

2019 Financial Section

1	Consolidated Balance Sheets
3	Consolidated Statements of Income
3	Consolidated Statements of Comprehensive Income
4	Consolidated Statements of Changes in Net Assets
5	Consolidated Statements of Cash Flows
6	Notes to Consolidated Financial Statements
30	Independent Auditor's Report

Consolidated Balance Sheets

Kansai Paint Co., Ltd. and Consolidated Subsidiaries
March 31, 2019 and 2018

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current assets:			
Cash and deposits (Notes 3, 6 and 11)	¥ 74,615	¥ 65,089	\$ 672,268
Receivables (Notes 3 and 18):			
Trade notes and accounts:			
Unconsolidated subsidiaries and affiliates	13,438	13,671	121,074
Other	99,049	100,886	892,414
Securities (Notes 3 and 4)	3,149	8,579	28,372
Loans	82	82	739
Other	3,637	3,513	32,768
Allowance for doubtful receivables	(3,077)	(3,039)	(27,723)
Total	116,278	123,692	1,047,644
Inventories :			
Finished goods	37,549	35,915	338,310
Work-in-process	5,569	5,028	50,176
Raw materials and supplies	26,122	25,658	235,354
Total	69,240	66,601	623,840
Other current assets (Note 3)	6,040	7,776	54,419
Total current assets	266,173	263,158	2,398,171
Property, plant and equipment :			
Land	24,226	25,231	218,272
Buildings, machinery and equipment	289,968	284,758	2,612,560
Construction in progress	12,432	11,376	112,010
Total	326,626	321,365	2,942,842
Accumulated depreciation	(199,181)	(197,451)	(1,794,585)
Net property, plant and equipment	127,445	123,914	1,148,257
Investments and other assets:			
Investments in and loans to unconsolidated subsidiaries and affiliates	45,437	51,378	409,379
Investment securities (Notes 3, 4 and 6)	55,043	65,375	495,928
Loans receivable	112	164	1,009
Net defined benefit asset (Note 12)	10,436	10,218	94,026
Deferred tax assets (Note 13)	6,764	6,679	60,942
Other	13,004	8,244	117,164
Allowance for doubtful receivables	(7,605)	(5,545)	(68,519)
Total investments and other assets	123,191	136,513	1,109,929
Intangible assets:			
Goodwill	39,783	47,203	358,438
Other intangible assets	27,544	30,542	248,166
Total intangible assets	67,327	77,745	606,604
Total assets	¥ 584,136	¥ 601,330	\$ 5,262,961

See accompanying notes.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current liabilities:			
Short-term borrowings (Notes 3 and 5)	¥ 12,265	¥ 27,494	\$ 110,505
Current portion of long-term debt (Notes 3 and 5)	40,289	4,307	362,997
Payables (Notes 3 ,6 and 18):			
Trade notes and accounts:			
Unconsolidated subsidiaries and affiliates	2,215	1,976	19,957
Other	68,926	71,617	621,011
Other	5,514	5,188	49,680
Total	76,655	78,781	690,648
Income and enterprise taxes payable	4,220	4,211	38,022
Accrued expenses	14,782	14,615	133,183
Other current liabilities (Note 18)	9,599	6,871	86,485
Total current liabilities	157,810	136,279	1,421,840
Non-current liabilities:			
Long-term debt (Notes 3 and 5)	68,595	101,307	618,029
Retirement benefits for directors and corporate auditors	109	103	982
Provision for board incentive plan trust	96	40	865
Net defined benefit liability (Note 12)	8,608	8,238	77,557
Deferred tax liabilities (Note 13)	25,182	28,492	226,885
Other long-term liabilities	3,074	4,445	27,696
Total non-current liabilities	105,664	142,625	952,014
Contingent liabilities (Note 15)			
Net assets (Note 9):			
Shareholders' equity:			
Common stock:			
Authorized - 793,496,000 shares in 2019 and 2018			
Issued - 272,623,270 shares in 2019 and 2018	25,659	25,659	231,183
Capital surplus	22,342	13,232	201,297
Retained earnings	237,722	230,256	2,141,833
Treasury stock, at cost:			
15,480,336 shares in 2019			
15,354,390 shares in 2018	(25,538)	(25,264)	(230,093)
Total shareholders' equity	260,185	243,883	2,344,220
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	29,877	36,363	269,186
Deferred gains on derivatives under hedge accounting	623	1,424	5,613
Foreign currency translation adjustments	(21,439)	(6,733)	(193,161)
Remeasurements of defined benefit plans	771	1,393	6,947
Total accumulated other comprehensive income	9,832	32,447	88,585
Non-controlling interests	50,645	46,096	456,302
Total net assets	320,662	322,426	2,889,107
Total liabilities and net assets	¥ 584,136	¥ 601,330	\$ 5,262,961

See accompanying notes.

Consolidated Statements of Income

Kansai Paint Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net sales	¥ 427,426	¥ 401,978	\$ 3,851,032
Cost of sales	294,161	269,946	2,650,338
Selling, general and administrative expenses	100,959	96,230	909,623
Operating income	32,306	35,802	291,071
Other income (expenses):			
Interest and dividend income	3,023	2,954	27,237
Interest expense	(1,873)	(1,509)	(16,875)
Gain on sale of securities and investment securities, net	2,871	1,574	25,867
Write-down of securities and investment securities	(50)	—	(450)
Loss on disposal of inventories	(374)	(233)	(3,370)
Loss on sale or disposal of property, plant and equipment, net	(281)	(418)	(2,532)
Foreign currency exchange loss	(636)	(459)	(5,730)
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	2,786	(1,364)	25,101
Provision of allowance for doubtful receivables	(824)	(2,316)	(7,424)
Gain on revision of retirement benefit plan	—	761	—
Impairment loss (Note 16)	(673)	(302)	(6,064)
Loss on liquidation of subsidiaries	(263)	—	(2,370)
Loss on disaster	(144)	—	(1,297)
Extra early retirement payments	(411)	(598)	(3,703)
Provision for loss on guarantees	(2,220)	—	(20,002)
Other, net	429	367	3,865
Other income (expenses), net	1,360	(1,543)	12,253
Income before income taxes and non-controlling interests	33,666	34,259	303,325
Income taxes (Note 13):			
Current	13,172	15,156	118,677
Deferred	(760)	(3,334)	(6,847)
Total income taxes	12,412	11,822	111,830
Net income attributable to non-controlling interests	(3,849)	(4,736)	(34,679)
Net income attributable to owners of the parent	¥ 17,405	¥ 17,701	\$ 156,816

	yen		U.S. dollars (Note 1)
	2019	2018	2019
Net income per share	¥ 67.68	¥ 68.80	\$ 0.61
Diluted net income per share	58.28	59.29	0.53
Cash dividends per share	30.00	27.00	0.27

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kansai Paint Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net Income	¥ 21,255	¥ 22,437	\$ 191,504
Other comprehensive income (Note 10):			
Net unrealized holding gains (losses) on securities	(6,164)	4,538	(55,537)
Deferred gains (losses) on derivatives under hedge accounting	(801)	1,424	(7,217)
Foreign currency translation adjustments	(12,209)	6,175	(110,001)
Remeasurements of defined benefit plans	(623)	598	(5,613)
Shares in other comprehensive income of equity method affiliates	(5,893)	(10)	(53,095)
Total other comprehensive income	(25,690)	12,725	(231,463)
Comprehensive income	¥ (4,435)	¥ 35,162	\$ (39,959)
Comprehensive income attributed to:			
Owners of the parent	¥ (5,211)	¥ 30,673	\$ (46,950)
Non-controlling interests	776	4,489	6,991

