

# 2020 Financial Section

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## Consolidated Balance Sheets

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
March 31, 2020 and 2019

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Current assets</b>			
Cash and deposits (Notes 3, 6 and 11)	¥ 58,618	¥ 74,614	\$ 538,619
Trade notes and accounts receivables (Notes 3, 6 and 18)	101,512	112,486	932,757
Securities (Notes 3 and 4)	4,705	3,148	43,232
Finished goods (Note 6)	35,095	37,549	322,475
Work-in-process (Note 6)	5,696	5,569	52,338
Raw materials and supplies (Note 6)	23,530	26,121	216,208
Other	14,932	9,758	137,204
Allowance for doubtful receivables	(3,152)	(3,076)	(28,962)
<b>Total current assets</b>	<b>240,938</b>	<b>266,172</b>	<b>2,213,893</b>
<b>Non-current assets</b>			
Property, plant and equipment			
Buildings and structures, net	58,222	55,100	534,981
Machinery, equipment and vehicles, net	31,067	28,898	285,463
Tools, furniture and fixtures, net	8,355	6,787	76,771
Land	25,041	24,226	230,092
Construction in progress	6,732	12,432	61,857
<b>Total property, plant and equipment (Note 6)</b>	<b>129,419</b>	<b>127,444</b>	<b>1,189,184</b>
Intangible assets			
Leasehold right	3,306	3,215	30,377
Software	2,320	2,547	21,317
Software in progress	227	461	2,085
Goodwill	33,551	39,782	308,288
Other	19,000	21,320	174,584
<b>Total intangible assets</b>	<b>58,406</b>	<b>67,327</b>	<b>536,671</b>
Investments and other assets			
Investment securities (Notes 3, 4 and 6)	76,183	84,032	700,018
Investments in capital	17,414	16,458	160,011
Loans receivable	2,292	111	21,060
Net defined benefit asset (Note 12)	9,012	10,436	82,808
Deferred tax assets (Note 13)	7,470	6,764	68,639
Other	7,626	12,992	70,072
Allowance for doubtful receivables	(4,641)	(7,604)	(42,644)
<b>Total investments and other assets</b>	<b>115,358</b>	<b>123,190</b>	<b>1,059,983</b>
<b>Total non-current assets</b>	<b>303,185</b>	<b>317,963</b>	<b>2,785,858</b>
<b>Total assets</b>	<b>¥ 544,123</b>	<b>¥ 584,135</b>	<b>\$ 4,999,751</b>

See accompanying notes.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Current liabilities			
Trade notes and accounts payables (Notes 3, 6 and 18)	¥ 58,694	¥ 71,140	\$ 539,318
Short-term borrowings (Notes 3, 5 and 6)	18,467	12,135	169,686
Short-term borrowings from unconsolidated subsidiaries and affiliates (Note 5)	140	130	1,286
Current portion of long-term debt (Notes 5 and 6)	2,070	162	19,020
Current portion of convertible bonds with stock acquisition rights (Notes 3 and 5)	—	40,126	—
Lease obligations (Note 5)	1,353	81	12,432
Accrued expenses	9,631	9,908	88,495
Income and enterprise taxes payable	2,242	4,219	20,600
Provision for bonuses	5,431	4,864	49,903
Provision for loss on guarantees	—	2,219	—
Other (Note 5)	14,082	12,821	129,394
Total current liabilities	112,113	157,810	1,030,166
Non-current liabilities			
Convertible bonds with stock acquisition rights (Notes 3 and 5)	60,110	60,160	552,329
Long-term debt (Notes 5 and 6)	12,354	8,434	113,516
Lease obligations (Note 5)	1,795	274	16,493
Deferred tax liabilities (Note 13)	25,040	25,182	230,083
Net defined benefit liability (Note 12)	9,497	8,607	87,264
Retirement benefits for directors and corporate auditors	116	109	1,065
Provision for management board incentive plan trust	102	95	937
Other	2,296	2,799	21,097
Total non-current liabilities	111,313	105,664	1,022,815
Total liabilities	223,426	263,474	2,052,981
Net assets (Note 9):			
Shareholders' equity			
Common stock	25,658	25,658	235,762
Capital surplus	22,438	22,342	206,174
Retained earnings	248,511	237,721	2,283,478
Treasury stock, at cost	(25,711)	(25,537)	(236,249)
Total shareholders' equity	270,897	260,185	2,489,175
Accumulated other comprehensive income			
Net unrealized holding gains on securities	23,322	29,876	214,297
Deferred gains on derivatives under hedge accounting	1,224	622	11,246
Foreign currency translation adjustments	(25,936)	(21,439)	(238,316)
Remeasurements of defined benefit plans	(631)	770	(5,798)
Total accumulated other comprehensive income	(2,020)	9,831	(18,561)
Non-controlling interests	51,819	50,644	476,146
Total net assets	320,697	320,661	2,946,770
Total liabilities and net assets	¥ 544,123	¥ 584,135	\$ 4,999,751

See accompanying notes.

## Consolidated Statements of Income

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales	¥ 406,886	¥ 427,425	\$ 3,738,730
Cost of sales	277,359	294,161	2,548,552
Gross profit	129,527	133,264	1,190,177
Selling, general and administrative expenses	98,016	100,958	900,634
Operating income	31,510	32,306	289,534
Non-operating income			
Interest income	653	1,342	6,000
Dividend income	1,687	1,680	15,501
Equity in earnings of unconsolidated subsidiaries and affiliates	3,990	2,786	36,662
Miscellaneous income	1,831	1,096	16,824
Total non-operating income	8,162	6,905	74,997
Non-operating expenses			
Interest expense	1,749	1,872	16,070
Loss on disposal of inventories	329	374	3,023
Foreign currency exchange loss	1,466	635	13,470
Miscellaneous expenses	1,253	1,491	11,513
Total non-operating expenses	4,798	4,373	44,087
Ordinary income	34,874	34,838	320,444
Extraordinary income			
Gain on sale of property, plant and equipment	49	150	450
Gain on sale of investment securities (Note 4)	152	2,015	1,396
Gain on sale of shares of subsidiaries and affiliates	1,708	855	15,694
Gain on liquidation of subsidiaries	8	31	73
Total extraordinary income	1,919	3,053	17,633
Extraordinary losses			
Loss on sale or disposal of property, plant and equipment	1,019	431	9,363
Loss on sale of investments in capital of subsidiaries and affiliates	39	—	358
Impairment loss (Note 16)	—	673	—
Write-down of securities and investment securities (Note 4)	16	50	147
Loss on liquidation of subsidiaries	—	294	—
Loss on disaster	60	144	551
Early extra retirement payments	—	410	—
Provision for loss on guarantees	—	2,219	—
Loss on withdrawal from business	37	—	339
Amortization of goodwill (Note 19)	1,129	—	10,373
Total extraordinary losses	2,303	4,225	21,161
Income before income taxes and non-controlling interests	34,490	33,666	316,916
Income taxes - current	9,360	13,172	86,005
Income taxes - deferred	1,949	(760)	17,908
Total income taxes (Note 13)	11,310	12,411	103,923
Net income	23,179	21,254	212,983
Net income attributable to non-controlling interests	4,702	3,849	43,204
Net income attributable to owners of the parent	¥ 18,477	¥ 17,405	\$ 169,778

	Yen		U.S. dollars (Note 1)
	2020	2019	2020
Net income per share	¥ 71.87	¥ 67.68	\$ 0.66
Diluted net income per share	65.71	58.28	0.60
Cash dividends per share	30.00	30.00	0.27

See accompanying notes.

