

CHUGOKU MARINE PAINTS, LTD.

**Consolidated Financial Statements
for the years ended March 31, 2026 and 2025**



Independent Auditor's Report

The Board of Directors
CHUGOKU MARINE PAINTS, LTD.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of CHUGOKU MARINE PAINTS, LTD. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2026, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year 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, including those applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Determination of whether to recognize impairment losses on non-current assets used by Kobe Paints, Ltd.

Description of Key Audit Matter	Auditor's Response
As of March 31, 2026, the Group recorded property, plant and equipment and intangible assets of ¥23,039 million in the consolidated balance sheet, which includes land of ¥1,782 million and manufacturing facilities of ¥214 million being used by Kobe Paints, Ltd. ("Kobe Paints"), a consolidated subsidiary, which manufactures and sells marine paints. As described in (Significant Accounting Estimates) in Notes to the Consolidated Financial Statements, during the year ended March 31, 2025, the Group determined that there is an indication that an asset group consisting of land and manufacturing facilities being used by Kobe Paints may be impaired as the market value of the asset group had declined by approximately 50% from the carrying amount. However, the Group did not recognize any impairment losses as the total amount of undiscounted future cash flows arising from operating activities of Kobe Paints exceeded the carrying amount of the asset group. The estimates of future cash flows are based on a business plan prepared by Kobe Paints which is approved by the Company's Board of Directors and estimates for the period beyond that covered by the business plan are determined based on the growth rates which are estimated to the extent of the long-term average market growth rates. As described in (Significant Accounting Estimates) in Notes to the Consolidated Financial Statements, the significant assumptions in the estimation of future cash flows are predictions of sales volume and gross profit margin in the business plan and the growth rate after the period covered by the business plan.	We mainly performed the following audit procedures to evaluate the estimate of total undiscounted future cash flows used in determining whether to recognize impairment losses on the asset group consisting of land and manufacturing facilities being used by Kobe Paints: • We compared the estimation period for future cash flows with the remaining useful life of the major assets to assess whether the estimation period is reasonable. • We reviewed the future cash flows to ensure that they are consistent with the business plan approved by the Company's Board of Directors. • We compared past business plans with actual results to assess the effectiveness of the estimation process used by management in formulating business plans. • We made inquiries of management of the Company and Kobe Paints regarding the predictions of sales volume and gross profit margin in the business plan and also reviewed the reports provided to the Board of Directors. • We compared the expected sales volumes with available external data on future projections of marine cargo fluctuations in tonnage which is relevant to Kobe Paints' key products and performed trend analysis based on historical data. • To evaluate the gross profit margin forecasts, we conducted trend analysis based on past results.

The above assumptions in the estimation of future cash flows require management judgment and involve uncertainty since estimates of sales volume in particular are affected by future marine cargo fluctuations in tonnage. Accordingly, we have determined that the determination of whether to recognize impairment losses on the asset group used by Kobe Paints is a key audit matter.	• For growth rates after the period covered by the business plan, we compared the growth rates with available external data on future projections of the marine cargo fluctuations in tonnage which is relevant to Kobe Paints' key products and performed trend analysis based on historical data.
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Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing 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. 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 an 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.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing 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 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 in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor 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.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 7, 2026

伊藤 正広

Masahiro Ito
Designated Engagement Partner
Certified Public Accountant

増田 晋一

Shinichi Masuda
Designated Engagement Partner
Certified Public Accountant

Financial Information

1. Basis for preparation of the consolidated financial statements

The consolidated financial statements of CHUGOKU MARINE PAINTS, LTD. (the “Company”) are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976).

2. Audit certification

The consolidated financial statements for the fiscal year from April 1, 2025 to March 31, 2026 were audited by Ernst & Young ShinNihon LLC in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Special efforts to ensure the appropriateness of consolidated financial statements

The Company takes remarkable efforts to ensure fair presentation of consolidated financial statements. To be specific, the Company has joined the Financial Accounting Standards Foundation and regularly attends training seminars held by audit firms in order to establish a system that enables to properly understand details of accounting standards and other rules.

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	36,768	40,259
Notes receivable - trade	1,943	799
Accounts receivable - trade	34,088	36,819
Electronically recorded monetary claims - operating	4,148	5,489
Securities	954	1,327
Merchandise and finished goods	15,697	16,921
Work in process	813	928
Raw materials and supplies	11,758	13,104
Other	2,776	2,719
Allowance for doubtful accounts	(575)	(653)
Total current assets	108,373	117,716
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,945	21,858
Accumulated depreciation	(15,475)	(15,927)
Buildings and structures, net	5,470	5,930
Machinery, equipment and vehicles	19,836	21,196
Accumulated depreciation	(15,637)	(16,367)
Machinery, equipment and vehicles, net	4,199	4,829
Tools, furniture and fixtures	5,551	5,592
Accumulated depreciation	(4,754)	(4,731)
Tools, furniture and fixtures, net	797	861
Land	*2 12,635	*2 9,331
Leased assets	2,247	2,424
Accumulated depreciation	(885)	(1,091)
Leased assets, net	1,361	1,333
Construction in progress	136	340
Total property, plant and equipment	24,599	22,625
Intangible assets	440	413
Investments and other assets		
Investment securities	8,229	12,939
Retirement benefit asset	1,113	1,864
Deferred tax assets	1,316	1,278
Other	1,311	1,227
Allowance for doubtful accounts	(607)	(504)
Total investments and other assets	11,363	16,804
Total non-current assets	36,403	39,844
Total assets	144,777	157,560

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,630	15,419
Electronically recorded obligations - operating	1,910	2,324
Short-term borrowings	17,086	13,666
Current portion of long-term borrowings	1,700	—
Lease liabilities	224	268
Accounts payable - other	3,870	3,411
Accrued expenses	3,685	3,927
Income taxes payable	1,647	3,138
Provision for bonuses	265	262
Provision for product warranties	141	145
Other	1,105	911
Total current liabilities	46,268	43,475
Non-current liabilities		
Long-term borrowings	1,000	2,738
Lease liabilities	780	717
Deferred tax liabilities	2,586	4,825
Deferred tax liabilities for land revaluation	*2 1,975	*2 1,036
Retirement benefit liability	2,190	2,347
Other	541	640
Total non-current liabilities	9,073	12,305
Total liabilities	55,342	55,780
Net assets		
Shareholders' equity		
Share capital	11,626	11,626
Retained earnings	58,787	66,708
Treasury shares	(4,891)	(4,859)
Total shareholders' equity	65,522	73,475
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,867	6,485
Deferred gains or losses on hedges	—	2
Revaluation reserve for land	*2 3,125	*2 984
Foreign currency translation adjustment	10,770	13,792
Remeasurements of defined benefit plans	245	733
Total accumulated other comprehensive income	18,009	21,998
Non-controlling interests	5,903	6,306
Total net assets	89,435	101,780
Total liabilities and net assets	144,777	157,560