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Kansai Paint Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred gains on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2017	¥ 25,659	¥ 14,422	¥ 218,881	¥ (25,089)	¥ 233,873	¥ 31,229	¥ —	¥ (12,549)	¥ 795	¥ 19,475	¥ 42,817	¥ 296,165	
Cash dividends paid			(6,326)		(6,326)							(6,326)	
Net income attributable to owners of the parent			17,701		17,701							17,701	
Purchase of treasury stock				(175)	(175)							(175)	
Disposal of treasury stock		0		0	0							0	
Purchase of shares of consolidated subsidiaries		6			6							6	
Change in equity of parent related to transactions with non-controlling shareholders		(1,196)			(1,196)							(1,196)	
Change in treasury stock arising from change in equity in entities accounted for using equity method				(0)	(0)							(0)	
Net changes in items other than shareholders' equity						5,134	1,424	5,816	598	12,972	3,279	16,251	
Balance at April 1, 2018	¥ 25,659	¥ 13,232	¥ 230,256	¥ (25,264)	¥ 243,883	¥ 36,363	¥ 1,424	¥ (6,733)	¥ 1,393	¥ 32,447	¥ 46,096	¥ 322,426	
Cash dividends paid			(7,617)		(7,617)							(7,617)	
Net income attributable to owners of the parent			17,405		17,405							17,405	
Purchase of treasury stock				(275)	(275)							(275)	
Disposal of treasury stock		0		1	1							1	
Change in equity of parent related to transactions with non-controlling shareholders		9,110	(2,322)		6,788							6,788	
Net changes in items other than shareholders' equity						(6,486)	(801)	(14,706)	(622)	(22,615)	4,549	(18,066)	
Balance at March 31, 2019	¥ 25,659	¥ 22,342	¥ 237,722	¥ (25,538)	¥ 260,185	¥ 29,877	¥ 623	¥ (21,439)	¥ 771	¥ 9,832	¥ 50,645	¥ 320,662	

	Thousands of U.S. dollars (Note 1)												
	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred gains on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2018	\$ 231,183	\$ 119,218	\$ 2,074,566	\$ (227,624)	\$ 2,197,343	\$ 327,624	\$ 12,830	\$ (60,663)	\$ 12,551	\$ 292,342	\$ 415,316	\$ 2,905,001	
Cash dividends paid			(68,628)		(68,628)							(68,628)	
Net income attributable to owners of the parent			156,816		156,816							156,816	
Purchase of treasury stock				(2,478)	(2,478)							(2,478)	
Disposal of treasury stock		0		9	9							9	
Change in equity of parent related to transactions with non-controlling shareholders		82,079	(20,921)		61,158							61,158	
Net changes in items other than shareholders' equity						(58,438)	(7,217)	(132,498)	(5,604)	(203,757)	40,986	(162,771)	
Balance at March 31, 2019	\$ 231,183	\$ 201,297	\$ 2,141,833	\$ (230,093)	\$ 2,344,220	\$ 269,186	\$ 5,613	\$ (193,161)	\$ 6,947	\$ 88,585	\$ 456,302	\$ 2,889,107	

See accompanying notes.

Consolidated Statements of Cash Flows

Kansai Paint Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥ 33,666	¥ 34,259	\$ 303,325
Depreciation and amortization	13,917	13,176	125,390
Impairment loss	673	302	6,064
Amortization of goodwill	4,780	3,688	43,067
Increase in allowance for doubtful receivables	2,250	4,044	20,272
Decrease in net defined benefit liability	(492)	(3,016)	(4,433)
Interest and dividend income	(3,023)	(2,954)	(27,237)
Interest expense	1,873	1,509	16,875
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	(2,786)	1,364	(25,101)
Gain on sale of investment securities	(2,016)	(1,574)	(18,164)
Write-down of securities and investment securities	50	—	450
Gain on sale of shares of subsidiaries and affiliates	(855)	—	(7,703)
Loss on sale or disposal of property, plant and equipment, net	281	418	2,532
Increase in trade notes and accounts receivable	(2,408)	(9,802)	(21,696)
Increase in inventories	(6,784)	(4,003)	(61,123)
Increase (decrease) in trade notes and accounts payable	(91)	11,692	(820)
Other, net	6,521	(3,327)	58,753
Subtotal	45,556	45,776	410,451
Interest and dividends received	5,276	4,709	47,536
Interest paid	(2,078)	(1,555)	(18,722)
Income taxes paid	(13,122)	(15,420)	(118,227)
Net cash provided by operating activities	35,632	33,510	321,038
Cash flows from investing activities:			
Payments into time deposits	(1,345)	(3,344)	(12,118)
Proceeds from withdrawal of time deposits	806	269	7,262
Net decrease in securities	5,630	732	50,725
Purchase of property, plant and equipment	(21,210)	(15,486)	(191,098)
Proceeds from sale of property, plant and equipment	1,295	397	11,668
Purchase of intangible assets	(1,251)	(756)	(11,271)
Purchase of investment securities	(212)	(584)	(1,910)
Proceeds from sale of investment securities	3,083	2,038	27,777
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 11)	(1,122)	(13,367)	(10,109)
Payments of loans receivable	(677)	(295)	(6,100)
Collection of loans receivable	429	378	3,865
Payments for derivative settlement, net	(975)	(2,794)	(8,785)
Other, net	(1,912)	(945)	(17,226)
Net cash used in investing activities	(17,461)	(33,757)	(157,320)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(14,570)	18,678	(131,273)
Proceeds from long-term debt	5,432	304	48,941
Repayments of long-term debt	(796)	(2,249)	(7,172)
Purchase of treasury stock	(9)	(175)	(81)
Cash dividends paid	(7,617)	(6,326)	(68,628)
Cash dividends paid to non-controlling interests	(1,630)	(2,105)	(14,686)
Proceeds from share issuance to non-controlling shareholders	12,235	—	110,235
Purchase of investments in subsidiaries without change in scope of consolidation	—	(4)	—
Other, net	(9)	(63)	(80)
Net cash provided by (used in) financing activities	(6,964)	8,060	(62,744)
Effect of exchange rate changes on cash and cash equivalents	(2,172)	1,045	(19,570)
Increase in cash and cash equivalents	9,035	8,858	81,404
Cash and cash equivalents at beginning of year	61,172	52,314	551,148
Cash and cash equivalents at end of year (Note 11)	¥ 70,207	¥ 61,172	\$ 632,552

See accompanying notes.

Notes to Consolidated Financial Statements

Kansai Paint Co., Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

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

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance

Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory consolidated financial statements in Japanese, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥110.99 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.

2. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements in the fiscal year ended March 31, 2019 include the accounts of the Company and its 113 (115 at March 31, 2018) significant subsidiaries.

Intercompany transactions and accounts have been eliminated.

Investment in 12 unconsolidated subsidiaries and 28 affiliates in the fiscal year ended March 31, 2019 (12 and 29, respectively, at March 31, 2018) are stated at cost, adjusted for equity in undistributed earnings and losses since acquisition.

The accounts of 97 consolidated subsidiaries in the fiscal year ended March 31, 2019 (95 at March 31, 2018) are included on the basis of their respective fiscal year ends, one of which ends on February 28 and the others 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 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 four 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.

Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available quoted market prices are stated at the quoted market prices. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income. Realized gains and losses on the sale of such securities are computed using moving average cost. Securities with no available quoted market prices are stated mainly at moving average cost.

If the quoted market price of equity securities issued by unconsolidated subsidiaries or affiliated companies not accounted for by the equity method or the quoted market price of available-for-sale securities declines significantly, the securities are stated at the quoted market price, and the difference between the quoted market price and the carrying amount is recognized as loss in the period of the decline. If the quoted market price of equity securities issued by unconsolidated subsidiaries or affiliated companies not accounted for by the equity method is not readily available, the securities are written down to net asset value with a

corresponding charge in the consolidated statements of income in the event the net asset value declines significantly. In these cases, the quoted market price or the net asset 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, 2019 and 2018 were ¥6,547 million (\$58,987 thousand) and ¥6,592 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.

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.

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 consist of foreign currency forward contracts and currency swap contracts. Hedged items comprise receivables, payables, forecasted transactions and equity investments in foreign subsidiaries 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 and currency swap 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.

Accounting standards issued but not yet effective

The Company and the domestic subsidiaries

- Accounting Standards on Revenue Recognition (Corporate Accounting Standards No. 29, March 30, 2018, Accounting Standards Board of Japan)
- Implementation Guidelines on Accounting Standard on Revenue Recognition (Corporate Accounting Standards

Equity investments in foreign subsidiaries

Name of accounting standards	Outline	Planned applicable date
Leases (IFRS No.16)	● Revised the accounting method related to leases	From the fiscal year ending in March 2020

The impact of the application of the above accounting standards on the consolidated financial statements is currently under review.

Changes in presentation

(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the current fiscal year, the Company and its domestic subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of 'investments and other assets' and 'non-current liabilities,' respectively.

Application Guideline No. 30, March 30, 2018, Accounting Standards Board of Japan)

- (1) Summary
The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and published "Revenue from Contracts with Customers" in May 2014 (IFRS No. 15 in IASB, Topic 606 in FASB). Considering IFRS No. 15 was applied from the fiscal year starting January 1, 2018 and Topic 606 from the fiscal year starting December 15, 2017, the Accounting Standards Board of Japan developed comprehensive Accounting Standards on Revenue Recognition and published them together with the implementation guidelines. The fundamental policy for developing Accounting Standards on Revenue Recognition by the Accounting Standards Board of Japan was that the accounting standards would incorporate the fundamental policy of IFRS No. 15 as the starting point from the perspective of comparability of financial statements, which is the one of the benefits of achieving consistency with IFRS No. 15. If there are matters to be taken into consideration in Japan in practice, etc., alternative handling will be added within a range that will not impair financial statement comparability.
- (2) Planned applicable date
Applied from the beginning of the fiscal year ending in March 2022
- (3) Impact of application of accounting standards
The impact of the application of Implementation Guidelines on Accounting Standards on Revenue Recognition Accounting, Etc., on the consolidated financial statements is currently under review.

As a result, in the consolidated balance sheets of the fiscal year ended March 31, 2018, deferred tax assets in current assets decreased ¥3,057 million, deferred tax assets in investments and other assets increased ¥621 million, deferred tax liabilities in current liabilities decreased ¥32 million and deferred tax liabilities in non-current liabilities decreased ¥2,404 million. In addition, total assets decreased ¥2,436 million compared to before the change, because the deferred tax assets and deferred tax liabilities of taxable entities are offset in the presentation.

The notes related to tax effect accounting additionally included that described in notes 8 (excluding the total amount of

valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting," which are required by Paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in Paragraph 7 of Statement No. 28.

Additional Information (Year ended March 31, 2019) A Performance-based Stock Compensation Plan

The Company has introduced a performance-based stock compensation plan (hereinafter, the "Plan") for Board Directors (excluding Outside Board Directors; hereinafter the same shall apply), Managing Executive Officers, Senior Executive Officers and Executive Officers (hereinafter collectively, "Board Directors, etc.," excluding non-residents in Japan) as a transparent and objective remuneration plan for officers' that is highly linked with the Company's performance for the purpose of further raising awareness of helping improve the Company's medium-to-long-term business results and increase corporate value, in addition to awareness of corporate management that emphasizes shareholders.

(1) Overview of the transactions

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

The Plan shall apply to three fiscal years that correspond to the target period of the Company's medium-term management plan, and delivers, etc. Company Shares, etc. according to the relevant Board Director's position, and achievement, etc. of business performance targets for each fiscal year at the time of the Board Director's retirement. However, the target period of the Trust that was set up in 2017 is two fiscal years from the fiscal year ended March 31, 2018 to the fiscal year ending on March 31, 2019, which is the remaining period of the current medium-term management plan.

(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 ¥158 million (\$1,424 thousand) and 59,667 shares as of March 31, 2019 (¥159 million and 60,000 shares as of March 31, 2018).

3. Financial Instruments

1. Status of financial instruments

(1) Policies on financial instruments

The Companies procure funds necessary for capital investment and raise short-term working capital mainly through bank loans and the issuance of bonds. The Companies manage temporary surplus funds through financial assets that have a high level of safety.

The Companies use derivative financial instruments to hedge foreign currency exchange rate fluctuation risk and do not enter into derivative transactions for trading or speculative purposes.

(2) Details of financial instruments and associated risks

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

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

(3) Risk management framework for financial instruments

1) Credit risk management (counterparty risk)

The Company has established internal rules and procedures for receivables under which the Business Planning & Administration Division and Financial Management 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 Financial & 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 based on their market price and, in cases in which market price is not available, a reasonably calculated price. Such prices are calculated using certain assumptions and may differ if the assumptions change.

2. Fair value of financial instruments

Book values of the financial instruments included in the consolidated balance sheets and their fair values at March 31, 2019 and 2018 were as follows (financial instruments for which the fair values were extremely difficult to determine were not included):

	<i>Millions of yen</i>		
	2019		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 74,615	¥ 74,615	¥ —
(2) Trade receivables - notes and accounts	112,487	112,487	—
(3) Securities and investment securities Available-for-sale securities	55,773	55,773	—
(4) Trade payables - notes and accounts	71,141	71,141	—
(5) Convertible bonds with stock acquisition rights (included in "Current portion of long-term debt")	40,127	39,900	(227)
(6) Convertible bonds with stock acquisition rights (included in "Long-term debt")	60,161	60,840	679
(7) Derivative transactions (included in "Other current assets")	2,952	2,952	—

	<i>Millions of yen</i>		
	2018		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 65,089	¥ 65,089	¥ —
(2) Trade receivables - notes and accounts	114,557	114,557	—
(3) Securities and investment securities Available-for-sale securities	71,437	71,437	—
(4) Trade payables - notes and accounts	73,593	73,593	—
(5) Convertible bonds with stock acquisition rights (included in "Long-term debt")	100,937	105,040	4,103
(6) Derivative transactions (included in "Other current assets")	896	896	—

	<i>Thousands of U.S. dollars (Note 1)</i>		
	2019		
	Book value	Fair value	Difference
(1) Cash and deposits	\$ 672,268	\$ 672,268	\$ —
(2) Trade receivables - notes and accounts	1,013,488	1,013,488	—
(3) Securities and investment securities Available-for-sale securities	502,505	502,505	—
(4) Trade payables - notes and accounts	640,968	640,968	—
(5) Convertible bonds with stock acquisition rights (included in "Current portion of long-term debt")	361,537	359,492	(2,045)
(6) Convertible bonds with stock acquisition rights (included in "Long-term debt")	542,040	548,157	6,118
(7) Derivative transactions (included in "Other current assets")	26,597	26,597	—

Derivative assets and liabilities were on a net basis.