## Consolidated Statements of Comprehensive Income

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net income	¥ 23,179	¥ 21,254	\$ 212,983
Other comprehensive income (Note 10):			
Net unrealized holding losses on securities	(5,482)	(6,163)	(50,372)
Deferred gains (losses) on derivatives under hedge accounting	601	(800)	5,522
Foreign currency translation adjustments	(4,497)	(12,209)	(41,321)
Remeasurements of defined benefit plans	(1,401)	(622)	(12,873)
Shares in other comprehensive income of equity method affiliates	(2,200)	(5,892)	(20,215)
Total other comprehensive income	(12,980)	(25,689)	(119,268)
Comprehensive income	¥ 10,199	¥ (4,434)	\$ 93,714
Comprehensive income attributable to:			
Owners of the parent	¥ 6,625	¥ (5,210)	\$ 60,874
Non-controlling interests	3,573	776	32,831

See accompanying notes.

## Consolidated Statements of Changes in Net Assets

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2019

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	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	Non-controlling interests	Total net assets
Balance at April 1, 2018	¥ 25,658	¥ 13,232	¥ 230,255	¥ (25,264)	¥ 243,882	¥ 36,363	¥ 1,423	¥ (6,732)	¥ 1,393	¥ 32,447	¥ 46,096	¥ 322,425
Changes during the period												
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				(274)	(274)							(274)
Disposal of treasury stock		0		0	0							0
Change in transactions with non-controlling shareholders		9,110	(2,322)		6,788							6,788
Net changes in items other than shareholders' equity						(6,486)	(800)	(14,706)	(622)	(22,616)	4,548	(18,067)
Balance at April 1, 2019	¥ 25,658	¥ 22,342	¥ 237,721	¥ (25,537)	¥ 260,185	¥ 29,876	¥ 622	¥ (21,439)	¥ 770	¥ 9,831	¥ 50,644	¥ 320,661
Cumulative effects of changes in accounting policies			(198)		(198)						(39)	(238)
Restated balance	25,658	22,342	237,523	(25,537)	259,986	29,876	622	(21,439)	770	9,831	50,604	320,423
Changes during the period												
Cash dividends paid			(7,488)		(7,488)							(7,488)
Net income attributable to owners of the parent			18,477		18,477							18,477
Purchase of treasury stock				(221)	(221)							(221)
Disposal of treasury stock		0		47	47							47
Purchase of shares of consolidated subsidiaries		95	(0)		95							95
Net changes in items other than shareholders' equity						(6,554)	601	(4,497)	(1,401)	(11,851)	1,214	(10,636)
Balance at March 31, 2020	¥ 25,658	¥ 22,438	¥ 248,511	¥ (25,711)	¥ 270,897	¥ 23,322	¥ 1,224	¥ (25,936)	¥ (631)	¥ (2,020)	¥ 51,819	¥ 320,697

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	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	Non-controlling interests	Total net assets
Balance at April 1, 2019	\$ 235,762	\$ 205,292	\$ 2,184,333	\$ (234,650)	\$ 2,390,747	\$ 274,519	\$ 5,715	\$ (196,995)	\$ 7,075	\$ 90,333	\$ 465,349	\$ 2,946,439
Cumulative effects of changes in accounting policies			(1,819)		(1,819)						(358)	(2,186)
Restated balance	235,762	205,292	2,182,514	(234,650)	2,388,918	274,519	5,715	(196,995)	7,075	90,333	464,982	2,944,252
Changes during the period												
Cash dividends paid			(68,804)		(68,804)							(68,804)
Net income attributable to owners of the parent			169,778		169,778							169,778
Purchase of treasury stock				(2,030)	(2,030)							(2,030)
Disposal of treasury stock		0		431	431							431
Purchase of shares of consolidated subsidiaries		872	0		872							872
Net changes in items other than shareholders' equity						(60,222)	5,522	(41,321)	(12,873)	(108,894)	11,155	(97,730)
Balance at March 31, 2020	\$ 235,762	\$ 206,174	\$ 2,283,478	\$ (236,249)	\$ 2,489,175	\$ 214,297	\$ 11,246	\$ (238,316)	\$ (5,798)	\$ (18,561)	\$ 476,146	\$ 2,946,770

See accompanying notes.

## Consolidated Statements of Cash Flows

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Cash flows from operating activities</b>			
Income before income taxes and non-controlling interests	¥ 34,490	¥ 33,666	\$ 316,916
Depreciation and amortization	14,482	13,917	133,069
Impairment loss	—	673	—
Amortization of goodwill	5,796	4,780	53,257
Increase (decrease) in allowance for doubtful receivables	(2,784)	2,249	(25,581)
Increase (decrease) in net defined benefit liability	273	(492)	2,508
Interest and dividend income	(2,340)	(3,022)	(21,501)
Interest expense	1,749	1,872	16,070
Equity in earnings of unconsolidated subsidiaries and affiliates	(3,990)	(2,786)	(36,662)
Gain on sale of investment securities	(152)	(2,015)	(1,396)
Write-down of investment securities	16	50	147
Gain on sale of shares of subsidiaries and affiliates	(1,708)	(855)	(15,694)
Loss on sale of investments in capital of subsidiaries and affiliates	39	—	358
Loss on sale or disposal of property, plant and equipment, net	970	281	8,912
Decrease (increase) in trade notes and accounts receivables	10,840	(2,408)	99,604
Decrease (increase) in inventories	2,887	(6,783)	26,527
Decrease in trade notes and accounts payables	(11,445)	(90)	(105,164)
Other, net	1,987	6,519	18,257
<b>Subtotal</b>	<b>51,111</b>	<b>45,556</b>	<b>469,640</b>
Interest and dividends received	3,474	5,275	31,921
Interest paid	(1,699)	(2,078)	(15,611)
Income taxes paid	(12,561)	(13,121)	(115,418)
<b>Net cash provided by operating activities</b>	<b>40,324</b>	<b>35,632</b>	<b>370,522</b>
<b>Cash flows from investing activities</b>			
Payments into time deposits	(5,417)	(1,344)	(49,774)
Proceeds from withdrawal of time deposits	2,078	805	19,093
Net decrease (increase) in securities	(1,624)	5,629	(14,922)
Purchase of property, plant and equipment	(12,803)	(21,210)	(117,642)
Proceeds from sale of property, plant and equipment	231	1,294	2,122
Purchase of intangible assets	(944)	(1,250)	(8,674)
Purchase of investment securities	(41)	(212)	(376)
Proceeds from sale of investment securities	37	3,083	339
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,247)	(1,122)	(11,458)
Payments for investments in capital	—	(0)	—
Payments of loans receivable	(2,450)	(677)	(22,512)
Collection of loans receivable	399	429	3,666
Proceeds from (payments for) derivative settlements, net	351	(975)	3,225
Other, net	(614)	(1,911)	(5,641)
<b>Net cash used in investing activities</b>	<b>(22,045)</b>	<b>(17,461)</b>	<b>(202,563)</b>
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	6,579	(14,570)	60,452
Proceeds from long-term debt	6,779	5,431	62,289
Repayments of long-term debt	(821)	(795)	(7,543)
Redemption of convertible bonds with stock acquisition rights	(40,000)	—	(367,545)
Purchase of treasury stock	(157)	(9)	(1,442)
Cash dividends paid	(7,488)	(7,617)	(68,804)
Cash dividends paid to non-controlling interests	(1,890)	(1,630)	(17,366)
Proceeds from share issuance to non-controlling shareholders	123	12,235	1,130
Other, net	(527)	(8)	(4,842)
<b>Net cash used in financing activities</b>	<b>(37,403)</b>	<b>(6,964)</b>	<b>(343,682)</b>
Effect of exchange rate changes on cash and cash equivalents	(488)	(2,171)	(4,484)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(19,612)</b>	<b>9,035</b>	<b>(180,207)</b>
Cash and cash equivalents at beginning of period	70,207	61,171	645,107
<b>Cash and cash equivalents at end of period (Note 11)</b>	<b>¥ 50,594</b>	<b>¥ 70,207</b>	<b>\$ 464,890</b>

