	(18)	(11)	(112)
Plan assets at end of year	¥ 58,321	¥ 56,059	$ 364,779

3) Reconciliation of beginning and ending balances of net defined benefit liability applying the simplified method at March 31, 2026 and 2025 was as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2026	2025	**2026**
Net defined benefit liability at beginning of year	¥ 1,340	¥ 1,198	$ 8,381
Net periodic benefit costs	189	291	1,182
Contributions from the employer	(48)	(60)	(300)
Benefits paid	(149)	(88)	(931)
Net defined benefit liability at end of year	¥ 1,331	¥ 1,340	$ 8,324

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, 2026 and 2025 was as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2026	2025	**2026**
Funded retirement benefit obligations	¥ 27,831	¥ 30,091	$ 174,074
Plan assets	(59,436)	(57,197)	(371,753)
	(31,604)	(27,106)	(197,673)
Unfunded retirement benefit obligations	8,271	7,475	51,732
Net amount of asset and liability recognized in the consolidated balance sheets	(23,332)	(19,630)	(145,934)
Net defined benefit liability	9,126	7,331	57,080
Net defined benefit asset	(32,459)	(26,962)	(203,021)
Net amount of asset and liability recognized in the consolidated balance sheets	¥ (23,332)	¥ (19,630)	$ (145,934)

Note: Including plans applying the simplified method.

5) The components of net periodic benefit costs for the years ended March 31, 2026 and 2025 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2026	2025	**2026**
Service cost	¥ 1,617	¥ 1,636	$ 10,113
Interest cost	982	685	6,142
Expected return on plan assets	(1,347)	(1,312)	(8,425)
Recognized actuarial gains	(1,490)	(1,331)	(9,319)
Amortization of past service cost	515	(130)	3,221
Net periodic benefit costs calculated by the simplified method	189	291	1,182
Net periodic benefit costs	466	(161)	2,914
Additional retirement benefits *	2,105	1,704	13,166
Total	¥ 2,572	¥ 1,542	$ 16,087

Notes:
* The amounts of extra early retirement payments were ¥2,059 million ($12,878 thousand) and ¥1,636 million for the years ended March 31, 2026 and 2025, 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, 2026 and 2025 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2026	2025	**2026**
Actuarial gains	2,503	20	15,655
Total	¥ 2,503	¥ 20	$ 15,655

7) The amounts recognized in remeasurements of defined benefit plans (before the tax effect) in accumulated other comprehensive income at March 31, 2026 and 2025 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2026	2025	**2026**
Unrecognized actuarial gains	(14,990)	(12,486)	(93,757)
Total	¥ (14,990)	¥ (12,486)	$ (93,757)

8) The component ratio of plan assets by asset category at March 31, 2026 and 2025 was as follows:

	2026	2025
Debt securities	62%	43%
Equity securities	27	32
Life insurance company general accounts	8	11
Cash and deposits	1	12
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, 2026 and 2025 were as follows (presented as weighted averages):

	2026	2025
Discount rate	3.3%	2.6%
Expected long-term rate of return on plan assets	2.6%	2.6%
Salary increase rate	3.4%	2.8%

(2) Defined contribution pension plans

The amounts of contribution to defined contribution plans of the Company and certain consolidated subsidiaries were ¥2,269 million ($14,191 thousand) and ¥1,975 million for the years ended March 31, 2026 and 2025, 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, 2026 and 2025.

	2026	2025
Statutory tax rate	30.6%	30.6%
Amortization of goodwill	2.9	2.4
Elimination of dividends from subsidiaries	11.0	11.1
Share of profit or loss of entities accounted for using equity method	(2.2)	(0.9)
Undistributed foreign earnings	2.5	2.5
Difference in statutory tax rates of foreign subsidiaries	(2.4)	(3.6)
Valuation allowance	2.0	2.0
Non-taxable dividend income	(9.4)	(9.6)
Increase in year end deferred tax liabilities due to tax rate change	—	0.2
Other	4.3	(4.0)
Effective tax rate	39.3%	30.7%