Fair value measurement of financial instruments

- (1) Cash and deposits (2) Trade receivables - notes and accounts

Book value approximates the fair value due to the short maturity

- (3) Securities and investment securities

The fair value of equity securities is determined by the quoted market price. The fair value of debt securities is determined by the quoted market price or the price provided by financial institutions.

- (4) Trade payables - notes and accounts

Book value approximates the fair value due to the short maturity.

- (5) Convertible bonds with stock acquisition rights (included in "Current portion of long-term debt") (6) Convertible bonds with stock acquisition rights (included in "Long-term debt")

The fair value of convertible bonds with stock acquisition rights is determined by the market price.

- (7) Derivative transactions (included in "Other current assets")

The fair value of derivative transactions is determined by the quoted price obtained from the relevant financial institutions.

Book values of financial instruments for which the fair value was extremely difficult to measure

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Non-listed equity securities	¥ 2,419	¥ 2,517	\$ 21,795
Non-listed investment securities of unconsolidated subsidiaries and affiliates	28,990	34,437	261,195

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

	Millions of yen			
	2019			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	¥ 74,615	¥ —	¥ —	¥ —
Receivables - trade notes and accounts	112,487	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	—	87	100	44
Other	2,918	—	—	—

	Millions of yen			
	2018			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	¥ 65,089	¥ —	¥ —	¥ —
Receivables - trade notes and accounts	114,557	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	—	91	98	44
Other	8,346	—	—	—

	Thousands of U.S. dollars (Note 1)			
	2019			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	\$ 672,268	\$ —	\$ —	\$ —
Receivables - trade notes and accounts	1,013,488	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	—	784	901	396
Other	26,291	—	—	—

4. Securities

(1) The following table summarizes acquisition costs and book values of available-for-sale securities with available fair values at March 31, 2019 and 2018.

	Millions of yen		
	2019		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 11,326	¥ 51,030	¥ 39,704
Corporate bonds	209	230	21
Investment trust funds	2,940	2,962	22
Total	¥ 14,475	¥ 54,222	¥ 39,747
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 2,199	¥ 1,531	¥ (668)
Corporate bonds	—	—	—
Investment trust funds	21	20	(1)
Total	¥ 2,220	¥ 1,551	¥ (669)

	Millions of yen		
	2018		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 13,522	¥ 61,709	¥ 48,187
Corporate bonds	214	233	19
Investment trust funds	8,250	8,346	96
Total	¥ 21,986	¥ 70,288	¥ 48,302
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 1,312	¥ 1,087	¥ (225)
Corporate bonds	—	—	—
Investment trust funds	65	62	(3)
Total	¥ 1,377	¥ 1,149	¥ (228)

	Thousands of U.S. dollars (Note 1)		
	2019		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	\$ 102,045	\$ 459,771	\$ 357,726
Corporate bonds	1,883	2,073	190
Investment trust funds	26,489	26,687	198
Total	\$ 130,417	\$ 488,531	\$ 358,114
Securities with book value not exceeding acquisition cost:			
Equity securities	\$ 19,813	\$ 13,794	\$ (6,019)
Corporate bonds	—	—	—
Investment trust funds	189	180	(9)
Total	\$ 20,002	\$ 13,974	\$ (6,028)

(2) The following table summarizes book values of available-for-sale securities with no available fair value at March 31, 2019 and 2018.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Non-listed equity securities	¥ 2,419	¥ 2,517	\$ 21,795

(3) Total sales of available-for-sale securities for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Selling amount	¥ 272,011	¥ 439,510	\$ 2,450,770
Realized gains	2,016	1,574	18,164
Realized losses	—	—	—

(4) Write-down of securities

In the year ended March 31, 2019, a write-down of ¥50 million (\$450 thousand) was recognized on securities, consisting of listed equity securities in the amount of ¥50 million (\$450 thousand).

In the year ended March 31, 2018, write-down was not recognized on securities.

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 which do not have readily determinable 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 Borrowings and Long-Term Debt

Annual interest rates on the short-term borrowings ranged from 0.01% to 30.98% at March 31, 2019 and from 0.01% to 14.49% at March 31, 2018.

Short-term borrowings at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Bank loans	¥ 12,135	¥ 27,414	\$ 109,334
Loans from unconsolidated subsidiaries and affiliates	130	80	1,171
Total	¥ 12,265	¥ 27,494	\$ 110,505

Long-term debt at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Bank loans with interest rates ranging from 0.50% to 12.00% in 2019 (from 3.00% to 9.99% in 2018) due serially to 2025	¥ 8,596	¥ 4,677	\$ 77,449
Zero-coupon convertible bonds, due June 2019	40,127	40,727	361,537
Zero-coupon convertible bonds, due June 2022	60,161	60,210	542,040
Total	108,884	105,614	981,026
Current portion of long-term debt	(40,289)	(4,307)	(362,997)
Long-term debt	¥ 68,595	¥ 101,307	\$ 618,029

The aggregate annual maturities of long-term debt subsequent to March 31, 2019 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2020	¥ 40,162	\$ 362,997
2021	2,658	23,948
2022	2,320	20,903
2023	61,240	551,761
2024 and thereafter	2,217	19,975
Total	¥ 108,597	\$ 979,584

6. Pledged Assets

At March 31, 2019 and 2018, the following assets were pledged as collateral for certain trade notes and accounts payable.

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2019	2018	2019	
Cash and deposits	¥ 20	¥ 20	\$ 180	
Investment securities	49	17	442	
Total	¥ 69	¥ 37	\$ 622	

7. Derivative Transactions

(1) Derivative transactions to which the Companies didn't apply hedge accounting as of March 31, 2019 and 2018 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2019			2019		
	Contract amount	Fair value *1	Unrealized gain (loss)	Contract amount	Fair value *1	Unrealized gain (loss)
Foreign currency forward contracts						
Buy						
U.S. dollar	¥ 98	¥ (1)	(1)	\$ 883	\$ (9)	\$ (9)
Euro	153	3	3	1,379	27	27
Japanese yen	600	8	8	5,406	72	72
Sell						
U.S. dollar	127	1	1	1,144	9	9
Euro	9,100	(1)	(1)	81,990	(9)	(9)
Russian ruble	32	2	2	288	18	18
Currency option contracts *2						
Buy (Call)						
Euro	130	4	4	1,171	36	36
Sell (Put)						
Euro	126	0	0	1,135	0	0
Total	¥ 10,366	¥ 16	¥ 16	\$ 93,396	\$ 144	\$ 144

	Millions of yen		
	2018		
	Contract amount	Fair value *1	Unrealized gain (loss)
Foreign currency forward contracts			
Buy			
U.S. dollar	¥ 361	¥ (5)	¥ (5)
Euro	115	(1)	(1)
Japanese yen	364	(1)	(1)
Sell			
U.S. dollar	159	1	1
Euro	31,300	196	196
Russian ruble	13	(0)	(0)
Polish zloty	121	(2)	(2)
Currency option contracts *2			
Buy (Call)			
U.S. dollar	61	0	0
Euro	61	0	0
Sell (Put)			
U.S. dollar	61	(4)	(4)
Euro	151	(16)	(16)
Total	¥ 32,767	¥ 168	¥ 168

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

*2 The currency option contracts are zero-cost options and no premium is received or paid.