See accompanying notes.

# Notes to Consolidated Financial Statements

## 1. Basis of Presenting Consolidated Financial Statements

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

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

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

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020, which was ¥108.83 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 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, 2020 include the accounts of the Company and its 111 (113 at March 31, 2019) significant subsidiaries. Intercompany transactions and accounts have been eliminated.

Investment in 12 unconsolidated subsidiaries and 27 affiliates in the fiscal year ended March 31, 2020 (12 and 28, respectively, at March 31, 2019) are stated at cost, adjusted for equity in undistributed earnings and losses since acquisition.

The accounts of 93 consolidated subsidiaries in the fiscal year ended March 31, 2020 (97 at March 31, 2019) are included on the basis of their respective fiscal year ends, one of which ends on February 29 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 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 current consolidated fiscal year is recorded under liabilities for that year.

### 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, 2020 and 2019 were ¥6,582 million (\$60,479 thousand) and ¥6,547 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.

### **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.

### Reclassification

Certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2019 to conform to the presentation for the year ended March 31, 2020.

### Accounting standards issued but not yet adopted

The Company and the domestic subsidiaries

- Accounting Standards on Revenue Recognition (Corporate Accounting Standards No. 29, March 31, 2020, Accounting Standards Board of Japan)
- Implementation Guidelines on Accounting Standard on Revenue Recognition (Corporate Accounting Standards Application Guideline No. 30, March 31, 2020, 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.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Implementation Guidance No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Implementation Guidance No. 19, March 31, 2020)

(1) Summary

ASBJ announced these standards following the move of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States, which have provided detailed guidance of almost the same contents for fair value measurement (IFRS 13 Fair Value Measurement by IFRS and Topic 820 Fair Value Measurement of Accounting Standards Codification by U.S. GAAP). ASBJ developed these standards based on basically all the policies of IFRS 13, because they considered that it enables the comparability of financial statements of companies in Japan and abroad. They added some alternative approaches in consideration of domestic business practice, without damaging the 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 Accounting Standard for Fair Value Measurement, Etc., on the consolidated financial statements is currently under review.

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)

(1) Summary

ASBJ announced this standard responding to demands of developing Japanese standard of "Sources of estimation

uncertainty" which is required to disclose (IAS 1 "Presentation of Financial Statements" paragraph 125 in International Accounting Standards Board (IASB)). ASBJ developed this standard referring IAS 1 paragraph 125 and determined the disclosure purpose for each company to judge the specific disclosure contents.

(2) Planned applicable date

Applied from the ending of the fiscal year ending in March 2021.

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31, 2020)

(1) Summary

Standards Advisory Council of ASBJ recommended that ASBJ would consider improvement of disclosure for the notes to "The accounting policies and methods which has been adopted in the cases where the relevant accounting standards were not clear". By responding to the recommends, The Accounting Standards Board of Japan (ASBJ) issued the revised "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31, 2020)". In addition, this standard provides that when the entity improves the disclosure of notes for "The accounting policies and methods which has been adopted in the cases where the relevant accounting standards were not clear" it should refer to "No. 1.2 of annotations on the corporate accounting principles" in order not to effect on accounting practices in the cases where the relevant accounting standards are clear.

(2) Planned applicable date

Applied from the ending of the fiscal year ending in March 2021.

### Changes in policies and disclosures for the year ended March 31, 2020

(Adoption of IFRS 16 "Leases")

International Financial Reporting Standards (IFRS) 16 "Leases" has been adopted at some overseas subsidiaries from the start of the fiscal year. As an accounting method for the lessee, in principle, assets and liabilities are recorded on the consolidated balance sheet for all leases. Upon the adoption of these standards, the Company applied a transitional measure to retrospectively recognize the cumulative effect from the application of these standards on the date of initial application. Impact on the Company's consolidated financial statements from the adoption of these standards is negligible.

### Additional Information (Year ended March 31, 2020) A Performance-based Stock Compensation Plan

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

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

(1) Overview of the transactions

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

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

(2) Company shares remaining in the trust

Company shares remaining in the trust are recognized as treasury stock under net assets based on the carrying amount in the BIP trust (less ancillary expenses). The carrying amount and the number of shares of the treasury stock were ¥256 million (\$2,352 thousand) and 112,008 shares as of March 31, 2020 (¥157 million and 59,667 shares as of March 31, 2019).

### Accounting for Hyperinflationary Economies

The Company has consolidated adjusted financial statements of subsidiaries of the Company in Zimbabwe applying IAS29 "Financial Reporting in Hyperinflationary Economies" from the fiscal year ended March 31, 2020. In which retained earnings decreased by ¥198 million (\$1,819 thousand) and non-controlling interests decreased by ¥39 million (\$358 thousand) at the beginning of the fiscal year in "Cumulative effects of changes in accounting policies" of the Consolidated Statement of Changes in Net Assets.

### Accounting Estimates in Relation to the COVID-19 Pandemic

The COVID-19 pandemic is an event that has adversely influenced a wide range of economic and corporate activities, and it is difficult to predict how it will spread further and when it will subside. Under these circumstances, the Company has made accounting estimates on the assumption that COVID-19 will continue to have an influence after the end of the current fiscal year into FY2020 ending in March 2021.

COVID-19's impact on economic activity is highly uncertain. If the above assumptions change, the Group's financial position and business performance in the upcoming fiscal year could be affected.

