

# 2022

# Financial

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## Consolidated Balance Sheets

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
March 31, 2022 and 2021

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Current assets</b>			
Cash and deposits (Notes 3, 6 and 11)	¥ 64,677	¥ 114,292	\$ 528,450
Trade notes and accounts receivable (Notes 3 and 6)	—	105,129	—
Trade notes and accounts receivable, and contract assets (Notes 3, 6 and 20)	110,085	—	899,460
Securities (Notes 3 and 4)	3,414	10,154	27,894
Finished goods (Note 6)	46,317	35,782	378,437
Work-in-process (Note 6)	7,318	5,538	59,792
Raw materials and supplies (Note 6)	35,583	24,346	290,734
Other	12,960	8,498	105,891
Allowance for doubtful receivables	(3,706)	(3,269)	(30,280)
<b>Total current assets</b>	<b>276,650</b>	<b>300,471</b>	<b>2,260,397</b>
<b>Non-current assets</b>			
Property, plant and equipment			
Buildings and structures, net	61,484	58,119	502,361
Machinery, equipment and vehicles, net	32,022	30,024	261,639
Tools, furniture and fixtures, net	6,653	6,940	54,359
Land	25,666	25,292	209,706
Construction in progress	7,607	6,844	62,153
<b>Total property, plant and equipment (Note 6)</b>	<b>133,434</b>	<b>127,220</b>	<b>1,090,236</b>
Intangible assets			
Leasehold right	3,152	3,011	25,753
Software	2,115	2,105	17,280
Software in progress	909	302	7,427
Goodwill	27,573	29,882	225,288
Other	15,197	16,033	124,168
<b>Total intangible assets</b>	<b>48,948</b>	<b>51,335</b>	<b>399,934</b>
Investments and other assets			
Investment securities (Notes 3, 4 and 6)	94,192	86,942	769,605
Investments in capital	20,966	17,611	171,304
Loans receivable	2,259	2,255	18,457
Net defined benefit asset (Note 12)	15,811	14,588	129,185
Deferred tax assets (Note 13)	4,668	3,637	38,140
Other	7,763	7,120	63,428
Allowance for doubtful receivables	(4,636)	(4,602)	(37,878)
<b>Total investments and other assets</b>	<b>141,024</b>	<b>127,552</b>	<b>1,152,251</b>
<b>Total non-current assets</b>	<b>323,407</b>	<b>306,108</b>	<b>2,642,429</b>
<b>Total assets</b>	<b>¥ 600,057</b>	<b>¥ 606,580</b>	<b>\$ 4,902,827</b>

See accompanying notes.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Current liabilities			
Trade notes and accounts payable (Notes 3 and 6)	¥ 72,896	¥ 63,808	\$ 595,604
Short-term borrowings (Notes 3, 5 and 6)	7,646	6,013	62,472
Short-term borrowings from unconsolidated subsidiaries and affiliates (Note 5)	20	110	163
Current portion of long-term debt (Notes 5 and 6)	1,788	46,643	14,609
Current portion of convertible bonds with stock acquisition rights (Notes 3 and 5)	60,010	—	490,317
Lease obligations	820	669	6,699
Accrued expenses	9,862	9,601	80,578
Income and enterprise taxes payable	2,451	7,471	20,026
Provision for bonuses	4,601	4,749	37,592
Other (Note 20)	12,984	17,288	106,087
Total current liabilities	173,083	156,357	1,414,192
Non-current liabilities			
Convertible bonds with stock acquisition rights (Notes 3 and 5)	—	60,060	—
Long-term debt (Notes 5 and 6)	1,294	7,751	10,572
Lease obligations	2,087	1,679	17,052
Deferred tax liabilities (Note 13)	35,271	29,994	288,185
Net defined benefit liability (Note 12)	7,486	8,598	61,165
Retirement benefits for directors and corporate auditors	500	102	4,085
Provision for management board incentive plan trust	143	137	1,168
Other	5,075	3,038	41,465
Total non-current liabilities	51,859	111,363	423,719
Total liabilities	224,942	267,720	1,837,911
Net assets (Note 9):			
Shareholders' equity			
Common stock	25,658	25,658	209,641
Capital surplus	21,277	21,081	173,845
Retained earnings	279,551	260,799	2,284,100
Treasury stock, at cost	(26,187)	(25,844)	(213,963)
Total shareholders' equity	300,299	281,695	2,453,623
Accumulated other comprehensive income			
Net unrealized holding gains on securities	40,070	33,400	327,396
Deferred losses on derivatives under hedge accounting	(1,790)	(1,003)	(14,625)
Foreign currency translation adjustments	(23,071)	(31,130)	(188,503)
Remeasurements of defined benefit plans	4,512	3,838	36,865
Total accumulated other comprehensive income	19,719	5,104	161,116
Non-controlling interests	55,095	52,059	450,159
Total net assets	375,114	338,859	3,064,907
Total liabilities and net assets	¥ 600,057	¥ 606,580	\$ 4,902,827

See accompanying notes.

## Consolidated Statements of Income

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net sales (Note 20)	¥ 419,190	¥ 364,620	\$ 3,425,034
Cost of sales	294,182	243,938	2,403,644
Gross profit	125,007	120,682	1,021,382
Selling, general and administrative expenses	94,910	89,454	775,471
Operating income	30,096	31,228	245,902
Non-operating income			
Interest income	403	595	3,292
Dividend income	1,565	1,559	12,786
Equity in earnings of unconsolidated subsidiaries and affiliates	5,411	4,802	44,211
Foreign currency exchange gain	1,447	—	11,822
Miscellaneous income	1,621	1,703	13,244
Total non-operating income	10,449	8,661	85,374
Non-operating expenses			
Interest expense	1,533	1,585	12,525
Loss on disposal of inventories	536	407	4,379
Foreign currency exchange loss	—	560	—
Miscellaneous expenses	864	1,455	7,059
Total non-operating expenses	2,934	4,008	23,972
Ordinary income	37,611	35,880	307,304
Extraordinary income			
Gain on sale of property, plant and equipment	4,519	97	36,922
Gain on sale of investment securities (Note 4)	1,075	6,298	8,783
Gain on sale of shares of subsidiaries and affiliates	24	374	196
Gain on sale of investments in capital of subsidiaries and affiliates	—	1,634	—
Gain on liquidation of subsidiaries	14	18	114
Insurance claim income (Note 19)	953	—	7,786
Total extraordinary income	6,587	8,423	53,819
Extraordinary losses			
Loss on sale or disposal of property, plant and equipment	187	419	1,527
Impairment loss (Note 16)	—	755	—
Loss on sale of investment securities (Note 4)	4	36	32
Write-down of securities and investment securities (Note 4)	—	4	—
Loss on sale of shares of subsidiaries and affiliates	—	80	—
Loss on disaster (Note 18)	—	1,457	—
Loss on withdrawal from business	—	517	—
Early extra retirement payments	170	206	1,389
Total extraordinary losses	363	3,477	2,965
Income before income taxes and non-controlling interests	43,836	40,826	358,166
Income taxes - current	10,460	14,116	85,464
Income taxes - deferred	1,130	3,142	9,232
Total income taxes (Note 13)	11,591	17,259	94,705
Net income	32,245	23,566	263,461
Net income attributable to non-controlling interests	5,719	3,539	46,727
Net income attributable to owners of the parent	¥ 26,525	¥ 20,027	\$ 216,725

	Yen		U.S. dollars (Note 1)
	2022	2021	2022
Net income per share	¥ 103.23	¥ 77.91	\$ 0.84
Diluted net income per share	96.04	72.47	0.78
Cash dividends per share	30.00	30.00	0.24

See accompanying notes.

## Consolidated Statements of Comprehensive Income

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net income	¥ 32,245	¥ 23,566	\$ 263,461
Other comprehensive income (Note 10):			
Net unrealized holding gains on securities	5,505	7,221	44,979
Deferred losses on derivatives under hedge accounting	(798)	(2,216)	(6,520)
Foreign currency translation adjustments	8,932	(4,826)	72,979
Remeasurements of defined benefit plans	673	4,469	5,498
Shares in other comprehensive income of equity method affiliates	2,277	1,335	18,604
Total other comprehensive income	16,590	5,984	135,550
Comprehensive income	¥ 48,835	¥ 29,550	\$ 399,011
Comprehensive income attributable to:			
Owners of the parent	¥ 41,141	¥ 27,152	\$ 336,146
Non-controlling interests	7,694	2,398	62,864

See accompanying notes.