(2) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2026 and 2025 were as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2026	2025	2026
Deferred tax assets:			
Valuation loss on inventories	¥ 453	¥ 493	$ 2,833
Elimination of unrealized gain on inventories	852	823	5,328
Write-down of investment securities	668	353	4,178
Allowance for doubtful accounts	2,507	2,173	15,680
Accrued expenses	1,209	1,002	7,561
Provision for bonuses	1,166	991	7,292
Retirement benefit liability	3,527	3,532	22,060
Carryforward tax loss	7,787	6,957	48,705
Revaluation of assets of subsidiaries on consolidation	1,548	1,487	9,682
Other	4,226	4,892	26,432
Deferred tax assets – subtotal	23,947	22,707	149,781
Valuation allowance for carryforward tax loss	(3,839)	(3,215)	(24,011)
Valuation allowance for deductible temporary differences	(5,624)	(5,119)	(35,176)
Valuation allowance – total	(9,463)	(8,334)	(59,188)
Total deferred tax assets	14,484	14,373	90,592
Deferred tax liabilities:			
Retirement benefit asset	10,075	8,481	63,016
Adjustments to fixed assets based on corporate tax laws	3,014	1,763	18,851
Valuation difference on available-for-sale securities	3,251	2,763	20,334
Tax effect of foreign subsidiaries' and affiliates' undistributed earnings	19,251	18,266	120,409
Revaluation of assets of subsidiaries on consolidation	14,426	14,162	90,230
Other	3,293	3,392	20,596
Total deferred tax liabilities	53,312	48,829	333,450
Net deferred tax liabilities	¥ 38,828	¥ 34,456	$ 242,857

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

	Millions of yen						
	2026						
	2027	2028	2029	2030	2031	2032 and thereafter	Total
Carryforward tax loss	¥ 116	¥ 127	¥ 108	¥ 114	¥ 705	¥ 6,614	¥ 7,787
Valuation allowance	(116)	(127)	(108)	(114)	(705)	(2,666)	(3,839)
Net deferred tax assets	—	—	—	—	—	3,947	3,947

	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

	Thousands of U.S. dollars (Note 1)						
	2026						
	2027	2028	2029	2030	2031	2032 and thereafter	Total
Carryforward tax loss	$ 725	$ 794	$ 675	$ 713	$ 4,409	$ 41,368	$ 48,705
Valuation allowance	(725)	(794)	(675)	(713)	(4,409)	(16,675)	(24,011)
Net deferred tax assets	—	—	—	—	—	24,687	24,687

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, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	**2026**
Due within 1 year	¥ 508	¥ 350	$ 3,177
Due over 1 year	¥ 1,061	¥ 792	$ 6,636
Total	¥ 1,569	¥ 1,143	$ 9,813

15. Impairment Losses

Impairment losses for the year ended March 31, 2026 was as follows.

Location	Use	Type of assets	*Millions of yen* 2026		*Thousands of U.S. dollars (Note 1)* 2026		Accounting Items on Consolidated Statements of Income
Germany	Assets for operations	Buildings and structures, Machinery, equipment and vehicles, and Other intangible assets etc.	¥	739	$	4,622	Impairment Losses
China	Assets for operations	Construction in progress	¥	13	$	81	Impairment Losses
Vietnam	Assets for operations	Buildings and structures, Machinery, equipment and vehicles, Tools, furniture and fixtures, Software, Other intangible assets etc.	¥	316	$	1,976	Impairment Losses
Total			¥	1,069	$	6,686	

The Companies group assets for operations based on operating activities. Assets to be sold are grouped based on each asset.
For assets for operations in Germany, the carrying amounts were reduced to the recoverable amounts, and impairment losses of ¥739 million ($4,622 thousand) was recognized when it was determined that it was not possible to recover the book values of the assets due to a downturn in profitability. Recoverable amounts are measured based on net selling prices, estimated disposal values or other relevant measures.
For assets for operations in China, the carrying amounts were reduced to the recoverable amounts, and impairment losses of ¥13 million ($81 thousand) was recognized for the assets with no future use due to discontinuation of the business operation. Recoverable amounts are measured based on net selling prices, estimated disposal values or other relevant measures.
For assets for operations in Vietnam, the carrying amounts were reduced to the recoverable amounts, and impairment losses of ¥316 million ($1,976 thousand) was recognized when it was determined that it was not possible to recover the book values of the assets due to a downturn in profitability. Recoverable amounts are measured by value in use and determined to be zero, as the discounted cash flows expected to be generated by the assets are negative.