(2) Derivative transactions to which the Companies applied hedge accounting as of March 31, 2019 were as follows:

Hedged items	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2019			2019		
	Contract amount	Contract amount due over 1 year	Fair value *	Contract amount	Contract amount due over 1 year	Fair value *
Currency swap contracts						
Sell						
Euro						
Equity investments in foreign subsidiaries	¥ 46,630	¥ 46,630	¥ 2,936	\$ 420,128	\$ 420,128	\$ 26,453
Total	¥ 46,630	¥ 46,630	¥ 2,936	\$ 420,128	\$ 420,128	\$ 26,453

Hedged items	Millions of yen		
	2018		
	Contract amount	Contract amount due over 1 year	Fair value *
Currency swap contracts			
Sell			
Euro			
Equity investments in foreign subsidiaries	¥ 46,630	¥ 46,630	¥ 728
Total	¥ 46,630	¥ 46,630	¥ 728

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

8. Related Party Transactions

(1) Transactions of the Company with related parties during the years ended March 31, 2019 were as follows:

Category	Name	Location	Capital investment	Description of business	Percentage of voting rights	Description of business relationship	2019					
							Transactions			Resulting accounting balance		
							Description of transactions	Millions of yen	Thousands of U.S. dollars (Note 1)	Account	Millions of yen	Thousands of U.S. dollars (Note 1)
Affiliate	Kansai Paint Middle East FZCO	UAE	AED 136,076 thousands	Holding company for manufacturing and sale for coatings	Directly 49.90%	Sales of our coatings, loans and loan guarantees	Sales of automotive coatings	¥ 32	\$ 288	Other in investments and other assets	¥ 1,094	\$ 9,857
							Interest income	¥ 89	\$ 802			
							Loans	¥ 531	\$ 4,784	Loans receivable in investments and other assets *2	¥ 2,975	\$ 26,804
							Provision of allowance for doubtful receivables	¥ 1,309	\$ 11,794	Allowance for doubtful receivables	¥ 4,063	\$ 36,607
							Provision for loss on guarantees *1	¥ 2,220	\$ 20,002	Other current liabilities	¥ 2,220	\$ 20,002

Notes:

*1 The Company guarantees the loans from financial institution.

*2 In consolidated balance sheets, loans receivable in investments and other assets is reduced by ¥2,975 million (\$26,804 thousand) using the equity method.

(2) Transactions of the consolidated subsidiaries of the Company with related parties during the years ended March 31, 2019 and 2018 were as follows:

Category	Name	Location	Capital investment	Description of business	Percentage of voting rights	Description of business relationship	2019					
							Transactions			Resulting accounting balance		
							Description of transactions	Millions of yen	Thousands of U.S. dollars (Note 1)	Account	Millions of yen	Thousands of U.S. dollars (Note 1)
Affiliate	Ohgi Shokai Co., Ltd.	Osaka City	¥61 million	Sale of coatings	Directly 50.00%	Sales of our coatings	Sales of automotive and industrial coatings	¥ 17,360	\$ 156,410	Trade notes and accounts receivable	¥ 7,587	\$ 68,358

Category	Name	Location	Capital investment	Description of business	Percentage of voting rights	Description of business relationship	2018			
							Transactions		Resulting accounting balance	
							Description of transactions	Millions of yen	Account	Millions of yen
Affiliate	Ohgi Shokai Co., Ltd.	Osaka City	¥61 million	Sale of coatings	Directly 50.00%	Sales of our coatings	Sales of automotive and industrial coatings	¥ 16,337	Trade notes and accounts receivable	¥ 8,230

9. Net Assets

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

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

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

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

At the annual shareholders' meeting held on June 27, 2019, the shareholders approved cash dividends of ¥14.0 (\$0.13) per share amounting to ¥3,615 million (\$32,571 thousand). This appropriation was not accounted for in the consolidated financial statements at March 31, 2019. 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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net unrealized holding gains (losses) on securities:			
Gains (losses) arising during the year	¥ (7,272)	¥ 7,660	\$ (65,519)
Reclassification adjustments	(1,604)	(1,094)	(14,452)
Amount before income tax effect	(8,876)	6,566	(79,971)
Income tax effect	2,712	(2,028)	24,434
Net unrealized holding gains (losses) on securities	(6,164)	4,538	(55,537)
Deferred gains (losses) on derivatives under hedge accounting:			
Gains (losses) arising during the year	(801)	1,424	(7,217)
Reclassification adjustments	—	—	—
Amount before income tax effect	(801)	1,424	(7,217)
Income tax effect	—	—	—
Deferred gains (losses) on derivatives under hedge accounting	(801)	1,424	(7,217)
Foreign currency translation adjustments:			
Gains (losses) arising during the year	(12,209)	6,175	(110,001)
Reclassification adjustments	—	—	—
Amount before income tax effect	(12,209)	6,175	(110,001)
Income tax effect	—	—	—
Foreign currency translation adjustments	(12,209)	6,175	(110,001)
Remeasurements of defined benefit plans			
Gains (losses) arising during the year	(643)	1,075	(5,793)
Reclassification adjustments	(255)	(213)	(2,298)
Amount before income tax effect	(898)	862	(8,091)
Income tax effect	275	(264)	2,478
Remeasurements of defined benefit plans	(623)	598	(5,613)
Shares in other comprehensive income of equity method affiliates:			
Gains (losses) arising during the year	(5,747)	(10)	(51,779)
Reclassification adjustments	(146)	0	(1,316)
Shares in other comprehensive income of equity method affiliates	(5,893)	(10)	(53,095)
Total other comprehensive income	¥ (25,690)	¥ 12,725	\$ (231,463)

11. Supplementary Cash Flow Information

(1) 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, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash and deposits	¥ 74,615	¥ 65,089	\$ 672,268
Time deposits with original maturity of more than three months	(4,408)	(3,917)	(39,716)
Cash and cash equivalents	¥ 70,207	¥ 61,172	\$ 632,552

(2) Acquisition cost and net payments for assets and liabilities of newly consolidated subsidiaries acquired through a stock purchase

1) Acquisition cost and net payments for assets and liabilities of companies in East Africa for the year ended March 31, 2018 were as follows:

	Millions of yen 2018
Current assets	¥ 4,335
Non-current assets	4,882
Goodwill	8,829
Current liabilities	(2,759)
Non-current liabilities	(1,153)
Non-controlling interests	(557)
Acquisition cost	13,577
Less: cash and cash equivalents acquired	(210)
Net payments for the acquisition	¥ 13,367

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, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Retirement benefit obligations at beginning of year	¥ 42,137	¥ 47,233	\$ 379,647
Service cost	1,585	1,504	14,281
Interest cost	422	421	3,802
Actuarial (gains) losses	(220)	177	(1,982)
Benefits paid	(1,744)	(2,050)	(15,713)
Changes in the scope of consolidation	55	—	496
Decrease due to transfer to defined contribution pension plan	—	(5,246)	—
Foreign currency exchange difference	(349)	98	(3,146)
Retirement benefit obligations at end of year	¥ 41,886	¥ 42,137	\$ 377,385

2) Reconciliation of beginning and ending balances of plan assets (except plans applying the simplified method) at March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Plan assets at beginning of year	¥ 44,880	¥ 46,289	\$ 404,361
Expected return on plan assets	1,035	998	9,325
Actuarial gains (losses)	(836)	1,187	(7,532)
Contributions from the employer	664	781	5,983
Benefits paid	(1,210)	(1,523)	(10,902)
Decrease due to transfer to defined contribution pension plan	—	(2,844)	—
Foreign currency exchange difference	(30)	(8)	(271)
Plan assets at end of year	¥ 44,503	¥ 44,880	\$ 400,964