## Consolidated Statements of Changes in Net Assets

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2022 and 2021

	Millions of yen													
	Shareholders' equity					Accumulated other comprehensive income							Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred gains on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income				
Balance at April 1, 2020	¥ 25,658	¥ 22,438	¥ 248,511	¥ (25,711)	¥ 270,897	¥ 23,322	¥ 1,224	¥ (25,936)	¥ (631)	¥ (2,020)	¥ 51,819	¥ 320,697		
Effect of hyperinflation			(2)		(2)						(0)	(2)		
Restated balance	25,658	22,438	248,509	(25,711)	270,895	23,322	1,224	(25,936)	(631)	(2,020)	51,819	320,694		
Changes during the period														
Cash dividends paid			(7,746)		(7,746)							(7,746)		
Net income attributable to owners of the parent			20,027		20,027							20,027		
Purchase of treasury stock				(157)	(157)							(157)		
Disposal of treasury stock		0		22	22							22		
Purchase of shares of consolidated subsidiaries		(21)	8		(13)							(13)		
Change in transactions with non-controlling shareholders		(1,334)			(1,334)							(1,334)		
Change in treasury stock arising from change in equity in entities accounted for using equity method				1	1							1		
Net changes in items other than shareholders' equity						10,077	(2,228)	(5,194)	4,469	7,124	240	7,365		
Balance at April 1, 2021	¥ 25,658	¥ 21,081	¥ 260,799	¥ (25,844)	¥ 281,695	¥ 33,400	¥ (1,003)	¥ (31,130)	¥ 3,838	¥ 5,104	¥ 52,059	¥ 338,859		
Effect of hyperinflation			(27)		(27)						(5)	(33)		
Restated balance	25,658	21,081	260,771	(25,844)	281,667	33,400	(1,003)	(31,130)	3,838	5,104	52,054	338,826		
Changes during the period														
Cash dividends paid			(7,746)		(7,746)							(7,746)		
Net income attributable to owners of the parent			26,525		26,525							26,525		
Purchase of treasury stock				(390)	(390)							(390)		
Disposal of treasury stock		0		46	46							46		
Change in transactions with non-controlling shareholders		195			195							195		
Net changes in items other than shareholders' equity						6,669	(786)	8,059	673	14,615	3,041	17,656		
Balance at March 31, 2022	¥ 25,658	¥ 21,277	¥ 279,551	¥ (26,187)	¥ 300,299	¥ 40,070	¥ (1,790)	¥ (23,071)	¥ 4,512	¥ 19,719	¥ 55,095	¥ 375,114		

	Thousands of U.S. dollars (Note 1)													
	Shareholders' equity					Accumulated other comprehensive income							Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred gains on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income				
Balance at April 1, 2021	\$ 209,641	\$ 172,244	\$ 2,130,884	\$ (211,161)	\$ 2,301,617	\$ 272,898	\$ (8,195)	\$ (254,350)	\$ 31,358	\$ 41,702	\$ 425,353	\$ 2,768,682		
Effect of hyperinflation			(220)		(220)						(40)	(269)		
Restated balance	209,641	172,244	2,130,656	(211,161)	2,301,389	272,898	(8,195)	(254,350)	31,358	41,702	425,312	2,768,412		
Changes during the period														
Cash dividends paid			(63,289)		(63,289)							(63,289)		
Net income attributable to owners of the parent			216,725		216,725							216,725		
Purchase of treasury stock				(3,186)	(3,186)							(3,186)		
Disposal of treasury stock		0		375	375							375		
Change in transactions with non-controlling shareholders		1,593			1,593							1,593		
Net changes in items other than shareholders' equity						54,489	(6,422)	65,846	5,498	119,413	24,846	144,260		
Balance at March 31, 2022	\$ 209,641	\$ 173,845	\$ 2,284,100	\$ (213,963)	\$ 2,453,623	\$ 327,396	\$ (14,625)	\$ (188,503)	\$ 36,865	\$ 161,116	\$ 450,159	\$ 3,064,907		

See accompanying notes.

## Consolidated Statements of Cash Flows

Kansai Paint Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities			
Income before income taxes and non-controlling interests	¥ 43,836	¥ 40,826	\$ 358,166
Depreciation and amortization	14,291	14,319	116,766
Impairment loss	—	755	—
Loss on withdrawal from business	—	517	—
Insurance claim income	(953)	—	(7,786)
Amortization of goodwill	3,724	3,501	30,427
Increase (decrease) in allowance for doubtful receivables	227	(169)	1,854
Increase (decrease) in net defined benefit liability	(1,409)	108	(11,512)
Interest and dividend income	(1,969)	(2,155)	(16,087)
Interest expense	1,533	1,585	12,525
Equity in earnings of unconsolidated subsidiaries and affiliates	(5,411)	(4,802)	(44,211)
Gain on sale of investment securities	(1,070)	(6,261)	(8,742)
Write-down of investment securities	—	4	—
Gain on sale of shares of subsidiaries and affiliates	(24)	(294)	(196)
Gain on sale of investments in capital of subsidiaries and affiliates	—	(1,634)	—
Loss (gain) on sale or disposal of property, plant and equipment, net	(4,332)	322	(35,395)
Increase in trade notes and accounts receivable	(3,039)	(5,006)	(24,830)
Increase in inventories	(17,340)	(2,972)	(141,678)
Increase in trade notes and accounts payable	8,056	5,943	65,822
Other, net	(8,377)	2,504	(68,445)
Subtotal	27,740	47,091	226,652
Interest and dividends received	5,440	4,726	44,448
Interest paid	(1,547)	(1,596)	(12,639)
Income taxes paid	(17,061)	(7,574)	(139,398)
Proceeds from insurance income	953	—	7,786
Net cash provided by operating activities	15,524	42,647	126,840
Cash flows from investing activities			
Payments into time deposits	(3,296)	(3,386)	(26,930)
Proceeds from withdrawal of time deposits	4,367	5,055	35,681
Net decrease (increase) in securities	7,222	(4,759)	59,008
Purchase of property, plant and equipment	(14,569)	(10,592)	(119,037)
Proceeds from sale of property, plant and equipment	4,573	124	37,364
Purchase of intangible assets	(1,268)	(724)	(10,360)
Purchase of investment securities	(48)	(202)	(392)
Proceeds from sale of investment securities	1,901	8,774	15,532
Payments of loans receivable	(99)	(235)	(808)
Collection of loans receivable	257	1,101	2,099
Proceeds from settlement of derivative, net	—	2,842	—
Other, net	(1,128)	1,492	(9,216)
Net cash used in investing activities	(2,087)	(507)	(17,052)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	1,849	(12,116)	15,107
Proceeds from long-term debt	135	43,575	1,103
Repayments of long-term debt	(51,173)	(2,586)	(418,114)
Purchase of treasury stock	(10)	(14)	(81)
Cash dividends paid	(7,746)	(7,746)	(63,289)
Cash dividends paid to non-controlling interests	(4,826)	(3,575)	(39,431)
Proceeds from share issuance to non-controlling shareholders	—	165	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,419)	(19)	(11,594)
Other, net	(907)	(851)	(7,410)
Net cash provided by (used in) financing activities	(64,100)	16,828	(523,735)
Effect of exchange rate changes on cash and cash equivalents	1,994	(1,185)	16,292
Increase (decrease) in cash and cash equivalents	(48,667)	57,782	(397,638)
Cash and cash equivalents at beginning of period	108,377	50,594	885,505
Cash and cash equivalents at end of period (Note 11)	¥ 59,709	¥ 108,377	\$ 487,858

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, 2022, which was ¥122.39 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange. Amounts less than 1 million yen have been rounded down. As a result, the totals in Japanese yen shown in the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

## 2. Summary of Significant Accounting Policies

### Principles of consolidation

The consolidated financial statements in the fiscal year ended March 31, 2022 include the accounts of the Company and its 94 (101 at March 31, 2021) significant subsidiaries. Intercompany transactions and accounts have been eliminated.

Investment in 10 unconsolidated subsidiaries and 26 affiliates in the fiscal year ended March 31, 2022 (12 and 26, respectively, at March 31, 2021) are stated at cost, adjusted for equity in undistributed earnings and losses since acquisition.