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### 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, 2020 and 2019 were as follows (financial instruments for which the fair values were extremely difficult to determine were not included):

	<i>Millions of yen</i>		
	<b>2020</b>		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 58,618	¥ 58,618	¥ —
(2) Trade receivables - notes and accounts	101,512	101,512	—
(3) Securities and investment securities Available-for-sale securities	49,643	49,643	—
(4) Trade payables - notes and accounts	58,694	58,694	—
(5) Current portion of convertible bonds with stock acquisition rights	—	—	—
(6) Convertible bonds with stock acquisition rights	60,110	59,100	(1,010)
(7) Derivative transactions (included in "Other" of current assets or liabilities)	4,914	4,914	—

	<i>Millions of yen</i>		
	<b>2019</b>		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 74,614	¥ 74,614	¥ —
(2) Trade receivables - notes and accounts	112,486	112,486	—
(3) Securities and investment securities Available-for-sale securities	55,772	55,772	—
(4) Trade payables - notes and accounts	71,140	71,140	—
(5) Current portion of convertible bonds with stock acquisition rights	40,126	39,900	(226)
(6) Convertible bonds with stock acquisition rights	60,160	60,840	679
(7) Derivative transactions (included in "Other" of current assets or liabilities)	2,952	2,952	—

	<i>Thousands of U.S. dollars (Note 1)</i>		
	<b>2020</b>		
	Book value	Fair value	Difference
(1) Cash and deposits	\$ 538,619	\$ 538,619	\$ —
(2) Trade receivables - notes and accounts	932,757	932,757	—
(3) Securities and investment securities Available-for-sale securities	456,151	456,151	—
(4) Trade payables - notes and accounts	539,318	539,318	—
(5) Current portion of convertible bonds with stock acquisition rights	—	—	—
(6) Convertible bonds with stock acquisition rights	552,329	543,048	(9,280)
(7) Derivative transactions (included in "Other" of current assets or liabilities)	45,152	45,152	—

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) Current portion of convertible bonds with stock acquisition rights

(6) Convertible bonds with stock acquisition rights

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

(7) Derivative transactions (included in "Other" of current assets or liabilities)

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)
	2020	2019	2020
Non-listed equity securities	¥ 2,419	¥ 2,419	\$ 22,227
Non-listed investment securities of unconsolidated subsidiaries and affiliates	28,826	28,989	264,871

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

	Millions of yen			
	2020			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	¥ 58,618	¥ —	¥ —	¥ —
Receivables - trade notes and accounts	101,512	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	—	78	93	65
Other	4,467	—	—	—

	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	¥ 74,614	¥ —	¥ —	¥ —
Receivables - trade notes and accounts	112,486	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	—	87	99	44
Other	2,918	—	—	—

	Thousands of U.S. dollars (Note 1)			
	2020			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	\$ 538,619	\$ —	\$ —	\$ —
Receivables - trade notes and accounts	932,757	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	—	716	854	597
Other	41,045	—	—	—

## 4. Securities

(1) The following table summarizes acquisition costs and book values of available-for-sale securities with available fair values at March 31, 2020 and 2019.

	Millions of yen		
	2020		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 10,317	¥ 42,926	¥ 32,609
Corporate bonds	189	237	47
Investment trust funds	4,075	4,217	141
Total	¥ 14,582	¥ 47,381	¥ 32,798
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 3,175	¥ 1,961	¥ (1,214)
Investment trust funds	312	300	(12)
Total	¥ 3,488	¥ 2,262	¥ (1,226)

	Millions of yen		
	2019		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 11,326	¥ 51,029	¥ 39,703
Corporate bonds	209	230	20
Investment trust funds	2,939	2,961	21
Total	¥ 14,475	¥ 54,221	¥ 39,746
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 2,198	¥ 1,530	¥ (668)
Corporate bonds	—	—	—
Investment trust funds	20	19	(1)
Total	¥ 2,219	¥ 1,550	¥ (669)

	Thousands of U.S. dollars (Note 1)		
	2020		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	\$ 94,799	\$ 394,431	\$ 299,632
Corporate bonds	1,736	2,177	431
Investment trust funds	37,443	38,748	1,295
Total	\$ 133,988	\$ 435,367	\$ 301,369
Securities with book value not exceeding acquisition cost:			
Equity securities	\$ 29,173	\$ 18,018	\$ (11,155)
Investment trust funds	2,866	2,756	(110)
Total	\$ 32,049	\$ 20,784	\$ (11,265)

(2) The following table summarizes book values of available-for-sale securities with no available fair value at March 31, 2020 and 2019.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Nonlisted equity securities	¥ 2,419	¥ 2,419	\$ 22,227

(3) Total sales of available-for-sale securities for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Selling amount	¥ 176,799	¥ 272,010	\$ 1,624,542
Realized gains	152	2,015	1,396
Realized losses	—	—	—

(4) Write-down of securities

The disclosure in relation to the write-down of securities for the year ended March 31, 2020 is omitted due to lack of materiality. In the year ended March 31, 2019, a write-down of ¥50 million was recognized on securities, consisting of listed equity securities in the amount of ¥50 million.

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 a 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 Borrowing and Long-Term Debt

Annual interest rates on the short-term borrowing ranged from 0.01% to 13.00% at March 31, 2020 and from 0.01% to 30.98% at March 31, 2019.

Short-term borrowing at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Bank loans	¥ 18,467	¥ 12,135	\$ 169,686
Loans from unconsolidated subsidiaries and affiliates	140	130	1,286
Total	¥ 18,607	¥ 12,265	\$ 170,973

Long-term debt at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Bank loans with interest rates ranging from 0.23% to 19.66% in 2020 (from 0.50% to 12.00% in 2019) due serially to 2025	¥ 14,425	¥ 8,596	\$ 132,546
Zero-coupon convertible bonds, due June 2019	—	40,126	—
Zero-coupon convertible bonds, due June 2022	60,110	60,160	552,329
Total	74,535	108,883	684,875
Current portion of long-term debt	(2,070)	(40,288)	(19,020)
Long-term debt	¥ 72,465	¥ 68,595	\$ 665,855

The aggregate annual maturities of long-term debt subsequent to March 31, 2020 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2021	¥ 2,070	\$ 19,020
2022	7,453	68,482
2023	61,874	568,538
2024	1,694	15,565
2025 and thereafter	1,333	12,248
Total	¥ 74,425	\$ 683,864

## 6. Pledged Assets

At March 31, 2020, the following assets were pledged as collateral for certain trade notes and accounts payable and short-term borrowings and current portion of long-term debt and long-term debt.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash and deposits	¥ 20	¥ 20	\$ 183
Trade notes and accounts receivable	1,918	—	17,623
Inventories	1,749	—	16,070
Property, plant and equipment	882	—	8,104
Investment securities	30	48	275
Total	¥ 4,600	¥ 68	\$ 42,267

## 7. Derivative Transactions

(1) Derivative transactions to which the Companies didn't apply hedge accounting as of March 31, 2020 and 2019 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2020			2020		
	Contract amount	Fair value *1	Unrealized gain (loss)	Contract amount	Fair value *1	Unrealized gain (loss)
Foreign currency forward contracts						
Buy						
U.S. dollar	¥ 349	¥ (4)	(4)	\$ 3,206	\$ (36)	\$ (36)
Euro	141	0	0	1,295	0	0
Japanese yen	612	(7)	(7)	5,623	(64)	(64)
Sell						
U.S. dollar	191	0	0	1,755	0	0
Euro	6,411	(13)	(13)	58,908	(119)	(119)
Hungarian forint	61	0	0	560	0	0
Russian ruble	122	(2)	(2)	1,121	(18)	(18)
Polish zloty	73	(0)	(0)	670	0	0
Currency option contracts *2						
Buy (Call)						
U.S. dollar	56	0	0	514	0	0
Sell (Put)						
U.S. dollar	113	(3)	(3)	1,038	(27)	(27)
Total	¥ 8,133	¥ (30)	¥ (30)	\$ 74,731	\$ (275)	\$ (275)