(ii) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2026	
Net sales	*1	131,152	*1	139,364
Cost of sales	*2, *4	88,553	*2, *4	92,584
Gross profit		42,599		46,780
Selling, general and administrative expenses	*3, *4	27,217	*3, *4	29,342
Operating profit		15,381		17,437
Non-operating income				
Interest income		548		513
Dividend income		344		336
Royalty income		121		154
Technical advisory fee income		78		111
Foreign exchange gains		323		—
Rental income from real estate		87		87
Other		343		347
Total non-operating income		1,848		1,550
Non-operating expenses				
Interest expenses		506		467
Loss on retirement of non-current assets		75		7
Foreign exchange losses		—		564
Other		166		107
Total non-operating expenses		748		1,147
Ordinary profit		16,481		17,840
Extraordinary income				
Gain on sale of non-current assets	*5	2,500	*5	195
Gain on sale of investment securities		5		24
Other		188		—
Total extraordinary income		2,694		219
Extraordinary losses				
Loss on sale of non-current assets	*6	0	*6	0
Impairment losses	*7	928	*7	152
Loss on sale of investment securities		—		3
Loss on valuation of investment securities		19		—
Other		—		4
Total extraordinary losses		947		160
Profit before income taxes		18,228		17,899
Income taxes - current		3,260		5,205
Income taxes - deferred		(557)		18
Total income taxes		2,703		5,223
Profit		15,525		12,675
Profit attributable to non-controlling interests		1,803		1,680
Profit attributable to owners of parent		13,721		10,995

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Profit	15,525	12,675
Other comprehensive income		
Valuation difference on available-for-sale securities	72	2,618
Deferred gains or losses on hedges	—	2
Revaluation reserve for land	(32)	—
Foreign currency translation adjustment	4,248	3,222
Remeasurements of defined benefit plans, net of tax	(140)	475
Total other comprehensive income	*	6,319
Comprehensive income	19,672	18,994
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,438	17,125
Comprehensive income attributable to non-controlling interests	2,234	1,868

(iii) Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,626	6	48,852	(4,902)	55,582
Changes during period					
Dividends of surplus			(4,263)		(4,263)
Profit attributable to owners of parent			13,721		13,721
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		14		11	26
Transfer from retained earnings to capital surplus		163	(163)		—
Purchase of shares of consolidated subsidiaries		(184)			(184)
Reversal of revaluation reserve for land			640		640
Net changes in items other than shareholders' equity					
Total changes during period	—	(6)	9,935	10	9,940
Balance at end of period	11,626	—	58,787	(4,891)	65,522

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,795	—	3,798	6,941	398	14,933	5,659	76,175
Changes during period								
Dividends of surplus								(4,263)
Profit attributable to owners of parent								13,721
Purchase of treasury shares								(0)
Disposal of treasury shares								26
Transfer from retained earnings to capital surplus								—
Purchase of shares of consolidated subsidiaries								(184)
Reversal of revaluation reserve for land								640
Net changes in items other than shareholders' equity	72	—	(673)	3,828	(152)	3,075	244	3,319
Total changes during period	72	—	(673)	3,828	(152)	3,075	244	13,259
Balance at end of period	3,867	—	3,125	10,770	245	18,009	5,903	89,435

Fiscal year ended March 31, 2026

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,626	–	58,787	(4,891)	65,522
Changes during period					
Dividends of surplus			(5,207)		(5,207)
Profit attributable to owners of parent			10,995		10,995
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		66		33	100
Transfer from retained earnings to capital surplus		7	(7)		–
Purchase of shares of consolidated subsidiaries		(74)			(74)
Reversal of revaluation reserve for land			2,141		2,141
Net changes in items other than shareholders' equity					
Total changes during period	–	–	7,921	31	7,952
Balance at end of period	11,626	–	66,708	(4,859)	73,475

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,867	–	3,125	10,770	245	18,009	5,903	89,435
Changes during period								
Dividends of surplus								(5,207)
Profit attributable to owners of parent								10,995
Purchase of treasury shares								(1)
Disposal of treasury shares								100
Transfer from retained earnings to capital surplus								–
Purchase of shares of consolidated subsidiaries								(74)
Reversal of revaluation reserve for land								2,141
Net changes in items other than shareholders' equity	2,618	2	(2,141)	3,021	487	3,989	402	4,391
Total changes during period	2,618	2	(2,141)	3,021	487	3,989	402	12,344
Balance at end of period	6,485	2	984	13,792	733	21,998	6,306	101,780

(iv) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit before income taxes	18,228	17,899
Depreciation	1,698	1,847
Impairment losses	928	152
Increase (decrease) in allowance for doubtful accounts	(91)	(79)
Increase (decrease) in other provisions	49	(6)
Decrease (increase) in retirement benefit asset	(790)	(746)
Increase (decrease) in retirement benefit liability	592	683
Interest and dividend income	(892)	(849)
Interest expenses	506	467
Foreign exchange losses (gains)	(277)	173
Loss (gain) on sale and retirement of non-current assets	(2,424)	(187)
Loss (gain) on sale of investment securities	(5)	(20)
Loss (gain) on valuation of investment securities	19	—
Decrease (increase) in trade receivables	1,358	(1,243)
Decrease (increase) in inventories	(3,534)	(1,405)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(417)	(151)
Increase (decrease) in trade payables	1,387	703
Other, net	687	428
Subtotal	17,022	17,664
Interest and dividends received	914	850
Proceeds from insurance income	370	—
Interest paid	(498)	(463)
Income taxes paid	(3,268)	(3,632)
Net cash provided by (used in) operating activities	14,539	14,418
Cash flows from investing activities		
Payments into time deposits	(6,235)	(6,629)
Proceeds from withdrawal of time deposits	6,320	8,745
Net decrease (increase) in short-term loans receivable	18	30
Purchase of non-current assets	(1,789)	(2,530)
Proceeds from sale of non-current assets	1,491	3,361
Proceeds from deposits for sale of non-current assets	371	—
Purchase of investment securities	(34)	(893)
Proceeds from sale of investment securities	6	35
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(397)
Other, net	(254)	(159)
Net cash provided by (used in) investing activities	(103)	1,562

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(5,808)	(3,421)
Proceeds from long-term borrowings	1,000	1,700
Repayments of long-term borrowings	(1,000)	(1,707)
Proceeds from sale of treasury shares	26	100
Purchase of treasury shares	(0)	(1)
Dividends paid	(4,256)	(5,199)
Dividends paid to non-controlling interests	(878)	(1,307)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,299)	(236)
Other, net	(262)	(262)
Net cash provided by (used in) financing activities	(12,480)	(10,337)
Effect of exchange rate change on cash and cash equivalents	2,513	239
Net increase (decrease) in cash and cash equivalents	4,469	5,883
Cash and cash equivalents at beginning of period	27,705	32,174
Cash and cash equivalents at end of period	* 32,174	* 38,058

Notes to the Consolidated Financial Statements

(Significant Accounting Policies for Preparation of Consolidated Financial Statements)

1. Scope of consolidation

The Company has consolidated all its subsidiaries.