The accounts of 78 consolidated subsidiaries in the fiscal year ended March 31, 2022 (83 at March 31, 2021) are included on the basis of their respective fiscal year ends, one of which ends on February 28 and the others on December 31. These subsidiaries do not prepare for consolidation purposes statements for the period which corresponds with the fiscal year of the Company, which ends March 31. For these consolidated subsidiaries, when there are significant transactions between their respective fiscal year end and that of the Company, necessary adjustments are made to reflect the transactions in the consolidated financial statements.

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

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

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

they may tentatively be used for the consolidation process. However, if the 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. Investments in securities other than equity securities without market prices are stated at fair value. Cost on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income. Realized gains and losses on the sale of such securities are computed using moving average cost.

Investments in equity securities without market prices are stated mainly by the moving average cost method. If the fair value of investments in equity securities without market prices declines significantly, the securities are written down to the net asset value with a corresponding charge in the consolidated statements of income. 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, 2022 and 2021 were ¥6,776 million (\$55,364 thousand) and ¥6,400 million, respectively.

### **Income taxes**

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

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

### **Finance leases**

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

### **Right of use assets**

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

### **Retirement benefits**

(1) Method used to attribute expected benefit payments to periods of service

In determining retirement benefit obligations, the benefit formula basis is used for attributing expected benefit payments to periods of service.

(2) Actuarial gains and losses and past service cost

Actuarial gains and losses and past service cost are recognized in expenses using the straight-line method mainly over 13 years, which is within the average of the estimated remaining service years of the employees.

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

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

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

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

### **Cash and cash equivalents**

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

### **Derivatives**

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

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

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

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation

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

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

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

### **Significant hedge accounting methods**

(1) Hedge accounting method

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair



value until the related loss or gain on the hedged item is recognized. However, in cases in which forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the foreign currency receivables or payables are translated at the contracted rate.

(2) Hedging instruments and hedged items

Hedging instruments 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, 2021 to conform to the presentation for the year ended March 31, 2022.

### Significant Accounting Estimates

#### Valuation of property, plant and equipment and intangible assets related to the South Africa business

The Company and its consolidated subsidiaries recognized property, plant and equipment and intangible assets of ¥4,800 million, (¥5,041 million in the previous fiscal year) related to the South Africa business included in the Africa segment in the consolidated financial statements for the current fiscal year. The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). While these

property, plant and equipment and intangible assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator. When the recoverable amount of the property, plant and equipment and intangible assets is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.

Despite continuing operating losses in the South Africa business in prior years, the Group's management determined that there was no impairment indicator for property, plant and equipment and intangible assets as a result of positive operating income for the current fiscal year and expected for future fiscal years based on the business plan with no other indications of impairment. However, the assumptions used in the business plan, such as future sales volumes and unit selling prices, involve uncertainties, and a negative operating income could indicate an impairment loss.

### 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 FY2022 ending in March 2023.

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.

### Changes in accounting policies

#### Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Accounting Standard") and other standards from the beginning of the fiscal year. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. For outsourcing transactions with buy-back contracts, materials to be supplied to contracted companies but which remain at the end of this fiscal year are represented as inventories. At the same time, buy-back obligations are recognized and represented as "Other" of current liability. And sales rebates, which are consideration paid to customers, were previously treated as selling, general and administrative expenses, but are now reduced from the transaction price.

The Company applies the Revenue Recognition Accounting Standard, etc., in accordance with the transitional treatment provided for in Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year, with the new accounting policies applied from the beginning balance.

The impact of applying this accounting standard on the consolidated financial statements for the fiscal year was insignificant.

As a result of the application of the Accounting Standard for Revenue Recognition, "notes and accounts receivable trade," which were presented under "current assets" on the consolidated balance sheet in the previous fiscal year, have been included in "notes & accounts receivable trade and contract assets" from the current fiscal year.

In accordance with the transitional treatment specified in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the new presentation method has not been used to restate figures for the previous fiscal year. In accordance with the transitional treatment specified in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes to "Revenue Recognition" for the previous fiscal year ended are not provided.

### **Application of Accounting Standard for Fair Value Measurement, etc.**

The Company has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, issued on July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard") from the end of the current fiscal year and applied the new accounting policies prescribed by the Accounting Standard for Fair Value Measurement in accordance with the transitional handling stipulated in Paragraph 19 of the same standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued on July 4, 2019). The application of the accounting standard had no impact on the consolidated financial statements.

In addition, fair value information for financial instruments by level is disclosed in the notes of "Financial Instruments." However, following the transitional treatment in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, July 4, 2019), relevant information for the previous fiscal year is not provided.

### **Additional Information (Year ended March 31, 2022) 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 ¥190 million (\$1,552 thousand) and 82,210 shares as of March 31, 2022 (¥237 million and 102,310 shares as of March 31, 2021).

### 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 the 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 calculated using certain assumptions and may differ if the assumptions change.

#### 2. Fair value information of financial instruments

Book values of the financial instruments included in the consolidated balance sheets and their fair values at March 31, 2022 and 2021 were as follows:

	Millions of yen		
	2022		
	Book value	Fair value	Difference
(1) Securities and investment securities			
Available-for-sale securities	¥ 63,193	¥ 63,193	¥ —
Total assets	63,193	63,193	—
(1) Current portion of convertible bonds with stock acquisition rights	60,010	59,940	(70)
Total liabilities	60,010	59,940	(70)
Derivative transactions *3	(3,929)	(3,929)	—

	Millions of yen		
	2021		
	Book value	Fair value	Difference
(1) Securities and investment securities			
Available-for-sale securities	¥ 62,869	¥ 62,869	¥ —
Total assets	62,869	62,869	—
(1) Convertible bonds with stock acquisition rights	60,060	63,630	3,569
Total liabilities	60,060	63,630	3,569
Derivative transactions *3	(2,148)	(2,148)	—

Thousands of U.S. dollars (Note 1)

	2022		
	Book value	Fair value	Difference
(1) Securities and investment securities			
Available-for-sale securities	\$ 516,324	\$ 516,324	\$ —
Total assets	516,324	516,324	—
(1) Current portion of convertible bonds with stock acquisition rights	490,317	489,745	(571)
Total liabilities	490,317	489,745	(571)
Derivative transactions *3	(32,102)	(32,102)	—

Notes:

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

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

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

The book values of those financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Non-listed equity securities	¥ 2,411	¥ 2,418	\$ 19,699
Non-listed investment securities of unconsolidated subsidiaries and affiliates	32,001	31,808	261,467

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

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

	Millions of yen			
	2022			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	¥ 64,677	¥ —	¥ —	¥ —
Trade notes and accounts receivable, and contract assets	110,085	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	—	100	54	—
Other	3,259	—	—	—
Total	178,022	100	54	—

	Millions of yen			
	2021			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	¥ 114,292	¥ —	¥ —	¥ —
Trade notes and accounts receivables	105,129	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	40	161	44	—
Other	9,907	—	—	—
Total	229,370	161	44	—

Thousands of U.S. dollars (Note 1)

	2022			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
Cash and deposits	\$ 528,450	\$ —	\$ —	\$ —
Receivables - trade notes and accounts	899,460	—	—	—
Securities and investment securities				
Other securities with maturity				
Corporate bonds	—	817	441	—
Other	26,627	—	—	—
Total	1,454,546	817	441	—

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

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

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

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

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

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

Financial instruments measured at fair values in the consolidated balance sheet at March 31, 2022

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	¥ 59,697	¥ —	¥ —	¥ 59,697
Corporate bonds	—	155	—	155
Investment trust beneficiary certificates	—	3,340	—	3,340
Total assets	59,697	3,495	—	63,193
Derivative transactions *1				
Currency related	—	(3,929)	—	(3,929)

	Thousands of U.S. dollars (Note 1)			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	\$ 487,760	\$ —	\$ —	\$ 487,760
Corporate bonds	—	1,266	—	1,266
Investment trust beneficiary certificates	—	27,289	—	27,289
Total assets	487,760	28,556	—	516,324
Derivative transactions *1				
Currency related	—	(32,102)	—	(32,102)

Notes:

\*1 Derivative assets and liabilities were on a net basis.

Financial instruments other than those measured at fair values in the consolidated balance sheet at March 31, 2022

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Current portion of convertible bonds with stock acquisition rights	¥ —	¥ 59,940	¥ —	¥ 59,940
Total liabilities	—	59,940	—	59,940

	Thousands of U.S. dollars (Note 1)			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Current portion of convertible bonds with stock acquisition rights	\$ —	\$ 489,745	\$ —	\$ 489,745
Total liabilities	—	489,745	—	489,745

Notes:

Valuation techniques and inputs used in measuring fair values

Securities and investment securities

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

Derivative transactions

The fair value of derivative transactions is determined by the quoted price obtained from the relevant financial institutions and is classified as Level 2.