3) Reconciliation of beginning and ending balances of net defined benefit liability applying the simplified method at March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net defined benefit liability at beginning of year	¥ 763	¥ 744	\$ 6,874
Net periodic benefit costs	176	142	1,586
Contributions from the employer	(71)	(70)	(640)
Benefits paid	(79)	(53)	(711)
Net defined benefit liability at end of year	¥ 789	¥ 763	\$ 7,109

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, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Funded retirement benefit obligations	¥ 38,470	¥ 38,637	\$ 346,608
Plan assets	(45,518)	(45,875)	(410,109)
	(7,048)	(7,238)	(63,501)
Unfunded retirement benefit obligations	5,220	5,258	47,032
Net amount of asset and liability recognized in the consolidated balance sheets	(1,828)	(1,980)	(16,469)
Net defined benefit liability	8,608	8,238	77,557
Net defined benefit asset	(10,436)	(10,218)	(94,026)
Net amount of asset and liability recognized in the consolidated balance sheets	¥ (1,828)	¥ (1,980)	\$ (16,469)

Note: Including plans applying the simplified method.

5) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Service cost	¥ 1,585	¥ 1,504	\$ 14,281
Interest cost	422	421	3,802
Expected return on plan assets	(1,035)	(998)	(9,325)
Recognized actuarial (gains) losses	(181)	154	(1,631)
Amortization of past service cost	(103)	(138)	(928)
Net periodic benefit costs calculated by the simplified method	176	142	1,586
Net periodic benefit costs	864	1,085	7,785
Additional retirement benefits *1	432	602	3,892
Total	¥ 1,296	¥ 1,687	\$ 11,677

Notes:

*1 The amounts of extra early retirement payments were ¥410 million (\$3,694 thousand) and ¥598 million in "Other income (expenses)" for the years ended March 31, 2019 and 2018, respectively.

*2 In the year ended March 31, 2018, other than the amount described above, the Company recognized gain on revision of retirement benefit plan ¥761 million in "Other income (expenses)."

6) The amounts recognized in remeasurements of defined benefit plans (before the tax effect) in other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Past service cost	¥ (103)	¥ (230)	\$ (928)
Actuarial gains (losses)	(795)	1,092	(7,163)
Total	¥ (898)	¥ 862	\$ (8,091)

7) The amounts recognized in remeasurements of defined benefit plans (before the tax effect) in accumulated other comprehensive income at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Unrecognized past service cost	¥ (514)	¥ (616)	\$ (4,631)
Unrecognized actuarial gains	(596)	(1,391)	(5,370)
Total	¥ (1,110)	¥ (2,007)	\$ (10,001)

8) The component ratio of plan assets by asset category at March 31, 2019 and 2018 was as follows:

	2019	2018
Debt securities	38%	40%
Equity securities	34	33
Life insurance company general accounts	23	22
Cash and deposits	3	3
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, 2019 and 2018 were as follows (presented as weighted averages):

	2019	2018
Discount rate	1.0%	1.0%
Expected long-term rate of return on plan assets	2.5%	2.4%
Salary increase rate	3.8%	3.7%

(2) Defined contribution pension plans

The amounts of contribution to defined contribution plans of the Company and certain consolidated subsidiaries were ¥1,788 million (\$16,110 thousand) and ¥1,684 million for the years ended March 31, 2019 and 2018, respectively.

(3) Revision in the pension plan

The amount of plan assets transferred to the defined contribution pension plan as a result of the transfer of a portion of the lump-sum payment plan and the defined benefit plan was ¥4,640 million (\$41,806 thousand). The transfer is expected to be completed in four years. The portion of plan assets yet to be transferred at March 31, 2019 in the amount of ¥857 million (\$7,721 thousand) is included in "Payables, other" and "Other long-term liabilities."

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, 2019 and 2018.

	2019	2018
Statutory tax rate	30.6%	30.8%
Amortization of goodwill	4.3	3.3
Elimination of dividends from subsidiaries	7.3	6.4
Equity in earnings of affiliates	(2.5)	1.2
Consolidation adjustment for gain on sale of shares of subsidiaries and affiliates	(0.8)	–
Undistributed foreign earnings	0.3	2.1
Difference in statutory tax rates of foreign subsidiaries	(1.3)	(1.5)
Reduction of the amount of deferred tax liabilities resulting from the change in tax rate	–	(2.6)
Valuation allowance	3.1	(1.4)
Other	(4.1)	(3.8)
Effective tax rate	36.9%	34.5%

(2) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Deferred tax assets:			
Valuation loss on inventories	¥ 235	¥ 292	\$ 2,117
Elimination of unrealized gain on inventories	569	548	5,127
Write-down of investment securities	914	809	8,235
Allowance for doubtful receivables	2,453	2,013	22,101
Accrued expenses	1,205	1,011	10,857
Accrued bonuses	1,254	1,311	11,298
Provision for loss on guarantees	679	–	6,118
Net defined benefit liability	2,672	2,205	24,074
Carryforward tax loss	5,482	4,219	49,392
Revaluation of assets of subsidiaries on consolidation	1,094	1,217	9,857
Other	2,165	2,112	19,506
Deferred tax assets – Subtotal	18,722	15,737	168,682
Valuation reserve for carryforward tax loss	(1,134)	–	(10,217)
Valuation reserve for deductible temporary differences	(2,601)	–	(23,435)
Valuation reserve – total	(3,735)	(740)	(33,652)
Total deferred tax assets	14,987	14,997	135,030
Deferred tax liabilities:			
Net defined benefit asset	2,888	2,621	26,020
Adjustments to fixed assets based on corporate tax laws	2,733	2,959	24,624
Net unrealized holding gains on securities	11,590	14,327	104,424
Tax effect of foreign subsidiaries' and affiliates' undistributed earnings	5,483	5,586	49,401
Revaluation of assets of subsidiaries on consolidation	8,859	9,887	79,818
Other	1,852	1,430	16,686
Total deferred tax liabilities	33,405	36,810	300,973
Net deferred tax liabilities	¥ 18,418	¥ 21,813	\$ 165,943

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

	Millions of yen						
	2020	2021	2022	2023	2024	2025 and thereafter	Total
	2019						
Carryforward tax loss	¥ 116	¥ 36	¥ 17	¥ 32	¥ 26	¥ 5,255	¥ 5,482
Valuation reserve	(116)	(36)	(17)	(32)	(26)	(907)	(1,134)
Net deferred tax assets	–	–	–	–	–	4,348	4,348

	Thousands of U.S. dollars (Note 1)						
	2020	2021	2022	2023	2024	2025 and thereafter	Total
	2019						
Carryforward tax loss	\$ 1,045	\$ 325	\$ 153	\$ 288	\$ 234	\$ 47,347	\$ 49,392
Valuation reserve	(1,045)	(325)	(153)	(288)	(234)	(8,172)	(10,217)
Net deferred tax assets	–	–	–	–	–	39,175	39,175

14. Leases

(1) Finance leases

No information is disclosed as finance leases were immaterial at March 31, 2019 and 2018.