Number of consolidated subsidiaries 24

Names of major consolidated subsidiaries

Ohtake-Meishin Chemical Co., Ltd., Kobe Paints, Ltd.
CHUGOKU MARINE PAINTS (Hong Kong), Ltd.
CHUGOKU MARINE PAINTS (Shanghai), Ltd.
CHUGOKU MARINE PAINTS (Guangdong), Ltd.
CHUGOKU SAMHWA PAINTS, Ltd.
CHUGOKU MARINE PAINTS (Singapore) Pte. Ltd.
CHUGOKU PAINTS (Malaysia) Sdn. Bhd.
TOA-CHUGOKU PAINTS Co., Ltd.
CHUGOKU PAINTS B.V.

Furthermore, in the fiscal year ended March 31, 2026, ITALO BELGE COLORI S.R.L. was included in the scope of consolidation because consolidated subsidiary CHUGOKU PAINTS B.V. newly acquired its shares.

2. Application of equity method

There are no unconsolidated subsidiaries or associates.

3. Fiscal years, etc. of consolidated subsidiaries

The fiscal year-end of 23 consolidated subsidiaries is December 31, except for Kobe Paints, Ltd. In preparing consolidated financial statements, the Company uses their financial statements as of and for the year ended December 31 except for Kobe Paints, Ltd. with necessary consolidation adjustments made to reflect any significant transactions which occurred between January 1 and March 31.

4. Accounting policies

(1) Accounting policy for measuring significant assets

(i) Securities

a. Held-to-maturity securities

Stated at amortized cost (straight-line method).

b. Available-for-sale securities

Other than equity securities, etc. whose market prices are not available

Stated at market value (net unrealized gains and losses are reported as a separate component of net assets and the cost of securities sold is calculated based on the moving average method).

Equity securities, etc. whose market prices are not available

Stated at cost based on the moving average method.

(ii) Derivatives

Stated at market value.

(iii) Inventories

Mainly stated at cost using the moving average method (balance sheet amounts are written down based on the decreased profitability).

(2) Accounting policy for depreciation of significant assets

(i) Property, plant and equipment (excluding leased assets)

Stated at straight-line method.

(ii) Intangible assets (excluding leased assets)

Stated at straight-line method.

Software for internal use is amortized using the straight-line method over the internally expected useful life (three to ten years).

(iii) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

Depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

Certain overseas consolidated subsidiaries that adopt International Financial Reporting Standards (“IFRS”) have applied IFRS 16 “Leases” (“IFRS 16”). Under IFRS 16, a lessee in a lease records, in principle, all leases as assets and liabilities on balance sheet, and right-of-use assets that were recognized on balance sheet are depreciated by the straight-line method.

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To prepare for losses from bad debts, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

(ii) Provision for bonuses

To prepare for payment of bonuses to employees, certain consolidated subsidiaries record the amount attributed to services rendered during the year based on the estimated amount of bonus payment.

(iii) Provision for product warranties

To prepare for warranty costs incurred based on the warranty period of sold products, provision for product warranties is recorded in view of the ratio of actual warranty costs incurred for the year against the annual sales.

(4) Accounting policy for retirement benefits

(i) Method for attributing estimated retirement benefits to periods

In calculating retirement benefit obligations, the expected retirement benefits are attributed to the period up to the end of the current fiscal year based on the benefit formula method.

(ii) Amortization method of actuarial gains and losses

Actuarial gains or losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over a certain period (ten years) that is within the average remaining years of services of the eligible employees when the gains or losses occur.

(iii) Application of simplified accounting method used by small-sized companies

In calculating retirement benefit liability and retirement benefit expenses, certain consolidated subsidiaries apply a simplified method in which an assumed amount of benefits to be paid for voluntary base retirement at the fiscal year-end is deemed as retirement benefit obligations.

(5) Accounting policy for significant revenues and expenses

The Company and its consolidated subsidiaries (the “Group”) are mainly engaged in manufacturing and selling paints. As for sales of products, the Group considers that at the time of delivery of products, customers obtain control of the products and performance obligations are satisfied, and recognizes revenue at the time of delivering the relevant products. However, as for domestic sales of products, applying the alternative treatment provided for in paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition,” the Group recognizes revenue at the time of shipment, if the period from the shipment to the transfer of control of the product to the customer is a normal period. Consideration for performance obligations is received within

approximately one year after they are satisfied, and does not include any significant financial component.

In addition, as for “buy-sell back transactions” in which the Group manufactures products from raw materials, etc. purchased from a customer and sells the products to the same customer, revenue is recognized at the net amount calculated by deducting the purchase price of raw materials, etc. from consideration.

(6) Standards for the yen conversion of significant assets and liabilities denominated in foreign currencies

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates at the fiscal year end. The foreign exchange gains and losses from translation are recognized as profit and loss.

Assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rates at the fiscal year end, and revenues and expenses of overseas consolidated subsidiaries are translated into Japanese yen at the average exchange rates. Translation adjustments are included in foreign currency translation adjustment and non-controlling interests in net assets on the consolidated balance sheet.

(7) Significant hedge accounting method

(i) Hedge accounting method

Deferred hedge accounting is adopted. In addition, certain consolidated subsidiaries translate monetary receivables and payables denominated in foreign currencies hedged by forward exchange contracts at the foreign exchange rates stipulated in the contract (furiate-shori).

(ii) Hedging instruments and hedged items

Hedging instrument	Hedged item
Forward exchange contracts	Monetary receivables and payables denominated in foreign currencies
Commodity swaps	Raw materials

(iii) Hedging policy

Forward exchange contracts

Forward exchange contracts are used to the extent necessary to avoid risk of fluctuations in foreign exchange rates on monetary receivables and payables denominated in foreign currencies.

Commodity swaps

Commodity swaps are used to the extent necessary to avoid risk of fluctuations in purchase prices of raw material.

(iv) Method of assessing the hedge effectiveness

Forward exchange contracts

At inception, forward exchange contracts at the same amount and the same maturing as the hedged items are allocated to the respective hedged items in accordance with the Company's risk management. Because the correlative relations with subsequent fluctuations in foreign exchange rates have been fully ensured, assessment of the hedge effectiveness at the fiscal year end is omitted.

Commodity swaps

Hedge effectiveness is assessed by checking that the cumulative amounts of fluctuations in the market price or in the cash flows of the hedged items have a high correlation with the cumulative amounts of fluctuations in the market price or in the cash flows of the hedging instruments.

(8) Method and period for amortization of goodwill

Goodwill is amortized over five years on a straight-line basis.

(9) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(New Accounting Standards Not Yet Applied)

- “Accounting Standard for Leases” (Accounting Standards Board of Japan (ASBJ) Statement No. 34, September 13, 2024, ASBJ)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024, ASBJ), Etc.

(1) Overview

As part of its efforts for ensuring that Japanese GAAP is consistent with international accounting standards, the ASBJ conducted a review, taking into consideration international accounting standards, toward the development of the Accounting Standard for Leases for recognizing assets and liabilities for all leases held by a lessee. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc., which were developed under a basic policy with the aim of being simple and highly convenient by incorporating only the key provisions of IFRS 16 instead of all the provisions, despite being based on the single accounting model of IFRS 16, while also making revisions basically unnecessary even when the provisions of IFRS 16 are applied for non-consolidated financial statements.