Current portion of convertible bonds with stock acquisition rights

The fair value of the current portion of convertible bonds with stock acquisition rights is classified as Level 2, because the quoted price is not considered a quote price from active markets due to the low frequency of transactions.

## 4. Securities

(1) The following table summarizes acquisition costs and book values of available-for-sale securities with available fair values at March 31, 2022 and 2021.

	Millions of yen		
	2022		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 8,392	¥ 58,344	¥ 49,951
Corporate bonds	130	155	24
Investment trust funds	3,243	3,258	15
Total	¥ 11,766	¥ 61,758	¥ 49,991
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 1,753	¥ 1,353	¥ (399)
Investment trust funds	81	81	(0)
Total	¥ 1,834	¥ 1,434	¥ (400)

	Millions of yen		
	2021		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 9,383	¥ 51,441	¥ 42,057
Corporate bonds	197	246	48
Investment trust funds	9,844	9,907	63
Total	¥ 19,426	¥ 61,595	¥ 42,169
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 1,645	¥ 1,209	¥ (436)
Investment trust funds	67	64	(2)
Total	¥ 1,713	¥ 1,273	¥ (439)

	Thousands of U.S. dollars (Note 1)		
	2022		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	\$ 68,567	\$ 476,705	\$ 408,129
Corporate bonds	1,062	1,266	196
Investment trust funds	26,497	26,619	122
Total	\$ 96,135	\$ 504,600	\$ 408,456
Securities with book value not exceeding acquisition cost:			
Equity securities	\$ 14,323	\$ 11,054	\$ (3,260)
Investment trust funds	661	661	0
Total	\$ 14,984	\$ 11,716	\$ (3,268)

(2) The following table summarizes book values of available-for-sale securities with no available fair value at March 31, 2022 and 2021.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
	Nonlisted equity securities	¥ 2,411	¥ 2,418

(3) Total sales of available-for-sale securities for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
	Selling amount	¥ 55,053	¥ 51,013
Realized gains	1,075	6,298	8,783
Realized losses	4	36	32

(4) Write-down of securities

There was no write-down of securities for the year ended March 31, 2022.

The disclosure in relation to the write-down of securities for the year ended March 31, 2021 is omitted due to lack of materiality.

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

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

Annual interest rates on the short-term borrowing ranged from 0.01% to 30.45% at March 31, 2022 and from 0.01% to 10.50% at March 31, 2021.

Short-term borrowing at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Bank loans	¥ 7,646	¥ 6,013	\$ 62,472
Loans from unconsolidated subsidiaries and affiliates	20	110	163
Total	¥ 7,666	¥ 6,123	\$ 62,635

Long-term debt at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Bank loans with interest rates ranging from 0.56% to 16.95% in 2022 (from 0.15% to 16.95% in 2021) due serially to 2027	¥ 3,083	¥ 54,395	\$ 25,189
Zero-coupon convertible bonds, due June 2022	60,010	60,060	490,317
Total	63,093	114,455	515,507
Current portion of long-term debt	(61,799)	(46,643)	(504,935)
Long-term debt	¥ 1,294	¥ 67,811	\$ 10,572

The aggregate annual maturities of long-term debt subsequent to March 31, 2022 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2023	¥ 61,788	\$ 504,845
2024	601	4,910
2025	481	3,930
2026	105	857
2027 and thereafter	106	866
Total	¥ 63,083	\$ 515,426

## 6. Pledged Assets

At March 31, 2021, the following assets were pledged as collateral for certain trade notes and accounts payable and for short-term borrowings and the current portion of long-term debt and long-term debt.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash and deposits	¥ 187	¥ 171	\$ 1,527
Trade notes and accounts receivable	3,398	2,123	27,763
Inventories	2,839	2,627	23,196
Property, plant and equipment	923	886	7,541
Investment securities	41	48	334
Total	¥ 7,390	¥ 5,835	\$ 60,380

## 7. Derivative Transactions

(1) Derivative transactions to which the Companies didn't apply hedge accounting as of March 31, 2022 and 2021 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2022			2022		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts						
Buy						
U.S. dollar	¥ 246	¥ (0)	¥ (0)	\$ 2,009	\$ (0)	\$ (0)
Japanese yen	772	(16)	(16)	6,307	(130)	(130)
Sell						
U.S. dollar	80	(0)	(0)	653	(0)	(0)
Hungarian forint	63	0	0	514	0	0
Polish zloty	75	(0)	(0)	612	(0)	(0)
Currency option contracts *2						
Buy (Call)						
U.S. dollar	1,273	121	121	10,401	988	988
Euro	77	2	2	629	16	16
Buy (Put)						
U.S. dollar	82	0	0	669	0	0
Sell (Put)						
U.S. dollar	1,273	(10)	(10)	10,401	(81)	(81)
Euro	119	(0)	(0)	972	(0)	(0)
Total	¥ 4,065	¥ 94	¥ 94	\$ 33,213	\$ 768	\$ 768
Interest rate swap contracts						
Pay fixed / receive variable	¥ 287	¥ (2)	¥ (2)	\$ 2,344	\$ (16)	\$ (16)
Total	¥ 287	¥ (2)	¥ (2)	\$ 2,344	\$ (16)	\$ (16)



	Millions of yen		
	2021		
	Contract amount	Fair value*1	Unrealized gain (loss)
Foreign currency forward contracts			
Buy			
U.S. dollar	¥ 169	¥ (3)	¥ (3)
Euro	12	0	0
Japanese yen	979	(20)	(20)
Sell			
U.S. dollar	3	0	0
Euro	4,505	(2)	(2)
Hungarian forint	50	1	1
Polish zloty	25	0	0
Currency option contracts *2			
Buy (Call)			
U.S. dollar	118	0	0
Euro	299	9	9
Sell (Put)			
U.S. dollar	182	(7)	(7)
Euro	426	(4)	(4)
Total	¥ 6,774	¥ (26)	¥ (26)
Interest rate swap contracts			
Pay fixed / receive variable	¥ 330	¥ (7)	¥ (7)
Total	¥ 330	¥ (7)	¥ (7)

\*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, 2022 were as follows:

Hedged items	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2022			2022		
	Contract amount	Contract amount due over 1 year	Fair value*	Contract amount	Contract amount due over 1 year	Fair value*
Foreign currency forward contracts						
Sell						
Euro	¥ 43,625	¥ 43,625	¥ (4,021)	\$ 356,442	\$ 356,442	\$ (32,853)
Equity investments in foreign subsidiaries						
Total	¥ 43,625	¥ 43,625	¥ (4,021)	\$ 356,442	\$ 356,442	\$ (32,853)

Hedged items	Millions of yen		
	2021		
	Contract amount	Contract amount due over 1 year	Fair value*
Foreign currency forward contracts			
Sell			
Euro	¥ 43,625	¥ 43,625	¥ (2,114)
Equity investments in foreign subsidiaries			
Total	¥ 43,625	¥ 43,625	¥ (2,114)

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

## 8. Related Party Transactions

- (1) The company did not have any transactions with related parties for the year ended March 31, 2022 and 2021
- (2) Transactions of the consolidated subsidiaries of the Company with related parties during the years ended March 31, 2022 and 2021 were as follows:

Category	Name	Location	Capital investment	Description of business	Percentage of voting rights	Description of business relationship	2022					
							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	¥ 14,644	\$ 119,650	Trade notes and accounts receivable	¥ 5,914	\$ 48,320

Category	Name	Location	Capital investment	Description of business	Percentage of voting rights	Description of business relationship	2021					
							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	¥ 15,557		Trade notes and accounts receivable	¥ 6,061	