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

Location	Use	Type of assets	*Millions of yen* 2025		Accounting Items on Consolidated Statements of Income
Germany	Other	Goodwill	¥	106	Impairment Losses
Bangladesh	Assets for operations	Buildings and structures, Machinery, equipment and vehicles, Tools, furniture and fixtures, Land, Construction in progress, and Software etc.	¥	572	Loss on withdrawal from business
China	Assets for operations	Machinery, equipment and vehicles, Tools, furniture and fixtures etc.	¥	133	Loss on withdrawal from business
Total			¥	812	

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 losses of ¥106 million 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 was recognized when the decision to exit the business was made. Recoverable amounts are measured based on net selling prices, estimated disposal values or other relevant measures. 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 was recognized when the decision to exit the business was made. Recoverable amounts are measured based on net selling prices, estimated disposal values or other relevant measures.

16. 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, 2026 and 2025 were as follows:

	Millions of yen									
	2026									
	Reportable segments						Other *1	Total	Adjustment *2	Consolidated financial statements *3
	Japan	India	Europe	Asia	Africa	Total				
Net sales										
Sales to customers	¥ 159,888	¥ 138,358	¥ 162,738	¥ 68,064	¥ 51,748	¥ 580,798	¥ 8,996	¥ 589,795	¥ —	¥ 589,795
Intersegment sales and transfers	15,741	125	213	2,950	130	19,162	—	19,162	(19,162)	—
Total sales	175,630	138,484	162,952	71,014	51,879	599,961	8,996	608,957	(19,162)	589,795
Operating profit	¥ 20,673	¥ 13,627	¥ 2,514	¥ 5,972	¥ 6,176	¥ 48,965	¥ 758	¥ 49,723	¥ 2	¥ 49,726
Share of profit (loss) of entities accounted for using equity method	¥ 1,295	¥ (60)	¥ (1,568)	¥ 3,109	¥ 160	¥ 2,935	¥ 1,225	¥ 4,160	¥ —	¥ 4,160
Segment profit	¥ 21,968	¥ 13,566	¥ 945	¥ 9,082	¥ 6,337	¥ 51,901	¥ 1,983	¥ 53,884	¥ 2	¥ 53,887
Segment assets	¥ 286,076	¥ 147,846	¥ 211,160	¥ 123,003	¥ 50,764	¥ 818,852	¥ 19,619	¥ 838,472	¥ (36,778)	¥ 801,693
Other items										
Depreciation and amortization	¥ 5,590	¥ 3,720	¥ 9,175	¥ 2,708	¥ 1,340	¥ 22,535	¥ 744	¥ 23,280	¥ —	¥ 23,280
Amortization of goodwill	—	—	3,607	71	1,285	4,963	381	5,344	—	5,344
Interest income	1,973	234	187	444	601	3,440	92	3,533	(1,604)	1,928
Interest expenses	747	524	2,640	13	754	4,681	6	4,688	(1,594)	3,093
Investments in entities accounted for using equity method	26,476	—	8,389	35,775	2,078	72,720	4,331	77,052	—	77,052
Increase in property, plant and equipment and intangible assets	22,520	4,285	8,027	2,445	1,441	38,719	185	38,904	—	38,904

	Millions of yen									
	2025									
	Reportable segments						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 profit	¥ 22,636	¥ 14,360	¥ 3,514	¥ 5,941	¥ 4,125	¥ 50,578	¥ 1,470	¥ 52,048	¥ 2	¥ 52,050
Share of profit (loss) of entities accounted for using equity method	¥ 1,283	¥ (167)	¥ (4,493)	¥ 3,247	¥ 224	¥ 94	¥ 1,734	¥ 1,829	¥ —	¥ 1,829
Segment profit (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 expenses	379	575	3,191	18	933	5,099	0	5,099	(1,859)	3,239
Investments in entities accounted for using equity method	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