Regarding the method for allocating the lessee’s lease expenses in the lessee’s accounting treatment, a single accounting model is applied for recording the depreciation related to right-of-use assets and the amount equivalent to the interest on lease liabilities for all leases regardless of whether a lease is a finance lease or an operating lease. This is the same as under IFRS 16.

(2) Scheduled date of application

The standard and guidance will be applied at the beginning of the fiscal year ending on March 31, 2028.

(3) Effects of application of the accounting standards, etc.

The impact from the application of the “Accounting Standard for Leases,” and other relevant ASBJ regulations on the consolidated financial statements is currently under evaluation.

- “Accounting Standard for Subsequent Events” (ASBJ Statement No. 41, January 9, 2026, ASBJ)
- “Implementation Guidance on Accounting Standard for Subsequent Events” (ASBJ Guidance No. 35, January 9, 2026, ASBJ)

(1) Overview

The “Accounting Standard for Subsequent Events,” etc. establishes, as a priority issue, the development of a comprehensive accounting standard addressing the definition of subsequent events, as well as their accounting treatment and disclosure. Based on a fundamental policy of, in principle, carrying forward the accounting-related content set out in Auditing Standards Report No. 560, Practical Guideline No. 1 “Audit Treatment of Subsequent Events” issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants, and transferring it to the ASBJ, the standard revises the wording, organizes the evaluation period for subsequent events, and newly requires disclosure notes regarding the approval of the issuance of financial statements, thereby prescribing the accounting treatment and disclosure of subsequent events.

(2) Scheduled date of application

The standard and guidance will be applied at the beginning of the fiscal year ending on March 31, 2028.

(Significant Accounting Estimates)

1. Impairment losses on non-current assets

(1) Amounts recorded on the consolidated financial statements for the fiscal year ended March 31, 2026

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Impairment losses	—	—
Non-current assets	1,953	1,997

As for the asset group consisting of land (¥1,782 million) and manufacturing facilities (¥214 million) used by Kobe Paints, Ltd., a consolidated subsidiary engaged in manufacturing and selling marine paints, an indicator of impairment due to declines in market prices was identified. However, since the total amount of undiscounted future cash flows arising from operating activities exceeded the carrying amount of the asset group, no impairment losses were recorded in the fiscal year ended March 31, 2026.

(2) Information on details of significant accounting estimates for identified items

(i) Method of calculation

Assets are grouped as a minimum unit that generates substantially independent cash flows. For an asset group of which future cash flows have decreased considerably, the carrying amount of non-current assets is reduced and the decrease is recognized as an impairment loss.

(ii) Major assumptions

Major assumptions used to calculate future cash flows arising from operating activities of Kobe Paints, Ltd. are predictions of sales volume and gross profit margin, and growth rate after period covered by a business plan. Sales volume and gross profit margin are estimated based on the repair cycle of relevant vessels and past performance, respectively, whereas growth rate is determined in consideration of long-term growth rate of the vessel repair market.

(iii) Effects on the consolidated financial statements for the next fiscal year

Because the major assumptions are highly uncertain and affected by future economic conditions and the company's business conditions, an impairment loss might be recognized in the next fiscal year if revision of the assumptions is required.

2. Recoverability of deferred tax assets

(1) Amounts recorded on the consolidated financial statements for the fiscal year ended March 31, 2026

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Deferred tax assets	1,316	1,278

Deferred tax assets before offsetting with deferred tax liabilities were ¥1,785 million in the fiscal year ended March 31, 2025 and ¥1,560 million in the fiscal year ended March 31, 2026.

For details of deferred tax assets, refer to the note "Tax Effect Accounting."

(2) Information on details of significant accounting estimates for identified items

(i) Method of calculation

Deferred tax assets are recognized to the extent that the recovery is deemed certain, based on consideration of future recoverability. Recoverability is judged based on future information currently available such as forecast of taxable income of the Company and subsidiaries, tax law and tax rates.

(ii) Major assumption

The major assumption used to formulate the business plan, which is the basis of estimates of taxable income, is sales volume.

(iii) Effects on the consolidated financial statements for the next fiscal year

Because the major assumption is highly uncertain and affected by future economic conditions and the company's business conditions, the amount of deferred tax assets recorded in the next fiscal year might be significantly affected if revision of the assumptions is required.

(Consolidated Balance Sheet)

1. Guarantee obligations

Guarantees provided to a specified agent for the collection of accounts receivable are as follows:

Debt guarantees

(Millions of yen)		
	As of March 31, 2025	As of March 31, 2026
Mitsubishi Shoji Chemical Corporation	449	604

*2. Revaluation of land

The land for business use owned by the Company was revaluated under the "Act on Revaluation of Land" (Act No. 34 of March 31, 1998) and the "Act for Partial Revision of the Act on Revaluation of Land" (amended on March 31, 1999). As for the revaluation method, the value is determined by the method where the revaluation is calculated by making reasonable adjustments to the assessed value of non-current assets stipulated in Article 2, item 3 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, promulgated on March 31, 1998). Of revaluation difference, the amount equivalent to tax effects is recorded as "Deferred tax liabilities for land revaluation" in non-current liabilities, and the other amount is as "Revaluation reserve for land" in net assets.

- Date of revaluation: March 31, 2000

(Millions of yen)		
	As of March 31, 2025	As of March 31, 2026
Difference between the fair value of the revalued land and the book value after the revaluation at the fiscal year end:	(4,570)	(3,741)

3. Trade notes receivable transferred by endorsement

(Millions of yen)		
	As of March 31, 2025	As of March 31, 2026
Trade notes receivable transferred by endorsement	1,267	507

(Consolidated Statement of Income)

*1. Revenue from contracts with customers

Revenue from contracts with customers is not stated separately from other revenues and is included in net sales. The amount of revenue from contracts with customers has been provided in "Notes to Consolidated Financial Statements, (Revenue Recognition), 1. Information on disaggregation of revenue from contracts with customers."

- *2. The book value write-down of inventories held for ordinary sale due to their decreased profitability (a figure in parentheses represents reversal) is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cost of sales	147	1

- *3. The main components of selling, general and administrative expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Depreciation	663	759
Provision of allowance for doubtful accounts	77	65
Provision for bonuses	143	131
Provision for product warranties	36	18
Retirement benefit expenses	421	534
Remuneration for directors (and other officers) and employees' salaries, etc.	9,671	10,295
Transportation costs	5,305	5,777
Sales commission	1,646	1,323

- *4. Research and development expenses included in general and administrative expenses and manufacturing costs for period are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
General and administrative expenses	594	611
Manufacturing costs for period	1,197	1,229
Total	1,792	1,840

- *5. The breakdown of gain on sale of non-current assets is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Buildings and structures	1,362	—
Machinery, equipment and vehicles	11	9
Tools, furniture and fixtures	1	0
Land	1,125	185
Total	2,500	195

- *6. The breakdown of loss on sale of non-current assets is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Machinery, equipment and vehicles	0	0
Tools, furniture and fixtures	0	—
Total	0	0

- *7. Impairment losses

Fiscal year ended March 31, 2025

The Group recognized impairment losses on the following asset groups:

Location	Use	Type
Hiroshima, Japan	Business assets	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, and leased assets

Asset grouping is made based on a minimum unit that generates cash flows that are substantially independent from cash flows of other assets or asset groups. Idle assets that are not used for business are grouped according to each individual item.