## 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 29, 2022, the shareholders approved cash dividends of ¥15.0 (\$0.12) per share, amounting to ¥3,873 million (\$31,644 thousand). This appropriation was not accounted for in the consolidated financial statements at March 31, 2022. 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, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net unrealized holding gains on securities:			
Gains (losses) arising during the year	¥ 8,724	¥ 16,408	\$ 71,280
Reclassification adjustments	(795)	(6,143)	(6,495)
Amount before income tax effect	7,929	10,265	64,784
Income tax effect	(2,424)	(3,043)	(19,805)
Net unrealized holding gains on securities	5,505	7,221	44,979
Deferred losses on derivatives under hedge accounting:			
Gains (losses) arising during the year	(798)	(2,216)	(6,520)
Reclassification adjustments	—	—	—
Amount before income tax effect	(798)	(2,216)	(6,520)
Income tax effect	—	—	—
Deferred losses on derivatives under hedge accounting	(798)	(2,216)	(6,520)
Foreign currency translation adjustments:			
Gains (losses) arising during the year	8,932	(4,385)	72,979
Reclassification adjustments	—	(440)	—
Amount before income tax effect	8,932	(4,826)	72,979
Income tax effect	—	—	—
Foreign currency translation adjustments	8,932	(4,826)	72,979
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	1,393	5,966	11,381
Reclassification adjustments	(423)	461	(3,456)
Amount before income tax effect	970	6,428	7,925
Income tax effect	(296)	(1,958)	(2,418)
Remeasurements of defined benefit plans	673	4,469	5,498
Shares in other comprehensive income of equity method affiliates:			
Gains (losses) arising during the year	2,283	1,407	18,653
Reclassification adjustments	(6)	(72)	(49)
Shares in other comprehensive income of equity method affiliates	2,277	1,335	18,604
Total other comprehensive income	¥ 16,590	¥ 5,984	\$ 135,550

## 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, 2022 and 2021 was as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2022</b>	2021	<b>2022</b>
Cash and deposits	¥ 64,677	¥ 114,292	\$ 528,450
Time deposits with original maturity of more than three months	(4,967)	(5,914)	(40,583)
Cash and cash equivalents	¥ 59,709	¥ 108,377	\$ 487,858

## 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, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Retirement benefit obligations at beginning of year	¥ 41,888	¥ 42,100	\$ 342,250
Service cost	1,500	1,475	12,255
Interest cost	439	435	3,586
Actuarial losses	23	315	187
Benefits paid	(2,512)	(2,308)	(20,524)
Foreign currency exchange differences	120	(130)	980
Retirement benefit obligations at end of year	¥ 41,459	¥ 41,888	\$ 338,744

2) Reconciliation of beginning and ending balances of plan assets (except plans applying the simplified method) at March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Plan assets at beginning of year	¥ 48,837	¥ 42,502	\$ 399,027
Expected return on plan assets	1,115	981	9,110
Actuarial gains	1,634	6,093	13,350
Contributions from the employer	789	851	6,446
Benefits paid	(1,706)	(1,621)	(13,939)
Foreign currency exchange differences	54	30	441
Plan assets at end of year	¥ 50,725	¥ 48,837	\$ 414,453

3) Reconciliation of beginning and ending balances of net defined benefit liability applying the simplified method at March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net defined benefit liability at beginning of year	¥ 960	¥ 886	\$ 7,843
Net periodic benefit costs	132	179	1,078
Contributions from the employer	(54)	(54)	(441)
Benefits paid	(96)	(51)	(784)
Net defined benefit liability at end of year	¥ 941	¥ 960	\$ 7,688

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, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Funded retirement benefit obligations	¥ 37,847	¥ 38,327	\$ 309,232
Plan assets	(51,848)	(49,938)	(423,629)
	(14,000)	(11,611)	(114,388)
Unfunded retirement benefit obligations	5,675	5,622	46,368
Net amount of asset and liability recognized in the consolidated balance sheets	(8,324)	(5,989)	(68,012)
Net defined benefit liability	7,486	8,598	61,165
Net defined benefit asset	(15,811)	(14,588)	(129,185)
Net amount of asset and liability recognized in the consolidated balance sheets	¥ (8,324)	¥ (5,989)	\$ (68,012)

Note: Including plans applying the simplified method.

5) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Service cost	¥ 1,500	¥ 1,475	\$ 12,255
Interest cost	439	435	3,586
Expected return on plan assets	(1,115)	(981)	(9,110)
Recognized actuarial (gains) losses	(537)	752	(4,387)
Amortization of past service cost	(102)	(102)	(833)
Net periodic benefit costs calculated by the simplified method	132	179	1,078
Net periodic benefit costs	315	1,758	2,573
Additional retirement benefits *1	216	253	1,764
Total	¥ 531	¥ 2,012	\$ 4,338

Notes:

\*1 The amounts of extra early retirement payments were ¥170 million (\$1,389 thousand) and ¥206 million for the years ended March 31, 2022 and 2021, respectively.

6) The amounts recognized in remeasurements of defined benefit plans (before the tax effect) in other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Past service cost	¥ (102)	¥ (102)	\$ (833)
Actuarial gains	1,073	6,530	8,767
Total	¥ 970	¥ 6,428	\$ 7,925

7) The amounts recognized in remeasurements of defined benefit plans (before the tax effect) in accumulated other comprehensive income at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Unrecognized past service cost	¥ (205)	¥ (308)	\$ (1,674)
Unrecognized actuarial gains	(6,283)	(5,210)	(51,335)
Total	¥ (6,489)	¥ (5,518)	\$ (53,019)

8) The component ratio of plan assets by asset category at March 31, 2022 and 2021 was as follows:

	2022	2021
Debt securities	39%	36%
Equity securities	38	39
Life insurance company general accounts	19	21
Cash and deposits	3	3
Other	1	1
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, 2022 and 2021 were as follows (presented as weighted averages):

	2022	2021
Discount rate	1.0%	1.0%
Expected long-term rate of return on plan assets	2.5%	2.5%
Salary increase rate	2.8%	2.8%

(2) Defined contribution pension plans

The amounts of contribution to defined contribution plans of the Company and certain consolidated subsidiaries were ¥1,592 million (\$13,007 thousand) and ¥1,413 million for the years ended March 31, 2022 and 2021, respectively.

### 13. Deferred Income Taxes

(1) The following table summarizes the significant differences between the statutory tax rate and the Companies' effective income tax rate for financial statement purposes for the years ended March 31, 2022 and 2021.

	2022	2021
Statutory tax rate	30.6%	30.6%
Amortization of goodwill	2.6	2.6
Elimination of dividends from subsidiaries	15.6	8.8
Equity in earnings of affiliates	(3.8)	(3.6)
Consolidation adjustment for gain on sale of shares of subsidiaries and affiliates	(0.0)	0.1
Undistributed foreign earnings	2.2	1.3
Difference in statutory tax rates of foreign subsidiaries	(4.2)	(3.7)
Valuation allowance	(2.0)	7.5
Non-taxable dividend income	(14.5)	(7.8)
Other	(0.1)	6.5
Effective tax rate	26.4%	42.3%

(2) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Deferred tax assets:			
Valuation loss on inventories	¥ 263	¥ 224	\$ 2,148
Elimination of unrealized gain on inventories	539	510	4,403
Write-down of investment securities	1,030	1,028	8,415
Allowance for doubtful receivables	1,607	1,560	13,130
Accrued expenses	1,059	746	8,652
Accrued bonuses	1,072	1,153	8,758
Net defined benefit liability	2,642	2,908	21,586
Carryforward tax loss	5,370	5,108	43,876
Revaluation of assets of subsidiaries on consolidation	990	1,009	8,088
Other	1,878	2,425	15,344
Deferred tax assets – subtotal	16,455	16,675	134,447
Valuation allowance for carryforward tax loss	(2,307)	(3,905)	(18,849)
Valuation allowance for deductible temporary differences	(3,205)	(2,504)	(26,186)
Valuation allowance – total	(5,513)	(6,410)	(45,044)
Total deferred tax assets	10,942	10,264	89,402
Deferred tax liabilities:			
Net defined benefit asset	4,838	4,463	39,529
Adjustments to fixed assets based on corporate tax laws	1,496	447	12,223
Net unrealized holding gains on securities	14,825	12,411	121,129
Tax effect of foreign subsidiaries' and affiliates' undistributed earnings	11,537	10,558	94,264
Revaluation of assets of subsidiaries on consolidation	6,917	6,909	56,516
Other	1,929	1,831	15,761
Total deferred tax liabilities	41,546	36,621	339,455
Net deferred tax liabilities	¥ 30,603	¥ 26,357	\$ 250,044



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

		<i>Millions of yen</i>						
		<b>2022</b>						
		2023	2024	2025	2026	2027	2028 and thereafter	Total
Carryforward tax loss	¥	1	¥ 20	¥ 190	¥ 40	¥ 74	¥ 5,043	¥ 5,370
Valuation allowance		(1)	(20)	(190)	(40)	(65)	(1,988)	(2,307)
Net deferred tax assets		—	—	—	—	8	3,054	3,062