	<i>Millions of yen</i>		
	2019		
	Contract amount	Fair value* 1	Unrealized gain (loss)
Foreign currency forward contracts			
Buy			
U.S. dollar	¥ 97	¥ (0)	¥ (0)
Euro	152	3	3
Japanese yen	599	7	7
Sell			
U.S. dollar	127	0	0
Euro	9,100	(1)	(1)
Russian ruble	31	1	1
Currency option contracts *2			
Buy (Call)			
Euro	130	3	3
Sell (Put)			
Euro	126	0	0
<b>Total</b>	<b>¥ 10,365</b>	<b>¥ 16</b>	<b>¥ 16</b>

\*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, 2020 were as follows:

	Hedged items	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 1)</i>		
		2020			2020		
		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	¥ —	¥ 4,945	\$ 428,466	\$ —	\$ 45,437
<b>Total</b>		<b>¥ 46,630</b>	<b>¥ —</b>	<b>¥ 4,945</b>	<b>\$ 428,466</b>	<b>\$ —</b>	<b>\$ 45,437</b>

	Hedged items	<i>Millions of yen</i>		
		2019		
		Contract amount	Contract amount due over 1 year	Fair value*
Currency swap contracts				
Sell				
Euro	Equity investments in foreign subsidiaries	¥ 46,630	¥ 46,630	¥ 2,935
<b>Total</b>		<b>¥ 46,630</b>	<b>¥ 46,630</b>	<b>¥ 2,935</b>

\*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, 2020 and 2019 were as follows:

Category	Name	Location	Capital investment	Description of business	Percentage of voting rights	Description of business relationship	2020					
							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% *2	Sales of our coatings, loans, concurrent position as directors and loan guarantees	Sales of automotive coatings*2	¥ 20	\$ 183	—	¥ —	\$ —
							Interest income*2	¥ 78	\$ 716	—	¥ —	\$ —
							Receipt of loan guarantee fee*2	¥ 2	\$ 18	—	¥ —	\$ —
							Waiver of claims *1 *2	¥ 4,129	\$ 37,939	—	¥ —	\$ —

Notes:

\*1 The waiver of claims was resolved by the Boards of Directors.

\*2 Kansai Paint Middle East FZCO is not a related party due to the sale of shares on March 17, 2020.

The amount of transactions is the amount of transactions that occurred before the shares were sold, and the percentage of voting rights is the percentage of voting rights held before the company was not a related party.

In relation to the waiver of claims, Allowance for doubtful receivables was recognized in the previous fiscal year.

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	Account	Millions of yen
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, concurrent position as directors and loan guarantees	Sales of automotive coatings	¥ 32	Other in investments and other assets	¥ 1,094
							Interest income	¥ 88	Loans receivable in investments and other assets *2	¥ 2,974
							Loans	¥ 531	Allowance for doubtful receivables	¥ 4,063
							Provision of allowance for doubtful receivables	¥ 1,308	—	¥ —
							Receipt of loan guarantee fee	¥ 2	Provision for loss on guarantees	¥ 2,219
							Provision for loss on guarantees *1	¥ 2,219	—	¥ —

Notes:

\*1 The Company guarantees the loans from financial institutions.

\*2 In the consolidated balance sheets, loans receivable in investments and other assets were reduced by ¥2,974 million using the equity method.

(2) Transactions of the consolidated subsidiaries of the Company with related parties during the years ended March 31, 2020 and 2019 were as follows:

Category	Name	Location	Capital investment	Description of business	Percentage of voting rights	Description of business relationship	2020					
							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	¥ 16,716	\$ 153,597	Trade notes and accounts receivable	¥ 6,197	\$ 56,942

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	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	¥ 17,360	Trade notes and accounts receivable	¥ 7,587

## 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 26, 2020, the shareholders approved cash dividends of ¥15.0 (\$0.13) per share, amounting to ¥3,873 million (\$35,587 thousand). This appropriation was not accounted for in the consolidated financial statements at March 31, 2020. 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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net unrealized holding gains (losses) on securities:			
Gains (losses) arising during the year	¥ (7,736)	¥ (7,271)	\$ (71,083)
Reclassification adjustments	8	(1,604)	73
Amount before income tax effect	(7,728)	(8,875)	(71,009)
Income tax effect	2,245	2,712	20,628
Net unrealized holding gains (losses) on securities	(5,482)	(6,163)	(50,372)
Deferred gains (losses) on derivatives under hedge accounting:			
Gains (losses) arising during the year	601	(800)	5,522
Reclassification adjustments	—	—	—
Amount before income tax effect	601	(800)	5,522
Income tax effect	—	—	—
Deferred gains (losses) on derivatives under hedge accounting	601	(800)	5,522
Foreign currency translation adjustments:			
Gains (losses) arising during the year	(4,471)	(12,209)	(41,082)
Reclassification adjustments	(26)	—	(238)
Amount before income tax effect	(4,497)	(12,209)	(41,321)
Income tax effect	—	—	—
Foreign currency translation adjustments	(4,497)	(12,209)	(41,321)
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	(2,265)	(643)	(20,812)
Reclassification adjustments	245	(254)	2,251
Amount before income tax effect	(2,019)	(897)	(18,551)
Income tax effect	617	274	5,669
Remeasurements of defined benefit plans	(1,401)	(622)	(12,873)
Shares in other comprehensive income of equity method affiliates:			
Gains (losses) arising during the year	(2,509)	(5,746)	(23,054)
Reclassification adjustments	309	(146)	2,839
Shares in other comprehensive income of equity method affiliates	(2,200)	(5,892)	(20,215)
Total other comprehensive income	¥ (12,980)	¥ (25,689)	\$ (119,268)

## 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, 2020 and 2019 was as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2020</b>	2019	<b>2020</b>
Cash and deposits	¥ 58,618	¥ 74,614	\$ 538,619
Time deposits with original maturity of more than three months	(8,023)	(4,407)	(73,729)
Cash and cash equivalents	¥ 50,594	¥ 70,207	\$ 464,890

## 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, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Retirement benefit obligations at beginning of year	¥ 41,886	¥ 42,137	\$ 384,875
Service cost	1,504	1,584	13,819
Interest cost	459	421	4,217
Actuarial (gains) losses	17	(220)	156
Benefits paid	(1,848)	(1,743)	(16,980)
Past service cost	114	—	1,047
Changes in the scope of consolidation	5	55	45
Foreign currency exchange differences	(38)	(348)	(349)
Retirement benefit obligations at end of year	¥ 42,100	¥ 41,886	\$ 386,841