	Thousands of U.S. dollars (Note 1)									
	2026									
	Reportable segments						Other *1	Total	Adjustment *2	Consolidated financial statements *3
	Japan	India	Europe	Asia	Africa	Total				
Net sales										
Sales to customers	$ 1,000,050	$ 865,386	$ 1,017,875	$ 425,719	$ 323,667	$ 3,632,712	$ 56,267	$ 3,688,985	$ —	$ 3,688,985
Intersegment sales and transfers	98,455	781	1,332	18,451	813	119,852	—	119,852	(119,852)	—
Total sales	1,098,511	866,174	1,019,214	444,170	324,487	3,752,570	56,267	3,808,837	(119,852)	3,688,985
Operating profit	$ 129,303	$ 85,232	$ 15,724	$ 37,353	$ 38,628	$ 306,260	$ 4,741	$ 311,002	$ 12	$ 311,020
Share of profit (loss) of entities accounted for using equity method	8,099	(375)	(9,807)	19,445	1,000	18,357	7,661	26,019	—	26,019
Segment profit	137,403	84,851	5,910	56,805	39,635	324,624	12,403	337,027	12	337,046
Segment assets	$ 1,789,316	$ 924,731	$ 1,320,740	$ 769,345	$ 317,513	$ 5,121,666	$ 122,710	$ 5,244,383	$ (230,035)	$ 5,014,342
Other items										
Depreciation and amortization	$ 34,963	$ 23,267	$ 57,386	$ 16,937	$ 8,381	$ 140,949	$ 4,653	$ 145,609	$ —	$ 145,609
Amortization of goodwill	—	—	22,560	444	8,037	31,042	2,383	33,425	—	33,425
Interest income	12,340	1,463	1,169	2,777	3,759	21,516	575	22,097	(10,032)	12,059
Interest expenses	4,672	3,277	16,512	81	4,716	29,278	37	29,321	(9,969)	19,345
Investments in entities accounted for using equity method	165,599	—	52,470	223,761	12,997	454,841	27,089	481,936	—	481,936
Increase in property, plant and equipment and intangible assets	140,855	26,801	50,206	15,292	9,013	242,175	1,157	243,332	—	243,332

Notes:
*1 The "Other" category includes business activities of subsidiaries and affiliates in the U.S., Mexico and other locations.
*2 Adjustments for segment profit (loss), segment assets and other items represent the elimination of intersegment transactions.
*3 Segment profit (loss) is reconciled with the sum of operating profit and share of profit (loss) of entities accounted for using equity method in the Consolidated Statement 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					
	2026					
	Automotive	Industrial	Decorative	Automotive(refinish), marine and protective	Other	Total
Sales to customers	¥ 178,421	¥ 176,151	¥ 139,367	¥ 60,328	¥ 35,525	¥ 589,795

	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

	Thousands of U.S. dollars (Note 1)					
	2026					
	Automotive	Industrial	Decorative	Automotive(refinish), marine and protective	Other	Total
Sales to customers	$ 1,115,968	$ 1,101,770	$ 871,697	$ 377,332	$ 222,197	$ 3,688,985

(2) Information by geographical segment

	Millions of yen						
	2026						
	Japan	India *1*2	Europe *2	Asia	Africa	Other	Total
Total sales	¥ 145,461	¥ 140,620	¥ 149,469	¥ 82,285	¥ 53,144	¥ 18,813	¥ 589,795
Property, plant and equipment	55,237	41,286	74,537	21,712	9,133	1,925	203,833

	Millions of yen						
	2025						
	Japan	India	Europe	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

	Japan	India *1*2	Europe *2	Asia	Africa	Other	Total
	Thousands of U.S. dollars (Note 1)						
	2026						
Total sales	$ 909,813	$ 879,534	$ 934,882	$ 514,667	$ 332,399	$ 117,669	$ 3,688,985
Property, plant and equipment	345,490	258,231	466,205	135,801	57,124	12,040	1,274,912

Notes:
*1 Net sales in India include net sales of ¥137,686 million ($861,183 thousand) that make up 10% or more of net sales on the consolidated income statement.
*2 Tangible fixed assets in India include tangible fixed assets of ¥41,128 million ($257,242 thousand) in India that makes up 10% or more of tangible fixed assets on the consolidated balance sheet.
*3 Tangible fixed assets in Europe include tangible fixed assets of ¥23,006 million ($143,895 thousand) in Slovenia that makes up 10% or more of tangible fixed assets on the consolidated balance sheet.

(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, 2026 and 2025.