		<i>Millions of yen</i>						
		<b>2021</b>						
		2022	2023	2024	2025	2026	2027 and thereafter	Total
Carryforward tax loss	¥	15	¥ 88	¥ 18	¥ 98	¥ 35	¥ 4,851	¥ 5,108
Valuation allowance		(15)	(88)	(18)	(98)	(35)	(3,649)	(3,905)
Net deferred tax assets		—	—	—	—	—	1,202	1,202

		<i>Thousands of U.S. dollars (Note 1)</i>						
		<b>2022</b>						
		2023	2024	2025	2026	2027	2028 and thereafter	Total
Carryforward tax loss	\$	8	\$ 163	\$ 1,552	\$ 326	\$ 604	\$ 41,204	\$ 43,876
Valuation allowance		(8)	(163)	(1,552)	(326)	(531)	(16,243)	(18,849)
Net deferred tax assets		—	—	—	—	65	24,953	25,018

## 14. Leases

(As lessee)

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"

## 15. Contingent Liabilities

At March 31, 2022 and 2021, the Companies had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Guarantees of bank borrowings	¥ 145	¥ 193	\$ 1,184

## 16. Impairment Loss

There was no impairment loss for the year ended March 31, 2022.

Impairment loss for the year ended March 31, 2021 was as follows.

Location	Use	Type of assets	Millions of yen	
			2021	
China	Assets for operations	Buildings and structures, Machinery, equipment and vehicles, Tools, furniture and fixtures	¥	579
Malaysia	Assets for operations	Machinery, equipment and vehicles, Intangible assets(Other)	¥	175
Total			¥	755

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 ¥755 million was recognized when it was determined that it was not possible to recover the book values of the assets due to a downturn in profitability. Recoverable amounts are measured by net sale prices and determined at the estimated disposal price and by other means.

## 17. Segment Information

### 1. Segment information

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

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

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

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

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

Segment information for the fiscal years ended March 31, 2022 and 2021 was as follows:

	Millions of yen									
	2022									
	Reportable segments						Other *1	Total	Adjustment *2	Consolidated financial statements *3
Japan	India	Europe	Asia	Africa	Total					
Net sales										
Sales to customers	¥ 138,620	¥ 97,133	¥ 84,320	¥ 57,631	¥ 36,131	¥ 413,837	¥ 5,352	¥ 419,190	¥ —	¥ 419,190
Intersegment sales and transfers	13,224	61	161	2,861	220	16,529	—	16,529	(16,529)	—
Total sales	151,845	97,194	84,482	60,493	36,351	430,367	5,352	435,719	(16,529)	419,190
Segment income	¥ 14,391	¥ 7,240	¥ 5,608	¥ 7,259	¥ 1,354	¥ 35,855	¥ 1,756	¥ 37,611	¥ —	¥ 37,611
Segment assets	¥ 275,726	¥ 91,482	¥ 103,072	¥ 96,959	¥ 36,099	¥ 603,340	¥ 15,411	¥ 618,751	¥ (18,694)	¥ 600,057
Other items										
Depreciation and amortization	¥ 4,134	¥ 2,486	¥ 3,217	¥ 2,708	¥ 1,232	¥ 13,778	¥ 513	¥ 14,291	¥ —	¥ 14,291
Amortization of goodwill	—	89	1,999	413	943	3,444	279	3,724	—	3,724
Interest income	182	39	44	210	55	532	0	532	(129)	403
Interest expense	34	401	462	44	686	1,630	1	1,631	(97)	1,533
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	1,185	(72)	436	2,637	37	4,225	1,185	5,411	—	5,411
Investments in unconsolidated subsidiaries and affiliates	18,846	179	5,185	22,759	1,719	48,690	4,266	52,956	—	52,956
Increase in property, plant and equipment and intangible assets	4,966	3,490	3,618	1,867	439	14,382	153	14,536	—	14,536

	Millions of yen									
	2021									
	Reportable segments						Other *1	Total	Adjustment *2	Consolidated financial statements *3
Japan	India	Europe	Asia	Africa	Total					
Net sales										
Sales to customers	¥ 142,999	¥ 73,084	¥ 66,002	¥ 49,504	¥ 27,917	¥ 359,508	¥ 5,112	¥ 364,620	¥ —	¥ 364,620
Intersegment sales and transfers	11,764	33	91	2,131	194	14,215	—	14,215	(14,215)	—
Total sales	154,764	73,117	66,093	51,636	28,112	373,724	5,112	378,836	(14,215)	364,620
Segment income (loss)	¥ 15,532	¥ 10,198	¥ 5,220	¥ 4,638	¥ (858)	¥ 34,730	¥ 1,149	¥ 35,880	¥ —	¥ 35,880
Segment assets	¥ 297,676	¥ 82,483	¥ 100,638	¥ 91,096	¥ 34,070	¥ 605,965	¥ 14,445	¥ 620,410	¥ (13,829)	¥ 606,580
Other items										
Depreciation and amortization	¥ 3,842	¥ 2,213	¥ 3,039	¥ 2,854	¥ 1,872	¥ 13,822	¥ 496	¥ 14,319	¥ —	¥ 14,319
Amortization of goodwill	—	84	1,839	392	914	3,230	271	3,501	—	3,501
Interest income	248	89	52	278	41	710	0	710	(114)	595
Interest expense	72	307	509	82	723	1,695	2	1,697	(111)	1,585
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	1,035	(46)	969	1,951	(18)	3,890	911	4,802	—	4,802
Investments in unconsolidated subsidiaries and affiliates	17,321	268	6,869	19,621	1,682	45,761	3,647	49,409	—	49,409
Increase in property, plant and equipment and intangible assets	5,685	1,513	2,885	885	348	11,317	229	11,547	—	11,547

Thousands of U.S. dollars (Note 1)										
2022										
	Reportable segments						Other *1	Total	Adjustment *2	Consolidated financial statements *3
	Japan	India	Europe	Asia	Africa	Total				
Net sales										
Sales to customers	\$ 1,132,608	\$ 793,635	\$ 688,945	\$ 470,879	\$ 295,212	\$ 3,381,297	\$ 43,729	\$ 3,425,034	\$ —	\$ 3,425,034
Intersegment sales and transfers	108,048	498	1,315	23,376	1,797	135,051	—	135,051	(135,051)	—
Total sales	1,240,665	794,133	690,268	494,264	297,009	3,516,357	43,729	3,560,086	(135,051)	3,425,034
Segment income (loss)	\$ 117,583	\$ 59,155	\$ 45,820	\$ 59,310	\$ 11,062	\$ 292,956	\$ 14,347	\$ 307,304	\$ —	\$ 307,304
Segment assets	\$ 2,252,847	\$ 747,463	\$ 842,160	\$ 792,213	\$ 294,950	\$ 4,929,651	\$ 125,917	\$ 5,055,568	\$ (152,741)	\$ 4,902,827
Other items										
Depreciation and amortization	\$ 33,777	\$ 20,312	\$ 26,284	\$ 22,125	\$ 10,066	\$ 112,574	\$ 4,191	\$ 116,766	\$ —	\$ 116,766
Amortization of goodwill	—	727	16,333	3,374	7,704	28,139	2,279	30,427	—	30,427
Interest income	1,487	318	359	1,715	449	4,346	0	4,346	(1,054)	3,292
Interest expense	277	3,276	3,774	359	5,605	13,318	8	13,326	(792)	12,525
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	9,682	(588)	3,562	21,545	302	34,520	9,682	44,211	—	44,211
Investments in unconsolidated subsidiaries and affiliates	153,983	1,462	42,364	185,954	14,045	397,826	34,855	432,682	—	432,682
Increase in property, plant and equipment and intangible assets	40,575	28,515	29,561	15,254	3,586	117,509	1,250	118,767	—	118,767

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.

Europe: Slovenia, Turkey, Austria and other locations.

Asia: Indonesia, Thailand, China and other locations.