As the profitability of the above assets decreased considerably, the carrying amounts of the above items were reduced to their recoverable amounts, recognizing such reduction as impairment losses (¥928 million) included in extraordinary losses. The impairment losses consisted of ¥2 million for buildings and structures, ¥0 million for machinery, equipment and vehicles, ¥2 million for tools, furniture and fixtures, ¥922 million for land and ¥0 million for leased assets.

Recoverable amounts are measured at net realizable values.

Fiscal year ended March 31, 2026

The Company recognized impairment losses on the following asset groups:

Location	Use	Type
Hiroshima, Japan	Business assets	Buildings and structures, tools, furniture and fixtures, and intangible assets

Asset grouping is made based on a minimum unit that generates cash flows that are substantially independent from cash flows of other assets or asset groups. Idle assets that are not used for business are grouped according to each individual item.

As the profitability of the above assets decreased considerably, the carrying amounts of the above items were reduced to their recoverable amounts, recognizing such reduction as impairment losses (¥152 million) included in extraordinary losses. The impairment losses consisted of ¥151 million for buildings and structures, ¥0 million for tools, furniture and fixtures, and ¥0 million for intangible assets.

Recoverable amounts are measured at value in use.

(Consolidated Statement of Comprehensive Income)

* Reclassification adjustments, income taxes and tax effects relating to other comprehensive income

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Valuation difference on available-for-sale securities:		
Amount arising during the year	178	3,856
Reclassification adjustments	(5)	(20)
Amount before income taxes and tax effect	172	3,835
Income taxes and tax effects	(100)	(1,216)
Valuation difference on available-for-sale securities	72	2,618
Deferred gains or losses on hedges:		
Amount arising during the year	—	3
Reclassification adjustments	—	—
Amount before income taxes and tax effect	—	3
Income taxes and tax effects	—	(1)
Deferred gains or losses on hedges	—	2
Revaluation reserve for land:		
Income taxes and tax effects	(32)	—
Foreign currency translation adjustment:		
Amount arising during the year	4,248	3,222
Remeasurements of defined benefit plans:		
Amount arising during the year	(13)	613
Reclassification adjustments	(76)	(14)
Amount before income taxes and tax effect	(90)	599
Income taxes and tax effects	(50)	(123)
Remeasurements of defined benefit plans, net of tax	(140)	475
Total other comprehensive income	4,147	6,319

(Consolidated Statement of Changes in Net Assets)

Fiscal year ended March 31, 2025

1. Type and total number of issued shares, and type and number of treasury shares

(Thousands of shares)				
	Number of shares as of April 1, 2024	Increase	Decrease	Number of shares as of March 31, 2025
Issued shares				
Ordinary shares	55,000	—	—	55,000
Total	55,000	—	—	55,000
Treasury shares				
Ordinary shares (Notes) 1, 2	5,431	2	12	5,421
Total	5,431	2	12	5,421

Notes: 1. The increase of 2 thousand shares in the number of treasury shares of ordinary shares reflects an increase of 2 thousand shares resulting from the acquisition of restricted shares without contribution and an increase of 0 thousand shares resulting from the purchase of shares less than one unit.

2. The decrease of 12 thousand shares in the number of treasury shares of ordinary shares reflects a decrease of 12 thousand shares resulting from the disposal of treasury shares used for restricted share-based remuneration.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual General Meeting of Shareholders on June 26, 2024	Ordinary shares	2,280	46.00	March 31, 2024	June 27, 2024
Board of Directors meeting on October 31, 2024	Ordinary shares	1,983	40.00	September 30, 2024	December 3, 2024

(2) Dividends for which cut-off date is in the current fiscal year with effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual General Meeting of Shareholders on June 25, 2025	Ordinary shares	Retained earnings	2,825	57.00	March 31, 2025	June 26, 2025

Fiscal year ended March 31, 2026

1. Type and total number of issued shares, and type and number of treasury shares

(Thousands of shares)				
	Number of shares as of April 1, 2025	Increase	Decrease	Number of shares as of March 31, 2026
Issued shares				
Ordinary shares	55,000	—	—	55,000
Total	55,000	—	—	55,000
Treasury shares				
Ordinary shares (Notes) 1, 2	5,421	1	37	5,386
Total	5,421	1	37	5,386

- Notes: 1. The increase of 1 thousand shares in the number of treasury shares of ordinary shares reflects an increase of 1 thousand shares resulting from the acquisition of restricted shares without contribution and an increase of 0 thousand shares resulting from the purchase of shares less than one unit.
2. The decrease of 37 thousand shares in the number of treasury shares of ordinary shares reflects a decrease of 37 thousand shares resulting from the disposal of treasury shares used for restricted share-based remuneration.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual General Meeting of Shareholders on June 25, 2025	Ordinary shares	2,825	57.00	March 31, 2025	June 26, 2025
Board of Directors meeting on October 31, 2025	Ordinary shares	2,381	48.00	September 30, 2025	December 2, 2025

(2) Dividends for which cut-off date is in the current fiscal year with effective date in the following fiscal year

A resolution shall be passed for matters regarding the following dividends of surplus at the Annual General Meeting of Shareholders scheduled for June 24, 2026.

Resolution	Type of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual General Meeting of Shareholders on June 24, 2026	Ordinary shares	Retained earnings	3,125	63.00	March 31, 2026	June 25, 2026

(Consolidated Statement of Cash Flows)

- * Reconciliation of ending balance of cash and cash equivalents and account items on the consolidated balance sheet

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash and deposits	36,768	40,259
Time deposits with a maturity of more than three months	(5,547)	(3,528)
Securities (MMF, etc.)	954	1,327
Cash and cash equivalents	32,174	38,058

(Leases)

Lessees' accounting

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

(1) Details of leased assets

Property, plant and equipment

Principally, land and other assets used in the paint-related business.

(2) Accounting policy for depreciation of leased assets

As described in “4. Accounting policies, (2) Accounting policy for depreciation of significant assets” of Significant Accounting Policies for Preparation of Consolidated Financial Statements.

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Due within one year	127	166
Due after one year	584	429
Total	711	596

Note: IFRS 16 “Leases” has been applied, and the above does not include lease transactions that have been recorded as assets and liabilities on the consolidated balance sheet.

(Financial Instruments)

1. Overview of financial instruments

(1) Policy for financial instruments

The Group mainly operates funds through highly liquid financial assets and finance short-term operating capital with bank loans. Derivative transactions are used to hedge the risks described below, and the Group does not enter into derivatives transactions for speculative purposes.

(2) The nature and risk of financial instruments

Notes receivable - trade, accounts receivable - trade and electronically recorded monetary claims - operating, which are operating receivables, are exposed to customer credit risk. Although operating receivables denominated in foreign currencies that arise in conducting business overseas are exposed to foreign exchange fluctuation risk, the risk is hedged by employing forward exchange contracts to the amount of sales contracts. Securities and investment securities are mainly shares of companies with which the Group has business relationships and exposed to the risk of fluctuations in their market prices.