2) Reconciliation of beginning and ending balances of plan assets (except plans applying the simplified method) at March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Plan assets at beginning of year	¥ 44,503	¥ 44,879	\$ 408,922
Expected return on plan assets	1,029	1,035	9,455
Actuarial losses	(2,322)	(835)	(21,336)
Contributions from the employer	657	663	6,036
Benefits paid	(1,326)	(1,210)	(12,184)
Foreign currency exchange differences	(38)	(30)	(349)
Plan assets at end of year	¥ 42,502	¥ 44,503	\$ 390,535

3) Reconciliation of beginning and ending balances of net defined benefit liability applying the simplified method at March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net defined benefit liability at beginning of year	¥ 788	¥ 762	\$ 7,240
Net periodic benefit costs	205	176	1,883
Contributions from the employer	(65)	(70)	(597)
Benefits paid	(41)	(78)	(376)
Net defined benefit liability at end of year	¥ 886	¥ 788	\$ 8,141

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, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Funded retirement benefit obligations	¥ 38,372	¥ 38,470	\$ 352,586
Plan assets	(43,557)	(45,518)	(400,229)
	(5,185)	(7,047)	(47,643)
Unfunded retirement benefit obligations	5,670	5,219	52,099
Net amount of asset and liability recognized in the consolidated balance sheets	484	(1,828)	4,447
Net defined benefit liability	9,497	8,607	87,264
Net defined benefit asset	(9,012)	(10,436)	(82,808)
Net amount of asset and liability recognized in the consolidated balance sheets	¥ 484	¥ (1,828)	\$ 4,447

Note: Including plans applying the simplified method.

5) The components of net periodic benefit costs for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Service cost	¥ 1,504	¥ 1,584	\$ 13,819
Interest cost	459	421	4,217
Expected return on plan assets	(1,029)	(1,035)	(9,455)
Recognized actuarial (gains) losses	431	(181)	3,960
Amortization of past service cost	4	(102)	36
Net periodic benefit costs calculated by the simplified method	205	176	1,883
Net periodic benefit costs	1,576	863	14,481
Additional retirement benefits *1	23	431	211
Total	¥ 1,599	¥ 1,295	\$ 14,692

Notes:

\*1 The amounts of extra early retirement payments were ¥410 million for the year ended March 31, 2019.

6) The amounts recognized in remeasurements of defined benefit plans (before the tax effect) in other comprehensive income for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Past service cost	¥ (102)	¥ (102)	\$ (937)
Actuarial losses	(1,916)	(794)	(17,605)
Total	¥ (2,019)	¥ (897)	\$ (18,551)

7) The amounts recognized in remeasurements of defined benefit plans (before the tax effect) in accumulated other comprehensive income at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Unrecognized past service cost	¥ (410)	¥ (513)	\$ (3,767)
Unrecognized actuarial (gains) losses	1,320	(596)	12,129
Total	¥ 909	¥ (1,110)	\$ 8,352

8) The component ratio of plan assets by asset category at March 31, 2020 and 2019 was as follows:

	2020	2019
Debt securities	41%	38%
Equity securities	30	34
Life insurance company general accounts	24	23
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, 2020 and 2019 were as follows (presented as weighted averages):

	2020	2019
Discount rate	1.0%	1.0%
Expected long-term rate of return on plan assets	2.5%	2.5%
Salary increase rate	3.8%	3.8%

(2) Defined contribution pension plans

The amounts of contribution to defined contribution plans of the Company and certain consolidated subsidiaries were ¥1,550 million (\$14,242 thousand) and ¥1,787 million for the years ended March 31, 2020 and 2019, 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 (\$42,635 thousand). The transfer is expected to be completed in four years. The portion of plan assets yet to be transferred at March 31, 2020 in the amount of ¥415 million (\$3,813 thousand) is included in "Payables, other."

### 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, 2020 and 2019.

	2020	2019
Statutory tax rate	30.6%	30.6%
Amortization of goodwill	5.1	4.3
Elimination of dividends from subsidiaries	4.4	7.3
Equity in earnings of affiliates	(3.5)	(2.5)
Consolidation adjustment for gain on sale of shares of subsidiaries and affiliates	(2.5)	(0.8)
Undistributed foreign earnings	13.1	0.3
Difference in statutory tax rates of foreign subsidiaries	(4.6)	(1.3)
Reduction in year end deferred tax liabilities due to tax rate change	(1.2)	—
Valuation allowance	(5.3)	3.1
Other	(3.3)	(4.1)
Effective tax rate	32.8%	36.9%

(2) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Deferred tax assets:			
Valuation loss on inventories	¥ 225	¥ 235	\$ 2,067
Elimination of unrealized gain on inventories	514	568	4,722
Write-down of investment securities	1,029	913	9,455
Allowance for doubtful receivables	1,516	2,453	13,929
Accrued expenses	1,065	1,205	9,785
Accrued bonuses	1,242	1,253	11,412
Provision for loss on guarantees	—	679	—
Net defined benefit liability	3,619	2,672	33,253
Carryforward tax loss	5,375	5,481	49,388
Revaluation of assets of subsidiaries on consolidation	1,123	1,094	10,318
Other	2,576	2,165	23,669
Deferred tax assets-subtotal	18,279	18,722	167,959
Valuation allowance for carryforward tax loss	(759)	(1,133)	(6,974)
Valuation allowance for deductible temporary differences	(2,576)	(2,601)	(23,669)
Valuation allowance-total	(3,335)	(3,734)	(30,644)
Total deferred tax assets	14,944	14,987	137,315
Deferred tax liabilities:			
Net defined benefit asset	3,067	2,888	28,181
Adjustments to fixed assets based on corporate tax laws	451	2,733	4,144
Net unrealized holding gains on securities	9,420	11,589	86,557
Tax effect of foreign subsidiaries' and affiliates' undistributed earnings	10,016	5,483	92,033
Revaluation of assets of subsidiaries on consolidation	8,043	8,858	73,904
Other	1,515	1,852	13,920
Total deferred tax liabilities	32,514	33,405	298,759
Net deferred tax liabilities	¥ 17,569	¥ 18,418	\$ 161,435



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

<i>Millions of yen</i>							
<b>2020</b>							
	2021	2022	2023	2024	2025	2026 and thereafter	Total
Carryforward tax loss	¥ 22	¥ 15	¥ 19	¥ 23	¥ 96	¥ 5,197	¥ 5,375
Valuation allowance	(22)	(15)	(19)	(23)	(96)	(580)	(759)
Net deferred tax assets	–	–	–	–	–	4,616	4,616

<i>Millions of yen</i>							
<b>2019</b>							
	2020	2021	2022	2023	2024	2025 and thereafter	Total
Carryforward tax loss	¥ 115	¥ 35	¥ 16	¥ 32	¥ 26	¥ 5,254	¥ 5,481
Valuation allowance	(115)	(35)	(16)	(32)	(26)	(906)	(1,133)
Net deferred tax assets	–	–	–	–	–	4,348	4,348

<i>Thousands of U.S. dollars (Note 1)</i>							
<b>2020</b>							
	2021	2022	2023	2024	2025	2026 and thereafter	Total
Carryforward tax loss	\$ 202	\$ 137	\$ 174	\$ 211	\$ 882	\$ 47,753	\$ 49,388
Valuation allowance	(202)	(137)	(174)	(211)	(882)	(5,329)	(6,974)
Net deferred tax assets	–	–	–	–	–	42,414	42,414

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

The corporate income tax rate applicable to the Company's India consolidated subsidiary was reduced from 30% to 22% due to the tax reform in India. As a result of this change, deferred tax liabilities (after offsetting deferred tax assets) decreased by ¥384 million (\$3,528 thousand) and income taxes - deferred decreased by ¥412 million (\$3,785 thousand). In addition, deferred tax liabilities on undistributed earnings increased by ¥4,092 million (\$37,599 thousand) and income taxes - deferred increased by ¥4,092 million (\$37,599 thousand) due to the abolition of dividend distribution tax and taking effect of dividend withholding tax in India.