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

## 2. Related information

### (1) Information by products and services

Millions of yen						
2022						
	Automotive	Industrial	Decorative	Automotive(refinish), marine and protective	Other	Total
Sales to customers	¥ 119,089	¥ 102,215	¥ 119,797	¥ 44,079	¥ 34,007	¥ 419,190

  

Millions of yen						
2021						
	Automotive	Industrial	Decorative	Automotive(refinish), marine and protective	Other	Total
Sales to customers	¥ 107,621	¥ 83,518	¥ 101,122	¥ 41,322	¥ 31,034	¥ 364,620

  

Thousands of U.S. dollars (Note 1)						
2022						
	Automotive	Industrial	Decorative	Automotive(refinish), marine and protective	Other	Total
Sales to customers	\$ 973,028	\$ 835,158	\$ 978,813	\$ 360,151	\$ 277,857	\$ 3,425,034

Notes:

Paints for automotive components categorized in the industrial coatings sector up to the previous fiscal year have been included in the automotive coatings sector from the current fiscal year.

Paints for automotive(refinish) components categorized in the automotive coatings sector up to the previous fiscal year have been included in the Automotive(refinish),marine and protective sector from the current fiscal year.The previous fiscal year have been reclassified based on the classification after the change.

### (2) Information by geographical segment

Millions of yen							
2022							
	Japan	India *1*2	Europe *2	Asia	Africa	Other	Total
Total sales	¥ 124,697	¥ 97,274	¥ 82,302	¥ 68,137	¥ 37,183	¥ 9,593	¥ 419,190
Property, plant and equipment	41,561	34,294	28,896	20,539	6,812	1,329	133,434

	Millions of yen						
	2021						
	Japan	India	Europe	Asia	Africa	Other	Total
Total sales	¥ 130,846	¥ 73,169	¥ 64,559	¥ 58,908	¥ 28,886	¥ 8,250	¥ 364,620
Property, plant and equipment	41,354	30,161	28,475	19,425	6,659	1,144	127,220

  

	Thousands of U.S. dollars (Note 1)						
	2022						
	Japan	India *1*2	Europe *2	Asia	Africa	Other	Total
Total sales	\$ 1,018,849	\$ 794,787	\$ 672,456	\$ 556,720	\$ 303,807	\$ 78,380	\$ 3,425,034
Property, plant and equipment	339,578	280,202	236,097	167,815	55,658	10,858	1,090,236

Notes:

\*1 Net sales in India include net sales of ¥92,184 million (\$753,198 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 ¥33,562 million (\$274,221 thousand) in India that makes up 10% or more of tangible fixed assets on the consolidated balance sheet and tangible fixed assets of ¥16,697 million (\$136,424 thousand) in Slovenia.

### (3) Information by major customers

No information is disclosed as there were no customers accounting for 10% or more of the Companies' total net sales for the fiscal year ended March 31, 2022 and 2021.

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

Impairment loss on property, plant and equipment and intangible assets by reportable segment for the fiscal year ended March 31, 2021 was as follows:

	Millions of yen							Other	Total	Adjustment	Consolidated financial statements
	2021										
	Reportable segments										
	Japan	India	Europe	Asia	Africa	Total					
Impairment loss	¥ —	¥ —	¥ —	¥ 755	¥ —	¥ 755	¥ —	¥ 755	¥ —	¥ 755	

There was no impairment loss for the year ended March 31, 2022.

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

Unamortized balance of goodwill by reportable segment for the fiscal years ended March 31, 2022 and 2021 was as follows:

	Millions of yen							Other	Total	Adjustment	Consolidated financial statements
	2022										
	Reportable segments										
	Japan	India	Europe	Asia	Africa	Total					
Unamortized balance of goodwill	¥ —	¥ 119	¥ 20,222	¥ 390	¥ 5,501	¥ 26,233	¥ 1,339	¥ 27,573	¥ —	¥ 27,573	

	Millions of yen							Other	Total	Adjustment	Consolidated financial statements
	2021										
	Reportable segments										
	Japan	India	Europe	Asia	Africa	Total					
Unamortized balance of goodwill	¥ —	¥ 198	¥ 21,623	¥ 755	¥ 5,837	¥ 28,414	¥ 1,468	¥ 29,882	¥ —	¥ 29,882	

	Thousands of U.S. dollars (Note 1)							Other	Total	Adjustment	Consolidated financial statements
	2022										
	Reportable segments										
	Japan	India	Europe	Asia	Africa	Total					
Unamortized balance of goodwill	\$ —	\$ 972	\$ 165,225	\$ 3,186	\$ 44,946	\$ 214,339	\$ 10,940	\$ 225,288	\$ —	\$ 225,288	

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

There were no applicable related items for the fiscal years ended March 31, 2022 and 2021.

## 18. Loss on Disaster

There was no loss on disaster for the year ended March 31, 2022.

Loss on disaster for the year ended March 31, 2021 was due to a fire accident in Indonesia.

## 19. Insurance Claim Income

Insurance claim income for the year ended March 31, 2022 covered the fire accident in Indonesia.

There was no insurance claim income for the year ended March 31, 2021.

## 20. Revenue Recognition

1. Information that breaks down revenue from contracts with customers for the fiscal years ended March 31, 2022 was as follows:

<i>Millions of yen</i>						
<b>2022</b>						
	Automotive	Industrial	Decorative	Automotive (refinish), marine and protective	Other	Total
Japan	¥ 52,025	¥ 32,025	¥ 23,308	¥ 28,146	¥ 3,114	¥ 138,620
India	23,867	13,916	56,428	1,552	1,368	97,133
Europe	5,360	40,867	5,692	9,769	22,631	84,320
Asia	31,937	11,832	8,439	2,482	2,940	57,631
Africa	546	3,574	25,929	2,128	3,952	36,131
Other *2	5,352	—	—	—	—	5,352
Revenue from contracts with customers	119,089	102,215	119,797	44,079	34,007	419,190
Other revenue	—	—	—	—	—	—
Sales to customers	119,089	102,215	119,797	44,079	34,007	419,190

<i>Thousands of U.S. dollars (Note 1)</i>						
<b>2022</b>						
	Automotive	Industrial	Decorative	Automotive (refinish), marine and protective	Other	Total
Japan	\$ 425,075	\$ 261,663	\$ 190,440	\$ 229,969	\$ 25,443	\$ 1,132,608
India	195,007	113,702	461,050	12,680	11,177	793,635
Europe	43,794	333,907	46,507	79,818	184,908	688,945
Asia	260,944	96,674	68,951	20,279	24,021	470,879
Africa	4,461	29,201	211,855	17,387	32,290	295,212
Other *2	43,729	—	—	—	—	43,729
Revenue from contracts with customers	973,028	835,158	978,813	360,151	277,857	3,425,034
Other revenue	—	—	—	—	—	—
Sales to customers	973,028	835,158	978,813	360,151	277,857	3,425,034

Notes:

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

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

### 2. Understanding revenue from contracts with customers

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

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

(1) Balance of contract assets and liabilities, etc. at March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>	
	<b>2022</b>		<b>2022</b>	
Receivables from contracts with customers (Balance at beginning of period)	¥	105,081	\$	858,575
Trade notes receivable		13,567		110,850
Accounts receivable		91,514		747,724
Receivables from contracts with customers (Balance at end of period)		110,000		898,766
Trade notes receivable		13,203		107,876
Accounts receivable		96,796		790,881
Contract assets (Balance at beginning of period)		65		531
Contract assets (Balance at end of period)		85		694
Contract liabilities (Balance at beginning of period)		160		1,307
Contract liabilities (Balance at end of period)		185		1,511

Notes:

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

\*2 The amount of revenue recognized in the current fiscal year included in the balance of contract liabilities at the beginning of the fiscal year is immaterial.

(2) Transaction prices allocated to remaining performance obligations

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

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## 21. Subsequent Events

### (Borrowings of Significant Funds)

Based on the approval at the Company's Board of Directors on May 23, 2022 and June 14, 2022, the Company entered into loan agreements with banks as follows

1. Use of proceeds: Funds to be used for redemption of bonds and purchase of treasury stock
2. Lenders: 3 banks
3. Aggregate amount of borrowings: ¥45,000 million (\$367,677 thousand)
4. Interest rates: Fixed rates, The basic interest rate + spread
5. Execution date: June 13, 2022 and June 20, 2022
6. Repayment date: September 20, 2022 and December 13, 2022
7. Collateral and guarantees: None

### (Share Transfer of Consolidated Subsidiary)

The Company's Board of Directors meeting held on June 1, 2022 approved a resolution to sell Kansai Plascon Africa Ltd. ("KPAL"), and Kansai Plascon East Africa (Pty) Ltd. ("KPEA"), subsidiaries of Kansai Paint, to Akzo Nobel Coatings International B.V., a subsidiary of Akzo Nobel N.V. ("AkzoNobel"). With the transfer of shares, KPAL and KPEA will be excluded from the scope of consolidation. The transaction is subject to the regulatory approvals of the relevant authorities and expected to be completed in the course of 2023.