Notes and accounts payable - trade and electronically recorded obligations - operating, which are operating payables, are mostly due within one year. Although some related to the import of raw materials are denominated in foreign currencies and exposed to foreign exchange fluctuation risk, the risk is hedged by employing forward exchange contracts to the amount of purchase contracts. Short-term borrowings are mainly for the purpose of procuring funds for operating funds.

Derivative transactions are forward exchange contracts to hedge against foreign exchange fluctuation risk from operating receivables and payables denominated in foreign currencies, and also include commodity swap transactions to hedge against market price fluctuation risk related to some raw materials. For the hedging instruments and hedged items under the hedge accounting, hedging policy, and the method of assessing the hedge effectiveness, please refer to “4. Accounting policies, (7) Significant hedge accounting method” of Significant Accounting Policies for Preparation of Consolidated Financial Statements prescribed above.

(3) Risk management structure regarding financial instruments

(i) Management of credit risk (customers’ default risk, etc.)

For operating receivables, in accordance with the Company’s internal rules, Global Marketing & Planning Div. regularly monitors the financial positions of its main customers and manages the due dates and balances of each customer so as to perceive at an early stage and reduce the risk of uncollectable amounts due to declining financial position or other reasons. The Company’s consolidated subsidiaries also manage operating receivables in the same manner in accordance with the Company’s internal rules.

With regard to derivatives, the Company perceives very little credit risk as it enters into transactions solely with financial institutions with high ratings.

(ii) Management of market risk (fluctuation risks of foreign exchange and interest rates, etc.)

For operating receivables and payables denominated in foreign currencies, the Group uses forward exchange contracts to hedge its exposure to the amount of actual contracts. Furthermore, the Company conducts commodity swap transactions to hedge against market price fluctuation risk related to some raw materials.

The Group regularly reviews the fair value of securities and investment securities as well as the financial position of investees (customer entities), and continuously reviews the holding status in view of market conditions and relationships with customer entities.

Execution and management of derivatives for the Group are managed in accordance with the Company's internal rules.

(iii) Management of liquidity risk associated with fund raising (risk of inability to pay on due date)

The Company manages liquidity risk by having Finance Dept. timely develop and update the funding plan based on reports from each of the departments and by maintaining short-term liquidity. The Company's consolidated subsidiaries also manage liquidity risk in the same manner.

(4) Supplementary explanation concerning fair values of financial instruments, etc.

Fair value of financial instruments comprises of values based on market prices and reasonably determined values where market prices are unavailable. As variable factors are incorporated in determining the fair value, the resulting amount may vary depending on the different preconditions employed. The contract or notional amounts of derivative transactions in notes "Derivatives" do not, in themselves, indicate the market risk associated with the derivative transactions.

2. Fair value of financial instruments

The carrying amounts of financial instruments and their fair values, as well as their differences are as follows:

As of March 31, 2025

	(Millions of yen)		
	Carrying amount	Fair value	Difference
(1) Notes receivable - trade	1,943	1,943	—
(2) Accounts receivable - trade	34,088	34,088	—
(3) Electronically recorded monetary claims - operating	4,148	4,148	—
Allowance for doubtful accounts (*2)	(569)	(569)	—
	39,610	39,610	—
(4) Securities and investment securities	8,569	8,569	—
Total assets	48,180	48,180	—
(1) Notes and accounts payable - trade	14,630	14,630	—
(2) Electronically recorded obligations - operating	1,910	1,910	—
(3) Short-term borrowings	17,086	17,086	—
Total liabilities	33,627	33,627	—
Derivative transactions (*4)	(35)	(35)	—

(*1) Information about "cash and deposits" is omitted, because part of them is cash, and deposits are settled in a short term and their fair value is thus close to the carrying amount.

(*2) The deducted amount is allowance for doubtful accounts relating to notes receivable - trade, accounts receivable - trade and electronically recorded monetary claims - operating.

(*3) Equity securities, etc. whose market prices are not available are not included in "(4) Securities and investment securities." The carrying amounts of the financial instruments are as follows:

(Millions of yen)	
Categories	As of March 31, 2025
Unlisted equity securities	614

(*4) Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in parentheses indicate net liabilities.

As of March 31, 2026

(Millions of yen)			
	Carrying amount	Fair value	Difference
(1) Notes receivable - trade	799	799	—
(2) Accounts receivable - trade	36,819	36,819	—
(3) Electronically recorded monetary claims - operating	5,489	5,489	—
Allowance for doubtful accounts (*2)	(648)	(648)	—
	42,460	42,460	—
(4) Securities and investment securities	13,652	13,652	—
Total assets	56,112	56,112	—
(1) Notes and accounts payable - trade	15,419	15,419	—
(2) Electronically recorded obligations - operating	2,324	2,324	—
(3) Short-term borrowings	13,666	13,666	—
Total liabilities	31,411	31,411	—
Derivative transactions (*4)	4	4	—

(*1) Information about “cash and deposits” is omitted, because part of them is cash, and deposits are settled in a short term and their fair value is thus close to the carrying amount.

(*2) The deducted amount is allowance for doubtful accounts relating to notes receivable - trade, accounts receivable - trade and electronically recorded monetary claims - operating.

(*3) Equity securities, etc. whose market prices are not available are not included in “(4) Securities and investment securities.” The carrying amounts of the financial instruments are as follows:

(Millions of yen)	
Categories	As of March 31, 2026
Unlisted equity securities	614

(*4) Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in parentheses indicate net liabilities.

Notes: 1. Redemption schedule for monetary receivables and securities with maturity after the consolidated balance sheet date

As of March 31, 2025

(Millions of yen)				
	Due within one year	Due after one year and up to five years	Due after five years and up to ten years	Due after ten years
Cash and deposits	36,751	—	—	—
Notes receivable - trade	1,943	—	—	—
Accounts receivable - trade	34,088	—	—	—
Electronically recorded monetary claims - operating	4,148	—	—	—
Total	76,931	—	—	—

As of March 31, 2026

(Millions of yen)

	Due within one year	Due after one year and up to five years	Due after five years and up to ten years	Due after ten years
Cash and deposits	40,244	—	—	—
Notes receivable - trade	799	—	—	—
Accounts receivable - trade	36,819	—	—	—
Electronically recorded monetary claims - operating	5,489	—	—	—
Total	83,353	—	—	—

2. Redemption schedule for interest-bearing debts after the consolidated balance sheet date

As of March 31, 2025

(Millions of yen)

	Due within one year	Due after one year and up to two years	Due after two years and up to three years	Due after three years and up to four years	Due after four years and up to five years	Due after five years
Short-term borrowings	17,086	—	—	—	—	—
Total	17,086	—	—	—	—	—

As of March 31, 2026

(Millions of yen)

	Due within one year	Due after one year and up to two years	Due after two years and up to three years	Due after three years and up to four years	Due after four years and up to five years	Due after five years
Short-term borrowings	13,666	—	—	—	—	—
Total	13,666	—	—	—	—	—

3. Breakdown by level of fair values of financial instruments, etc.

Fair values of financial instruments are classified into the following three levels according to the observability and significance of inputs for fair value measurement.