## 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 noncancellable operating leases at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Due within 1 year	¥ 151	¥ 786	\$ 1,387
Due over 1 year	507	2,034	4,658
Total	¥ 658	¥ 2,820	\$ 6,046

Notes:

Leased assets related to finance lease transactions without a title transfer include assets related to transactions recognized as leasing under International Financial Reporting Standards (IFRS) 16 "Leases," which has been adopted by some overseas subsidiaries from the fiscal year under review. The decline in future minimum lease payments under non-cancellable operating lease transactions at the end of the fiscal year under review was due to the adoption of these accounting standards.

## 15. Contingent Liabilities

At March 31, 2020 and 2019, the Companies had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Guarantees of bank borrowings	¥ 202	¥ 222	\$ 1,856

## 16. Impairment Loss

There was no impairment loss for the year ended March 31, 2020.

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

Location	Use	Type of assets	Millions of yen
			2019
Chongqing, China	Assets for operations	Buildings	¥ 348
		Machinery and equipment	218
Cape Town, South Africa	Assets for operations	Buildings	100
Johannesburg, South Africa	Assets for operations	Machinery and equipment	5
Total			¥ 673

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 was recognized when it was determined that it was not possible to recover the book values of such assets due to a downturn in profitability. Recoverable amounts are measured by net sale prices and determined at the estimated disposal price and other.

## 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, 2020 and 2019 was as follows:

	Millions of yen										
	2020										
	Reportable segments						Other *1	Total	Adjustment *2	Consolidated financial statements *3	
Japan	India	Asia	Africa	Europe	Total						
Net sales											
Sales to customers	¥ 155,078	¥ 81,697	¥ 60,176	¥ 35,742	¥ 68,168	¥ 400,865	¥ 6,021	¥ 406,886	¥ -	¥ 406,886	
Intersegment sales and transfers	13,031	62	2,932	297	135	16,459	0	16,459	(16,459)	-	
Total sales	168,110	81,759	63,109	36,039	68,304	417,324	6,021	423,346	(16,459)	406,886	
Segment income (loss)	¥ 18,153	¥ 10,268	¥ 5,456	¥ (2,967)	¥ 2,719	¥ 33,630	¥ 1,243	¥ 34,874	¥ -	¥ 34,874	
Segment assets	¥ 231,508	¥ 69,668	¥ 98,168	¥ 42,914	¥ 100,933	¥ 543,193	¥ 14,804	¥ 557,998	¥ (13,874)	¥ 544,123	
Other items											
Depreciation and amortization	¥ 3,860	¥ 2,036	¥ 2,979	¥ 2,235	¥ 2,866	¥ 13,979	¥ 503	¥ 14,482	¥ -	¥ 14,482	
Amortization of goodwill *5	-	90	414	3,114	1,900	5,519	276	5,796	-	5,796	
Interest income	377	39	313	22	18	771	0	771	(118)	653	
Interest expense	34	276	81	1,040	443	1,876	0	1,877	(128)	1,749	
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	1,103	(67)	1,493	133	349	3,012	978	3,990	-	3,990	
Investments in unconsolidated subsidiaries and affiliates	13,852	150	19,234	1,733	7,840	42,811	3,418	46,229	-	46,229	
Increase in property, plant and equipment and intangible assets	4,952	3,927	1,857	971	2,162	13,872	77	13,949	-	13,949	

	Millions of yen										
	2019										
	Reportable segments						Other *1	Total	Adjustment *2	Consolidated financial statements *3	
Japan	India	Asia	Africa	Europe	Total						
Net sales											
Sales to customers	¥ 159,339	¥ 86,922	¥ 63,828	¥ 39,446	¥ 71,934	¥ 421,471	¥ 5,954	¥ 427,425	¥ -	¥ 427,425	
Intersegment sales and transfers	15,543	56	3,625	304	93	19,624	0	19,624	(19,624)	-	
Total sales	174,882	86,979	67,454	39,751	72,027	441,095	5,954	447,050	(19,624)	427,425	
Segment income (loss)	¥ 19,552	¥ 11,051	¥ 5,398	¥ (4,043)	¥ 2,360	¥ 34,319	¥ 518	¥ 34,838	¥ -	¥ 34,838	
Segment assets	¥ 272,574	¥ 70,842	¥ 94,993	¥ 44,803	¥ 103,901	¥ 587,115	¥ 14,587	¥ 601,702	¥ (17,567)	¥ 584,135	
Other items											
Depreciation and amortization	¥ 3,474	¥ 1,530	¥ 3,016	¥ 2,673	¥ 2,744	¥ 13,439	¥ 477	¥ 13,917	¥ -	¥ 13,917	
Amortization of goodwill	-	67	410	2,023	1,998	4,499	280	4,780	-	4,780	
Interest income	1,114	278	257	42	22	1,715	0	1,716	(373)	1,342	
Interest expense	83	121	43	1,258	887	2,394	1	2,395	(523)	1,872	
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	994	(73)	1,304	173	129	2,528	257	2,786	-	2,786	
Investments in unconsolidated subsidiaries and affiliates	13,919	225	18,286	1,644	8,816	42,891	2,544	45,436	-	45,436	
Increase in property, plant and equipment and intangible assets	4,839	8,122	4,868	1,317	3,350	22,498	520	23,018	-	23,018	

Thousands of U.S. dollars (Note 1)										
	2020									
	Reportable segments						Other *1	Total	Adjustment *2	Consolidated financial statements *3
	Japan	India	Asia	Africa	Europe	Total				
Net sales										
Sales to customers	\$ 1,424,956	\$ 750,684	\$ 552,935	\$ 328,420	\$ 626,371	\$ 3,683,405	\$ 55,324	\$ 3,738,730	\$ -	\$ 3,738,730
Intersegment sales and transfers	119,737	569	26,941	2,729	1,240	151,235	0	151,235	(151,235)	-
Total sales	1,544,702	751,254	579,886	331,149	627,621	3,834,641	55,324	3,889,975	(151,235)	3,738,730
Segment income (loss)	\$ 166,801	\$ 94,348	\$ 50,133	\$ (27,262)	\$ 24,983	\$ 309,014	\$ 11,421	\$ 320,444	\$ -	\$ 320,444
Segment assets	\$ 2,127,244	\$ 640,154	\$ 902,030	\$ 394,321	\$ 927,437	\$ 4,991,206	\$ 136,028	\$ 5,127,244	\$ (127,483)	\$ 4,999,751
Other items										
Depreciation and amortization	\$ 35,468	\$ 18,708	\$ 27,372	\$ 20,536	\$ 26,334	\$ 128,448	\$ 4,621	\$ 133,069	\$ -	\$ 133,069
Amortization of goodwill *5	-	826	3,804	28,613	17,458	50,712	2,536	53,257	-	53,257
Interest income	3,464	358	2,876	202	165	7,084	0	7,084	(1,084)	6,000
Interest expense	312	2,536	744	9,556	4,070	17,237	0	17,247	(1,176)	16,070
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	10,135	(615)	13,718	1,222	3,206	27,676	8,986	36,662	-	36,662
Investments in unconsolidated subsidiaries and affiliates	127,281	1,378	176,734	15,923	72,038	393,374	31,406	424,781	-	424,781
Increase in property, plant and equipment and intangible assets	45,502	36,083	17,063	8,922	19,865	127,464	707	128,172	-	128,172