#### 1. Reason for the Share Transfer

Kansai Paint has operated a paint business in Africa, mainly focusing on decorative paints since the acquisition of Freeworld Coatings Ltd. (currently KPAL) which was a listed South African company. Subsequently, through the acquisition of Sadolin Group (currently KPEA) in 2017, Kansai Paint expanded its business not only to South Africa but also to East Africa. Kansai Paint has contributed to the realization of comfortable and affluent lives in African communities through the supply of high-performance paint products, etc.

However, Kansai Paint's Africa business has been facing an increasingly volatile business environment, mainly due to economic slowdown and currency depreciation in Africa starting from the late 2010s, which translated into decreasing results. In order to overcome this situation, Kansai Paint implemented uncompromising structural reforms including the sale of low-profit assets, the consolidation of logistics bases, etc., which led Kansai Paint to successfully record ordinary profit in the business in the fiscal year ending March 2022, with a clear plan for future operations and improvement of the profitability, which Kansai Paint continues to implement.

The recent business environment surrounding Kansai Paint is increasingly complex due to the spread of Covid-19, an increase in geopolitical risks attributed to the invasion of Ukraine by Russia, a decrease in automobile production volume due to supply chain constraints, historically high raw material prices, and an active industry restructuring including large M&A. Even in this situation, Kansai Paint aims to transition to a new growth stage where we enhance Kansai Paint's strengths such as the B to B business, Europe, India, etc. stated in the 17th mid-term plan "Good to Great" announced in November 2021.

Kansai Paint has entered into a share transfer agreement on June 1, 2022 as Kansai Paint has determined that AkzoNobel is the best owner of Kansai Paint's Africa business, taking into account the growth potential from acceleration of the decorative paints business and expansion of operating countries, etc. AkzoNobel is one of the leading global major paints companies, with a long history of operations in Africa, focusing on the decorative paints business as one of its strategically significant businesses. AkzoNobel has ambition to be the leading decorative paints company not only in Europe but also in Africa. Kansai Paint believes that this Africa business will be able to create strategic synergies and further expand operating regions including North Africa as well by combining the Africa business with the platforms of AkzoNobel.

As a result of this transaction, six subsidiaries of KPEA, 15 subsidiaries and 2 affiliates of KPAL will be excluded from the scope of consolidation.

#### 2. Company name of the counterparty to the Share Transfer

Akzo Nobel Coatings International B.V. (a 100% subsidiary of Akzo Nobel N.V.)

#### 3. Closing date for the transaction of the Share Transfer

The transaction is subject to the antitrust approval of the relevant authorities and the general conditions, and expected to be completed in the course of 2023.



#### 4. Summary of the transferred subsidiary

Company name	Kansai Plascon Africa Ltd.	Kansai Plascon East Africa (Pty) Ltd.
Location	10 Frederick Cooper Drive, Factoria, Krugersdorp, 1739, South Africa	10th Floor Standard Chartered Tower, 19 Cybercity, Ebène, Republic of Mauritius
Name and title of representative	Chief Executive Officer Prejay R. Lalla	Chief Executive Officer Arvind Shekhawat
Share capital	3,000,117 thousand ZAR (24,690 million yen)	155,990 thousand USD (20,294 million yen)
Description of business	Holding company for manufacturing and sales of paint	Holding company for manufacturing and sales of paint

Note: 1ZAR=8.23 yen, 1USD=130.10 yen (Internal rate as of May, 2022)

#### 5. The reportable segment in which the divested business was included

Africa Segment

#### 6. Transfer price

450 million USD

Note: Actual transfer price is subject to adjustment based on balance of cash and cash equivalents, borrowings, etc. and increase / decrease in working capital as of the closing.

#### (Purchase of treasury stock)

The Company has resolved, at a meeting of the Board of Directors held on June 14, 2022, the matters concerning the purchase of treasury stock pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act.

##### 1. Reason for purchase of treasury stock

The Company will acquire its own shares so that the Company carry out the flexible capital policy corresponding to improving capital efficiency, expansion of shareholder returns and changes in the business environment.

##### 2. Details of matters related to acquisition

(1) Class of shares to be acquired: Common shares

(2) Total number of shares to be acquired: 29,000,000 shares (maximum) (11.23% of total number of issued shares excluding treasury shares)

(3) Total amount of share acquisition costs: 50 billion yen (maximum)

(4) Acquisition period: From June 15, 2022 to June 14, 2023

(5) Method of share acquisition: ① Market purchase on the Tokyo Stock Exchange

② Purchase through off-floor trading of treasury stock (ToSTNeT-3)



## 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, 2022 and 2021, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

- (1) As described in Note 21 to the consolidated financial statements, the Company resolved at the Board of Directors meeting held on June 1, 2022 to transfer its shares in its subsidiaries, Kansai Plascon Africa Ltd. and Kansai Plascon East Africa (Pty) Ltd., to Akzo Nobel Coatings International B.V., a subsidiary of Akzo Nobel N.V., and concluded the share transfer agreement on the same date.
- (2) As described in Note 21 to the consolidated financial statements, the Company resolved at the Board of Directors meeting held on June 14, 2022 to repurchase the Company's shares.

### Key Audit Matters

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

## Appropriateness of judgment concerning impairment indicators for property, plant and equipment and intangible assets related to the South Africa business

The key audit matter	How the matter was addressed in our audit
<p>As described in the note 2, “Significant Accounting Estimates, Valuation of property, plant and equipment and intangible assets related to the South Africa business,” to the consolidated financial statements, the Group recognized property, plant and equipment and intangible assets of ¥4,800 million, which were related to the South Africa business included in the Africa segment in the consolidated financial statements for the current fiscal year.</p> <p>Under the International Financial Reporting Standards (IFRS), these property, plant and equipment and intangible assets are depreciated/amortized in a systematic manner and are tested for impairment whenever there is an impairment indicator. If the recoverable amount of the property, plant and equipment and intangible assets are less than their carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or fair value less cost of disposal.</p> <p>Despite continuing operating losses for the South Africa business in prior years, the Group’s management determined that there was no impairment indicator for property, plant and equipment and intangible assets, because it was expected to generate positive operating income based on the business plan for the current and future fiscal years with no other indications of impairment.</p> <p>The assumptions used in the business plan, such as future sales volumes and unit sales prices in the region, involve uncertainties, and management’s judgment could have a significant effect on them. If it is determined that the business plan needs to be revised in light of available internal and external information, estimated operating income for the future fiscal years may become negative, and such prospect of operating losses would</p>	<p>In order to assess the appropriateness of judgment concerning impairment indicators for property, plant and equipment and intangible assets related to the South Africa business, we instructed the component auditors of the consolidated subsidiaries that comprise the business to perform the following audit procedures. We received reports from the component auditors on the results of the audit procedures, including the below, and assessed whether sufficient and appropriate audit evidence was obtained from the following procedures among others.</p> <p>(1) Internal control testing</p> <p>Test of the design and operating effectiveness of certain of internal controls relevant to determining impairment indicators for property, plant and equipment and intangible assets related to the South Africa business, with a greater focus on controls to ensure that the Group identifies impairment indicators in accordance with the requirements of applicable accounting standards.</p> <p>(2) Assessment of the reasonableness of the identification of impairment indicators</p> <p>Assessment of the reasonableness of key assumptions used in the business plan, such as sales volumes and unit sales prices by inquiring of management regarding the basis for these assumptions, and mainly through:</p> <ul style="list-style-type: none"> <li>• assessing the consistency of sales volumes and unit sales prices with information published by external research organizations and comparing them with historical sales volumes and unit sales prices;</li> <li>• analyzing the sensitivity of operating income to changes in key assumptions.</li> </ul>

constitute an impairment indicator. In that case, the recoverable amount may be less than the carrying amount of these property, plant and equipment and intangible assets, which will result in the recognition of an impairment loss.

We, therefore, determined that our assessment of the appropriateness of judgment concerning impairment indicators for property, plant and equipment and intangible assets related to the South Africa business was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

## Other Information

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

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

## Responsibilities of Management and 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 with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise

professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with 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, 2022 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

Kazuya Momohara

Designated Engagement Partner  
Certified Public Accountant

Shoichiro Shigeta

Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

July 19, 2022

**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.