(2) Operating leases

Future minimum lease payments under non-cancellable operating leases at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Due within 1 year	¥ 787	¥ 693	\$ 7,091
Due over 1 year	2,034	2,041	18,326
Total	¥ 2,821	¥ 2,734	\$ 25,417

15. Contingent Liabilities

At March 31, 2019 and 2018, the Companies had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Guarantees of bank borrowings	¥ 223	¥ 2,015	\$ 2,009

16. Impairment Loss

Impairment loss for the year ended March 31, 2019 was as follows.

Location	Use	Type of assets	Millions of yen		Thousands of U.S. dollars (Note 1)	
			2019	2019	2019	2019
Chongqing, China	Assets for operations	Buildings	¥	349	\$	3,145
		Machinery and equipment		218		1,964
Capetown, South Africa	Assets for operations	Buildings		101		910
Johannesburg, South Africa	Assets for operations	Machinery and equipment		5		45
Total			¥	673	\$	6,064

The Companies group assets for operations based on operating activities. Assets to be sold are grouped based on each asset. For assets for operations, the carrying amounts were reduced to the recoverable amounts, and impairment loss of ¥673 million (\$6,064 thousand) was recognized when it was determined that it was not possible that the book values of such assets would be recovered due to a downturn in profitability. Recoverable amounts are measured by net sales price and determined at their estimated disposal price and other.

Impairment loss for the year ended March 31, 2018 was as follows.

Location	Use	Type of assets	Millions of yen	
			2018	2018
Ono City, Hyogo	Assets to be sold	Land	¥	302

The Companies group assets for operations based on operating activities. Assets to be sold are grouped based on each asset. For assets to be sold, the carrying amounts were reduced to the recoverable amounts, and impairment loss of ¥302 million was recognized. Recoverable amounts are measured by net sales price and determined at their estimated sales price based on contracts.

17. Segment Information

1. Segment information

(1) General information for reportable segments

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

(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, 2019 and 2018 was as follows:

	Millions of yen										
	2019										Consolidated financial statements *3
	Reportable segments						Other *1	Total	Adjustment *2		
Japan	India	Asia	Africa	Europe	Total						
Net sales											
Sales to customers	¥ 159,340	¥ 86,923	¥ 63,828	¥ 39,447	¥ 71,934	¥ 421,472	¥ 5,954	¥ 427,426	¥ -	¥ 427,426	
Intersegment sales and transfers	15,543	57	3,626	304	94	19,624	0	19,624	(19,624)	-	
Total sales	174,883	86,980	67,454	39,751	72,028	441,096	5,954	447,050	(19,624)	427,426	
Segment income (loss)	¥ 19,553	¥ 11,051	¥ 5,398	¥ (4,043)	¥ 2,361	¥ 34,320	¥ 518	¥ 34,838	¥ -	¥ 34,838	
Segment assets	¥ 272,575	¥ 70,842	¥ 94,993	¥ 44,804	¥ 103,902	¥ 587,116	¥ 14,587	¥ 601,703	¥ (17,567)	¥ 584,136	
Other items											
Depreciation and amortization	¥ 3,474	¥ 1,531	¥ 3,016	¥ 2,674	¥ 2,744	¥ 13,439	¥ 478	¥ 13,917	¥ -	¥ 13,917	
Amortization of goodwill	-	67	411	2,023	1,998	4,499	281	4,780	-	4,780	
Interest income	1,115	278	257	42	23	1,715	1	1,716	(374)	1,342	
Interest expense	83	122	43	1,259	887	2,394	2	2,396	(523)	1,873	
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	995	(74)	1,305	173	130	2,529	257	2,786	-	2,786	
Investments in unconsolidated subsidiaries and affiliates	13,919	225	18,286	1,645	8,817	42,892	2,545	45,437	-	45,437	
Increase in property, plant and equipment and intangible assets	4,840	8,122	4,869	1,318	3,350	22,499	520	23,019	-	23,019	

	Millions of yen										
	2018										Consolidated financial statements *3
	Reportable segments						Other *1	Total	Adjustment *2		
Japan	India	Asia	Africa	Europe	Total						
Net sales											
Sales to customers	¥ 155,553	¥ 83,433	¥ 63,300	¥ 35,132	¥ 59,099	¥ 396,517	¥ 5,461	¥ 401,978	¥ -	¥ 401,978	
Intersegment sales and transfers	17,123	48	3,908	297	59	21,435	-	21,435	(21,435)	-	
Total sales	172,676	83,481	67,208	35,429	59,158	417,952	5,461	423,413	(21,435)	401,978	
Segment income (loss)	¥ 19,051	¥ 13,366	¥ 431	¥ (4,965)	¥ 4,396	¥ 32,279	¥ 963	¥ 33,242	¥ -	¥ 33,242	
Segment assets	¥ 295,354	¥ 66,198	¥ 97,015	¥ 56,956	¥ 121,771	¥ 637,294	¥ 17,400	¥ 654,694	¥ (53,364)	¥ 601,330	
Other items											
Depreciation and amortization	¥ 3,392	¥ 1,194	¥ 3,382	¥ 2,518	¥ 2,181	¥ 12,667	¥ 509	¥ 13,176	¥ -	¥ 13,176	
Amortization of goodwill	-	3	454	1,474	1,471	3,402	286	3,688	-	3,688	
Interest income	1,383	353	261	49	24	2,070	0	2,070	(662)	1,408	
Interest expense	173	0	58	1,080	677	1,988	1	1,989	(480)	1,509	
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	905	(54)	(3,724)	187	532	(2,154)	790	(1,364)	-	(1,364)	
Investments in unconsolidated subsidiaries and affiliates	13,517	212	18,104	1,477	12,633	45,943	4,830	50,773	-	50,773	
Increase in property, plant and equipment and intangible assets	2,569	6,290	2,913	1,624	2,969	16,365	418	16,783	-	16,783	

Thousands of U.S. dollars (Note 1)										
2019										
	Reportable segments						Other *1	Total	Adjustment *2	Consolidated financial statements *3
	Japan	India	Asia	Africa	Europe	Total				
Net sales										
Sales to customers	\$ 1,435,625	\$ 783,161	\$ 575,079	\$ 355,410	\$ 648,112	\$ 3,797,387	\$ 53,645	\$ 3,851,032	\$ -	\$ 3,851,032
Intersegment sales and transfers	140,040	513	32,670	2,739	847	176,809	0	176,809	(176,809)	-
Total sales	1,575,665	783,674	607,749	358,149	648,959	3,974,196	53,645	4,027,841	(176,809)	3,851,032
Segment income (loss)	\$ 176,169	\$ 99,568	\$ 48,635	\$ (36,427)	\$ 21,272	\$ 309,217	\$ 4,667	\$ 313,884	\$ -	\$ 313,884
Segment assets	\$ 2,455,852	\$ 638,274	\$ 855,870	\$ 403,676	\$ 936,138	\$ 5,289,810	\$ 131,426	\$ 5,421,236	\$ (158,275)	\$ 5,262,961
Other items										
Depreciation and amortization	\$ 31,300	\$ 13,794	\$ 27,174	\$ 24,092	\$ 24,723	\$ 121,083	\$ 4,307	\$ 125,390	\$ -	\$ 125,390
Amortization of goodwill	-	604	3,703	18,227	18,001	40,535	2,532	43,067	-	43,067
Interest income	10,046	2,505	2,316	378	207	15,452	9	15,461	(3,370)	12,091
Interest expense	748	1,099	387	11,343	7,992	21,569	18	21,587	(4,712)	16,875
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	8,965	(667)	11,758	1,559	1,171	22,786	2,315	25,101	-	25,101
Investments in unconsolidated subsidiaries and affiliates	125,408	2,027	164,753	14,821	79,440	386,449	22,930	409,379	-	409,379
Increase in property, plant and equipment and intangible assets	43,607	73,178	43,869	11,875	30,183	202,712	4,685	207,397	-	207,397

Notes:

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

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

*3 Segment income (loss) was based on operating income adjusted for interest and dividend income, equity in earnings (losses) of unconsolidated subsidiaries and affiliates, interest expense, loss on disposal of inventories, foreign currency exchange gain or loss, provision of allowance for doubtful receivables and other items.