Level 1 fair value: Fair value measured using quoted prices formed in an active market for the asset or liability that is subject to the measurement, among observable inputs for fair value measurement

Level 2 fair value: Fair value measured using inputs for fair value measurement other than Level 1 inputs, among observable inputs for fair value measurement

Level 3 fair value: Fair value measured using unobservable inputs for fair value measurement

If multiple inputs that have a significant impact are used for fair value measurement, the fair value is classified to the lowest priority level of fair value measurement in which each of the inputs belongs.

(1) Financial instruments recorded at fair value in the consolidated balance sheet

As of March 31, 2025

(Millions of yen)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	8,569	—	—	8,569
Total assets	8,569	—	—	8,569
Derivative transactions (*)				
Currency-related transactions	—	(35)	—	(35)
Commodity-related transactions	—	—	—	—
Total derivative transactions	—	(35)	—	(35)

(*) Derivative transactions recorded in other assets and liabilities are presented together.

Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in parentheses indicate net liabilities.

As of March 31, 2026

(Millions of yen)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	13,652	—	—	13,652
Total assets	13,652	—	—	13,652
Derivative transactions (*)				
Currency-related transactions	—	1	—	1
Commodity-related transactions	—	3	—	3
Total derivative transactions	—	4	—	4

(*) Derivative transactions recorded in other assets and liabilities are presented together.

Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in parentheses indicate net liabilities.

(2) Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet

As of March 31, 2025

(Millions of yen)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	—	1,943	—	1,943
Accounts receivable - trade	—	34,088	—	34,088
Electronically recorded monetary claims - operating	—	4,148	—	4,148
Allowance for doubtful accounts (*)	—	(569)	—	(569)
Total assets	—	39,610	—	39,610
Notes and accounts payable - trade	—	14,630	—	14,630
Electronically recorded obligations - operating	—	1,910	—	1,910
Short-term borrowings	—	17,086	—	17,086
Total liabilities	—	33,627	—	33,627

(*) The deducted amount is allowance for doubtful accounts relating to notes receivable - trade, accounts receivable - trade and electronically recorded monetary claims - operating.

As of March 31, 2026

(Millions of yen)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	—	799	—	799
Accounts receivable - trade	—	36,819	—	36,819
Electronically recorded monetary claims - operating	—	5,489	—	5,489
Allowance for doubtful accounts (*)	—	(648)	—	(648)
Total assets	—	42,460	—	42,460
Notes and accounts payable - trade	—	15,419	—	15,419
Electronically recorded obligations - operating	—	2,324	—	2,324
Short-term borrowings	—	13,666	—	13,666
Total liabilities	—	31,411	—	31,411

(*) The deducted amount is allowance for doubtful accounts relating to notes receivable - trade, accounts receivable - trade and electronically recorded monetary claims - operating.

Note: Explanation of valuation techniques used to measure fair value and inputs for fair value measurement

Securities and investment securities

Listed equity securities are valued using quoted prices. Since listed equity securities are traded in active markets, their fair values are classified as Level 1 fair value.

Derivative transactions

The fair value of derivative transactions is calculated based on the prices provided by counterparty financial institutions, and is classified as Level 2 fair value.

Notes receivable - trade, accounts receivable - trade and electronically recorded monetary claims - operating

As these items are settled in a short term and their fair values are close to the carrying amounts, they are presented in the carrying amount, and the fair values are classified as Level 2 fair value.

Notes and accounts payable - trade, electronically recorded obligations - operating, and short-term borrowings

As these items are settled in a short term and their fair values are close to the carrying amounts, they are presented in the carrying amount, and the fair values are classified as Level 2 fair value.

(Securities)

1. Available-for-sale securities

As of March 31, 2025

(Millions of yen)			
Categories	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost			
Equity securities	7,594	2,061	5,533
Subtotal	7,594	2,061	5,533
Securities whose carrying amount does not exceed their acquisition cost			
Equity securities	20	38	(17)
MMF, etc.	954	954	—
Subtotal	974	992	(17)
Total	8,569	3,054	5,515

Note: Unlisted equity securities whose market prices are not available (carrying amount: ¥614 million) are not included in “Available-for-sale securities” in the above table.

As of March 31, 2026

(Millions of yen)			
Categories	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost			
Equity securities	12,309	2,952	9,357
Subtotal	12,309	2,952	9,357
Securities whose carrying amount does not exceed their acquisition cost			
Equity securities	15	26	(11)
MMF, etc.	1,327	1,327	—
Subtotal	1,342	1,353	(11)
Total	13,652	4,306	9,345

Note: Unlisted equity securities whose market prices are not available (carrying amount: ¥614 million) are not included in “Available-for-sale securities” in the above table.

2. Available-for-sale securities sold

Fiscal year ended March 31, 2025

(Millions of yen)			
Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities	6	5	—
Total	6	5	—

Fiscal year ended March 31, 2026

(Millions of yen)			
Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities	35	24	3
Total	35	24	3

3. Impairment loss recognized on securities

For the fiscal year ended March 31, 2025, an impairment loss of ¥19 million was recognized on equity available-for-sale securities.

Not applicable for the fiscal year ended March 31, 2026.

When the fair value of securities at the fiscal year end declines by 50% or more of their acquisition cost, those securities are written down to the fair value. When the fair value declines by approximately 30% to 50% of the acquisition cost, an impairment loss is recognized at the amount deemed necessary considering the recoverability in fair value.

In addition, for equity securities whose market prices are not available, when the real value of those equity securities declines by 50% or more from the acquisition cost due to a deterioration in the issuer's financial position, impairment loss is recognized unless the recoverability is supported by reasonable grounds.

(Derivatives)

1. Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

As of March 31, 2025

(Millions of yen)					
Categories	Type of transaction	Contract or notional amounts	Maturing after one year	Fair value	Unrealized gain (loss)
OTC transactions	Forward exchange contracts				
	Sell:				
	USD selling/Euro buying	1,110	—	(36)	(36)
	Buy:				
	USD buying/JPY selling	33	—	0	0
	JPY buying/Euro selling	50	—	0	0
	GBP buying/Euro selling	96	—	1	1
Total		1,291	—	(35)	(35)

As of March 31, 2026

(Millions of yen)					
Categories	Type of transaction	Contract or notional amounts	Maturing after one year	Fair value	Unrealized gain (loss)
OTC transactions	Forward exchange contracts				
	Sell:				
	USD selling/Euro buying	316	—	3	3
	GBP selling/Euro buying	103	—	(1)	(1)
	Buy:				
	USD buying/JPY selling	57	—	0	0
	JPY buying/Euro selling	153	—	(3)	(3)
	GBP buying/Euro selling	363	—	1	1
Total		993	—	1	1

(2) Interest-rate-related transactions

Not applicable.

2. Derivative transactions for which hedge accounting is applied

Commodity-related transactions

As of March 31, 2025

Not applicable.