3. Impairment losses 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, 2026 and 2025 were as follows:

	Millions of yen									
	2026									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Europe	Asia	Africa	Total				
Impairment losses	¥ —	¥ —	¥ 739	¥ 330	¥ —	¥ 1,069	¥ —	¥ 1,069	¥ —	¥ 1,069

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

Notes:
Impairment losses of ¥705 million in India and Asia is included in loss on withdrawal from business of extraordinary losses for the fiscal year ended March 31, 2025.

	Thousands of U.S. dollars (Note 1)									
	2026									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Europe	Asia	Africa	Total				
Impairment losses	$ —	$ —	$ 4,622	$ 2,064	$ —	$ 6,686	$ —	$ 6,686	$ —	$ 6,686

4. Unamortized balance of goodwill by reportable segment

Unamortized balance of goodwill by reportable segment for the fiscal years ended March 31, 2026 and 2025 were as follows:

	Millions of yen									
	2026									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Europe	Asia	Africa	Total				
Unamortized balance of goodwill	¥ —	¥ —	¥ 31,213	¥ 58	¥ 2,542	¥ 33,814	¥ 232	¥ 34,046	¥ —	¥ 34,046

	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

	Thousands of U.S. dollars (Note 1)									
	2026									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Europe	Asia	Africa	Total				
Unamortized balance of goodwill	$ —	$ —	$ 195,227	$ 362	$ 15,899	$ 211,496	$ 1,451	$ 212,947	$ —	$ 212,947

5. Gain on negative goodwill by reportable segment

There were no applicable related items for the fiscal years ended March 31, 2026 and 2025.

17. Revenue Recognition

1. Information that breaks down revenue from contracts with customers for the fiscal years ended March 31, 2026 and 2025 was as follows:

	Millions of yen					
	2026					
	Automotive	Industrial	Decorative	Automotive (refinish), marine and protective	Other	Total
Japan	¥ 68,195	¥ 35,727	¥ 20,446	¥ 34,001	¥ 1,516	¥ 159,888
India	49,988	24,021	60,734	3,070	544	138,358
Europe	12,501	96,477	8,163	15,759	29,836	162,738
Asia	38,270	14,611	10,180	4,196	804	68,064
Africa	469	5,313	39,842	3,300	2,823	51,748
Other *2	8,996	—	—	—	—	8,996
Revenue from contracts with customers	178,421	176,151	139,367	60,328	35,525	589,795
Other revenue	—	—	—	—	—	—
Sales to customers	178,421	176,151	139,367	60,328	35,525	589,795

	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

	Thousands of U.S. dollars (Note 1)					
	2026					
	Automotive	Industrial	Decorative	Automotive (refinish), marine and protective	Other	Total
Japan	$ 426,538	$ 223,461	$ 127,883	$ 212,665	$ 9,482	$ 1,000,050
India	312,659	150,243	379,872	19,201	3,402	865,386
Europe	78,189	603,433	51,057	98,567	186,614	1,017,875
Asia	239,367	91,387	63,672	26,244	5,028	425,719
Africa	2,933	33,231	249,199	20,640	17,656	323,667
Other *2	56,267	—	—	—	—	56,267
Revenue from contracts with customers	1,115,968	1,101,770	871,697	377,332	222,197	3,688,985
Other revenue	—	—	—	—	—	—
Sales to customers	1,115,968	1,101,770	871,697	377,332	222,197	3,688,985

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, 2026 and 2025

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars (Note 1)*
	2026	2025	**2026**
Receivables from contracts with customers (Balance at beginning of period)	¥ 120,836	¥ 113,188	$ 755,791
Trade notes receivable	10,237	9,002	64,029
Accounts receivable	110,599	104,185	691,762
Receivables from contracts with customers (Balance at end of period)	129,521	120,836	810,113
Trade notes receivable	20,155	10,237	126,063
Accounts receivable	109,365	110,599	684,044
Contract assets (Balance at beginning of period)	21	14	131
Contract assets (Balance at end of period)	20	21	125
Contract liabilities (Balance at beginning of period)	378	312	2,364
Contract liabilities (Balance at end of period)	433	378	2,708

Notes:
*1 The Companies recognize contract assets mainly for services rendered before receipt of consideration 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.