Notes:

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

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

\*3 Segment income (loss) is reconciled with the ordinary income in the Consolidated Statements of Income.

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

India: India, Bangladesh, Nepal and other locations.

Asia: Indonesia, Thailand, China and other locations.

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

Europe: Slovenia, Turkey, Austria and other locations.

\*5 Amortization of goodwill includes "amortization of goodwill" of extraordinary loss.

## 2. Related information

### (1) Information by products and services

Millions of yen						
	2020					
	Automotive	Industrial	Decorative	Marine and protective	Other	Total
Sales to customers	¥ 126,716	¥ 114,782	¥ 109,374	¥ 22,462	¥ 33,550	¥ 406,886

  

Millions of yen						
	2019					
	Automotive	Industrial	Decorative	Marine and protective	Other	Total
Sales to customers	¥ 137,082	¥ 122,193	¥ 112,310	¥ 22,081	¥ 33,758	¥ 427,425

  

Thousands of U.S. dollars (Note 1)						
	2020					
	Automotive	Industrial	Decorative	Marine and protective	Other	Total
Sales to customers	\$ 1,164,348	\$ 1,054,690	\$ 1,004,998	\$ 206,395	\$ 308,278	\$ 3,738,730

### (2) Information by geographical segment

Millions of yen							
	2020						
	Japan	India *1*2	Asia	Africa	Europe *2	Other	Total
Total sales	¥ 142,270	¥ 81,822	¥ 69,084	¥ 36,109	¥ 67,678	¥ 9,921	¥ 406,886
Property, plant and equipment	39,628	28,716	22,488	8,637	28,874	1,073	129,419

  

Millions of yen							
	2019						
	Japan	India	Asia	Africa	Europe	Other	Total
Total sales	¥ 145,050	¥ 87,051	¥ 73,811	¥ 39,161	¥ 72,403	¥ 9,948	¥ 427,425
Property, plant and equipment	39,004	28,761	23,059	8,567	26,956	1,095	127,444

	Thousands of U.S. dollars (Note 1)						
	2020						
	Japan	India *1*2	Asia	Africa	Europe *2	Other	Total
Total sales	\$ 1,307,268	\$ 751,833	\$ 634,788	\$ 331,792	\$ 621,868	\$ 91,160	\$ 3,738,730
Property, plant and equipment	364,127	263,861	206,634	79,362	265,312	9,859	1,189,184

Notes:

\*1 Net sales in India include net sales of ¥78,146 million (\$718,055 thousand) that make up 10% or more of net sales on the consolidated income statement

\*2 Tangible fixed assets in India and Europe includes tangible fixed assets of ¥28,087 million (\$258,081 thousand) in India that makes up 10% or more of tangible fixed assets on the consolidated balance sheet and tangible fixed assets of ¥15,725 (\$144,491 thousand) million in Slovenia.

### (3) Information by major customers

No information is disclosed as there were no customers accounting for 10% or more of the Companies' total net sales for the fiscal year ended March 31, 2020 and 2019.

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

There was no impairment loss for the year ended March 31, 2020.

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

	Millions of yen									
	2019									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Asia	Africa	Europe	Total				
Impairment loss	¥ -	¥ -	¥ 567	¥ 105	¥ -	¥ 673	¥ -	¥ 673	¥ -	¥ 673

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

Unamortized balance of goodwill by reportable segment for the fiscal years ended March 31, 2020 and 2019 was as follows:

	Millions of yen									
	2020									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Asia	Africa	Europe	Total				
Unamortized balance of goodwill	¥ -	¥ 281	¥ 1,216	¥ 7,117	¥ 23,102	¥ 31,718	¥ 1,832	¥ 33,551	¥ -	¥ 33,551

	Millions of yen									
	2019									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Asia	Africa	Europe	Total				
Unamortized balance of goodwill	¥ -	¥ 378	¥ 1,611	¥ 9,864	¥ 25,788	¥ 37,643	¥ 2,138	¥ 39,782	¥ -	¥ 39,782

	Thousands of U.S. dollars (Note 1)									
	2020									
	Reportable segments						Other	Total	Adjustment	Consolidated financial statements
	Japan	India	Asia	Africa	Europe	Total				
Unamortized balance of goodwill	\$ -	\$ 2,582	\$ 11,173	\$ 65,395	\$ 212,276	\$ 291,445	\$ 16,833	\$ 308,288	\$ -	\$ 308,288

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

There were no applicable related items for the fiscal years ended March 31, 2020 and 2019.

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## 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 and trade notes and accounts payable increased by approximately ¥4,840 million.

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## 19. Amortization of Goodwill

For the year ended March 31, 2020, goodwill was amortized according to Paragraph 32 of the Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements (the Japanese Institute of Certified Public Accountants [JICPA] Accounting Practice Committee Report No. 7, November 28, 2014).

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## 20. Subsequent Events

### Borrowings of Significant Funds

Based on the approval at the Company's Board of Directors on April 27, 2020, the Company entered into loan agreements with banks as follows:

1. Use of proceeds: Funds to be used for working capital
2. Lenders: MUFG Bank, Ltd.
3. Aggregate amount of borrowings: ¥40,000 million (\$367,545 thousand)
4. Interest rates: Fixed rates
5. Execution date: May 1, 2020
6. Repayment date: September 30, 2021
7. Collateral and guarantees: None

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## 21. Other

### Material lawsuit

A 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., including Kansai Plascon Nigeria Ltd., seeking compensation for damages caused by a violation of the shareholders agreement. As a result of discussions, a settlement has been reached, and the lawsuit has been withdrawn.



# Independent auditor's report

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

## 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, 2020 and 2019, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, 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, 2020 and 2019, and its consolidated financial performance and 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.

## Responsibilities of Management and Corporate auditors and the board of corporate auditors 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.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

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

We communicate with corporate auditors and the board of corporate auditors 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 corporate auditors and the board of corporate auditors 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, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, 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.



## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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.

Yoshihide Takehisa  
Designated Engagement Partner  
Certified Public Accountant

Takaharu Higashiura  
Designated Engagement Partner  
Certified Public Accountant

Shoichiro Shigeta  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

July 15, 2020

### **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.