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

India: India, Nepal, Bangladesh and other locations.

Asia: Thailand, China, Indonesia and other locations.

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

Europe: Slovenia, Turkey, Austria, Luxembourg and other locations.

2. Related information

(1) Information by products and services

Millions of yen						
2019						
	Automotive	Industrial	Decorative	Marine and protective	Other	Total
Sales to customers	¥ 137,083	¥ 122,194	¥ 112,310	¥ 22,081	¥ 33,758	¥ 427,426

Millions of yen						
2018						
	Automotive	Industrial	Decorative	Marine and protective	Other	Total
Sales to customers	¥ 134,498	¥ 111,888	¥ 103,550	¥ 22,586	¥ 29,456	¥ 401,978

Thousands of U.S. dollars (Note 1)						
2019						
	Automotive	Industrial	Decorative	Marine and protective	Other	Total
Sales to customers	\$ 1,235,093	\$ 1,100,946	\$ 1,011,893	\$ 198,946	\$ 304,154	\$ 3,851,032

(2) Information by geographical segment

Millions of yen							
2019							
	Japan	India	Asia	Africa	Europe	Other	Total
Total sales	¥ 145,050	¥ 87,051	¥ 73,811	¥ 39,162	¥ 72,404	¥ 9,948	¥ 427,426
Property, plant and equipment	39,005	28,762	23,059	8,567	26,956	1,096	127,445

Millions of yen							
2018							
	Japan	India	Asia	Africa	Europe	Other	Total
Total sales	¥ 139,359	¥ 83,552	¥ 74,611	¥ 36,581	¥ 59,036	¥ 8,839	¥ 401,978
Property, plant and equipment	38,876	21,676	22,540	10,620	29,556	646	123,914

	Thousands of U.S. dollars (Note 1)						
	2019						
	Japan	India	Asia	Africa	Europe	Other	Total
Total sales	\$ 1,306,874	\$ 784,314	\$ 665,024	\$ 352,843	\$ 652,347	\$ 89,630	\$ 3,851,032
Property, plant and equipment	351,428	259,141	207,757	77,187	242,869	9,875	1,148,257

(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 years ended March 31, 2019 or 2018.

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

Impairment loss on property, plant and equipment and intangible assets by reportable segment for the fiscal years ended March 31, 2019 and 2018 was as follows:

	Millions of yen									
	2019									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Asia	Africa	Europe	Total				
Impairment loss	¥ -	¥ -	¥ 567	¥ 106	¥ -	¥ 673	¥ -	¥ 673	¥ -	¥ 673

	Millions of yen									
	2018									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Asia	Africa	Europe	Total				
Impairment loss	¥ 302	¥ -	¥ -	¥ -	¥ -	¥ 302	¥ -	¥ 302	¥ -	¥ 302

	Thousands of U.S. dollars (Note 1)									
	2019									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Asia	Africa	Europe	Total				
Impairment loss	\$ -	\$ -	\$ 5,109	\$ 955	\$ -	\$ 6,064	\$ -	\$ 6,064	\$ -	\$ 6,064

4. Unamortized balance of goodwill by reportable segment

Unamortized balance of goodwill by reportable segment for the fiscal years ended March 31, 2019 and 2018 was as follows:

	Millions of yen									
	2019									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Asia	Africa	Europe	Total				
Unamortized balance of goodwill	¥ -	¥ 379	¥ 1,612	¥ 9,865	¥ 25,788	¥ 37,644	¥ 2,139	¥ 39,783	¥ -	¥ 39,783

	Millions of yen									
	2018									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Asia	Africa	Europe	Total				
Unamortized balance of goodwill	¥ -	¥ -	¥ 2,169	¥ 13,100	¥ 29,469	¥ 44,738	¥ 2,465	¥ 47,203	¥ -	¥ 47,203

	Thousands of U.S. dollars (Note 1)									
	2019									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Asia	Africa	Europe	Total				
Unamortized balance of goodwill	\$ -	\$ 3,415	\$ 14,524	\$ 88,882	\$ 232,345	\$ 339,166	\$ 19,272	\$ 358,438	\$ -	\$ 358,438

5. Gain on negative goodwill by reportable segment

There were no applicable related items for the fiscal years ended March 31, 2019 and 2018.

18. Effect of Bank Holiday

As financial institutions in Japan were closed on March 31, 2019, amounts that would normally be settled on March 31, 2019 were collected or paid on the following business day, April 1, 2019. As a result, trade notes and accounts receivable increased by approximately ¥5,363 million (\$48,320 thousand) and trade notes and accounts payable increased by approximately ¥4,840 million (\$43,608 thousand).

As financial institutions in Japan were closed on March 31, 2018, amounts that would normally be settled on March 31, 2018 were collected or paid on the following business day, April 2, 2018. As a result, trade notes and accounts receivable increased by approximately ¥6,660 million, trade notes and accounts payable increased by approximately ¥4,374 million and other current liabilities increased by approximately ¥1 million.

19. Business Combinations

Transactions under common control

Kansai Helios Coatings GmbH, a consolidated subsidiary, increased capital through third-party allotment on September 28, 2018.

(1) Overview of business combination

1) Name and description of the business of the acquired company

Name of the acquired company: Kansai Helios Coatings GmbH

Description of business: Holding company for manufacturing and sale of coatings

2) Date of the business combination

September 28, 2018

3) Legal form of the business combination

Capital increase of subsidiary through third-party Mitsui & Co. Ltd. ("Mitsui") allotment

4) Company name after the business combination

No change in name

5) Other matters regarding overview

The Kansai Paint Group is committed to its priorities in "Acceleration of globalization" and "Profitability improvement" as part of its medium-term management plan. This investment was aimed to promote this and strengthen its relationship with Mitsui with the intention to further accelerate business development and expansion in Europe and surrounding markets. As a result of the transaction, the investment ratio changed from 100% to 80%.

(2) Overview of accounting treatment applied

Pursuant to the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on September 13, 2013), the business combination under common control was treated as a transaction with non-controlling interests.

(3) Details about changes in shareholders' equity by transaction with non-controlling interests

1) Main reason for the change in capital surplus

Changes in shareholder's equity by capital increase through third-party allotment with non-controlling interests

2) Amount of capital surplus increase due to the transaction with non-controlling interests

¥9,110 million (\$82,079 thousand)

20. Other

Material lawsuit

Non-controlling shareholder of Kansai Plascon Nigeria Ltd. filed a lawsuit against the Company, Kansai Plascon Africa Ltd. (the Company's consolidated subsidiary) and consolidated subsidiaries of Kansai Plascon Africa Ltd. (Kansai Plascon Nigeria Ltd. and so on) to seek compensation for damages caused by a violation of the shareholders agreement. The lawsuit is currently pending.



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of KANSAI PAINT Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KANSAI PAINT Co., Ltd. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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.

KPMG AZSA LLC

July 16, 2019
Osaka, Japan