18. Stock Options

1. Amount and account of expenses related to stock options

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Selling, general and administrative expenses	¥ 104	¥ (24)	$ 650

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: 4 Employees of said company: 172	Directors of said company: 3 Employees of said company: 145
Number of stock options by stock type	Common stock of said company: 1,133,190	Common stock of said company: 1,307,671
Grant date	January 1, 2023 - February 15, 2026	January 1, 2023 - December 1, 2024
Conditions for vesting	*1	*2
Requisite service period	Minimum period of 1 year and within a maximum period of 4 years from the grant date	Minimum period of 1 year and within a 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 within 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) Scale of stock options and related changes

Changes in the scale of stock options that existed in the year ended March 31, 2026 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, 2025	593,073	1,076,213
Granted	220,987	—
Forfeited	9,172	28,269
Vested	389,266	—
Unvested	415,622	1,047,944
Vested (shares)		
As of March 31, 2025	70,190	—
Vested	389,266	—
Exercised	167,594	—
Forfeited	5,685	—
Unexercised	286,177	—

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)	232.95	—
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)
Evaluation method used	Black-Scholes Model

(2) Main base figures and their estimation methods

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

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.

19. Subsequent Events

(Implementation of Business Restructuring in Europe)

The Company resolved, at the meeting of the Board of Directors held on March 30, 2026, to implement a business restructuring of its European operations.

1. Background

Kansai Helios Coatings GmbH, a consolidated subsidiary in Europe, has experienced increasing complexity in its organizational structure and business operations due to recent business expansion, and a decline in profitability has become increasingly evident. In addition, the business environment in the European market remains challenging, reflecting stagnant economic conditions and rising costs.

In light of these circumstances, the Company has decided to implement a restructuring project named "True Color," with the aim of enhancing its medium- to long-term competitiveness and profitability.

2. Overview of the Restructuring

Under this project, the Company plans to implement various measures in stages, including a review of its business portfolio, reorganization and optimization of production, sales, and administrative functions, as well as a review of its organizational structure and governance. In the first year of the project (fiscal year ending March 31, 2027), the Company plans to withdraw from or scale down low-profit and non-core businesses, which is expected to result in the recognition of one-time expenses and losses.

3. Estimated Amount of Losses

In connection with the implementation of the restructuring, extraordinary losses of approximately ¥7 billion ($43 million) are expected to be recorded for the fiscal year ending March 31, 2027.

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, 2026 and 2025, the consolidated statements of income and comprehensive income, changes in equity 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, 2026 and 2025, 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 period in which net sales from Kansai Paint Co., Ltd. are recognized	
The key audit matter	**How the matter was addressed in our audit**
Kansai Paint Co., Ltd. (hereinafter, the "Company") and its consolidated subsidiaries primarily manufacture and sell paints in Japan and overseas. In the consolidated statement of income, net sales of ¥589,795 million were	The primary procedures we performed to assess the appropriateness of the period in which net sales from the Company are recognized included the following: **(1) Internal control testing**

recognized, of which net sales from the Company's paint sales represent a significant portion of total sales. As described in Note 2, "Summary of Significant Accounting Policies, Accounting policy for recognition of significant revenues and expenses" to the consolidated financial statements, the Company determines, in principle, that the performance obligations are satisfied when control is transferred to the customer at the point of product delivery and accordingly, revenue is recognized at that point. In this regard, as earnings forecasts are disclosed to external investors, there is generally pressure to achieve such forecasts, giving rise to a potential risk that net sales may be recognized before the performance obligations are satisfied. We, therefore, determined that our assessment of the appropriateness of the period in which net sales from the Company are recognized was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	We tested the design and operating effectiveness of the Company's internal controls relevant to the sales recognition process, with particular attention given to the following controls: ● controls to ensure that the personnel in charge, independent of the Sales Department, record sales based on supporting documents such as delivery receipts. **(2) Assessment of whether sales were recognized in the appropriate period** For transactions selected as potentially representing exceptions based on designated delivery dates and sales recognition dates, we performed audit procedures including the following to assess whether sales were recognized in the appropriate accounting period: ● We assessed the consistency of the dates of supporting documents, such as customer order forms and delivery receipts, with the sales recognition dates.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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, 2026 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 24, 2026

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.