As of March 31, 2026

(Millions of yen)					
Hedge accounting method	Type of transaction	Main hedged item	Contract or notional amounts	Maturing after one year	Fair value
Principle method	Commodity swap transactions	Raw materials			
	Receive Float / Pay Fixed		7	—	3
	Total		7	—	3

(Retirement Benefits)

1. Overview of retirement benefit plan adopted by the Company

The Group, excluding certain overseas consolidated subsidiaries, has defined benefit plans such as corporate defined benefit pension plans and lump-sum retirement payment plans. Certain consolidated subsidiaries have defined contribution plans. In some cases, the Group pays additional severance benefits to retiring employees.

Under the corporate defined benefit pension plans and the lump-sum retirement payment plans for certain consolidated subsidiaries, retirement benefit liability and retirement benefit expenses are calculated using the simplified method.

2. Defined benefit plan

(1) Reconciliation of retirement benefit obligations at beginning of period and at end of period (excluding plans to which the simplified method was applied)

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Retirement benefit obligation at beginning of period	6,009	6,213
Service cost	359	364
Interest cost	93	115
Actuarial gains and losses	(22)	(296)
Past service cost	(52)	(8)
Retirement benefits paid	(307)	(475)
Other	134	114
Retirement benefit obligation at end of period	6,213	6,027

(2) Reconciliation of plan assets at beginning of period and at end of period (excluding plans to which the simplified method was applied)

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Plan assets at beginning of period	5,115	5,233
Expected return on plan assets	76	78
Actuarial gains and losses	(78)	317
Contributions from employer	323	337
Retirement benefits paid	(204)	(268)
Other	0	0
Plan assets at end of period	5,233	5,698

(3) Reconciliation of retirement benefit liabilities for plans to which the simplified method was applied at beginning of period and at end of period

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Retirement benefit liability at beginning of period	139	95
Retirement benefit expenses	189	303
Retirement benefits paid	(98)	(109)
Contribution to plans	(154)	(175)
Other	20	39
Retirement benefit liability at end of period	95	153

(4) Reconciliation between retirement benefit obligations and plan assets at end of period, and retirement benefit liability and retirement benefit asset recognized on the consolidated balance sheet

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2026
Retirement benefit obligation for funded plans	5,890	5,803
Plan assets	(6,782)	(7,426)
	(892)	(1,622)
Retirement benefit obligation for unfunded plans	1,969	2,105
Net balance of liability and asset recognized on the consolidated balance sheet	1,076	482
Retirement benefit liability	2,190	2,347
Retirement benefit asset	(1,113)	(1,864)
Net balance of liability and asset recognized on the consolidated balance sheet	1,076	482

Note: Figures include those for plans to which the simplified method was applied.

(5) Retirement benefit expenses and their breakdown

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Service cost	359	364
Interest cost	93	115
Expected return on plan assets	(76)	(78)
Amortization of actuarial gains and losses	(24)	(14)
Amortization of past service cost	2	(8)
Retirement benefit expenses applying simplified method	189	303
Retirement benefit expenses under defined benefit plans	542	682

(6) Remeasurements of defined benefit plans

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Actuarial gains and losses	93	(599)
Total	93	(599)

(7) Accumulated remeasurements of defined benefit plans

The breakdown of items recognized in accumulated remeasurements of defined benefit plans (before income taxes and tax effect) on the consolidated balance sheet is as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2026
Unrecognized actuarial gains and losses	(492)	(1,091)
Total	(492)	(1,091)

(8) Plan assets

(i) Breakdown of plan assets

Percentage of each main category to total plan assets is as follows:

	(%)	
	As of March 31, 2025	As of March 31, 2026
Bonds	8	8
Equity securities	17	18
General accounts	61	59
Other	14	15
Total	100	100

(ii) Determination of expected long-term rate of return on plan assets

In determining the expected long-term rate of return on plan assets, the Company takes into consideration the current and future plan asset allocation, and the current and expected long-term rate of return on various asset categories comprising plan assets.

(9) Actuarial assumptions

Major bases for actuarial calculation

	(%)	
	As of March 31, 2025	As of March 31, 2026
Discount rate	1.7-1.8	1.9-2.6
Long-term expected rate of return	1.5	1.5
Expected rate of salary increase	2.2-4.6	2.0-4.7

3. Defined contribution plan

The required contribution to the defined contribution plan for certain consolidated subsidiaries amounted to ¥193 million and ¥160 million as of March 31, 2025 and 2026, respectively.

(Tax Effect Accounting)

1. Significant components of deferred tax assets and deferred tax liabilities

	As of March 31, 2025	(Millions of yen) As of March 31, 2026
Deferred tax assets		
Retirement benefit liability	283	62
Tax loss carried forward (Note) 2	59	84
Allowance for doubtful accounts	208	190
Impairment losses	166	202
Loss on valuation of investment securities	319	316
Loss on valuation of inventories	175	161
Accrued bonuses and provisions	217	232
Provision for product warranties	29	31
Accrued enterprise tax	49	111
Elimination of unrealized gains	221	239
Other	912	863
Gross deferred tax assets	2,643	2,497
Valuation allowance for tax loss carried forward (Note) 2	(49)	(66)
Valuation allowance for total amount of deductible temporary differences	(808)	(869)
Valuation allowance subtotal	(857)	(935)
Total deferred tax assets	1,785	1,560
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,655)	(2,863)
Retirement benefit asset	(30)	(42)
Retained profit of overseas subsidiaries	(1,111)	(1,910)
Other	(258)	(290)
Total deferred tax liabilities	(3,056)	(5,107)
Net deferred tax assets (liabilities) (Note) 1	(1,270)	(3,546)

Notes: 1. The amount equivalent to deferred tax assets on revaluation reserve for land has not been recorded as deferred tax assets.

2. Tax loss carried forward and deferred tax assets by carry-forward period are as follows:

As of March 31, 2025

	(Millions of yen)						
	Due within one year	Due after one year and up to two years	Due after two years and up to three years	Due after three years and up to four years	Due after four years and up to five years	Due after five years	Total
Tax loss carried forward (*1)	—	—	—	—	—	59	59
Valuation allowance	—	—	—	—	—	(49)	(49)
Deferred tax assets	—	—	—	—	—	9	(*2) 9

(*1) The tax loss carried forward was calculated by multiplying the statutory tax rate.

(*2) Deferred tax assets on tax loss carried forward were recognized mainly because CMP COATINGS, INC., a consolidated subsidiary of the Company, recorded loss before income taxes for the years ended December 31, 2015 and 2022. The Company has determined, based on expected future taxable income and other factors, that the deferred tax assets related to the tax loss carried forward are partly recoverable.

As of March 31, 2026

(Millions of yen)

	Due within one year	Due after one year and up to two years	Due after two years and up to three years	Due after three years and up to four years	Due after four years and up to five years	Due after five years	Total
Tax loss carried forward (*1)	—	—	—	—	—	84	84
Valuation allowance	—	—	—	—	—	(66)	(66)
Deferred tax assets	—	—	—	—	—	18	(*2) 18

(*1) The tax loss carried forward was calculated by multiplying the statutory tax rate.

(*2) Deferred tax assets on tax loss carried forward were recognized mainly because CMP COATINGS, INC., a consolidated subsidiary of the Company, recorded loss before income taxes for the years ended December 31, 2015, 2022 and 2025. The Company has determined, based on expected future taxable income and other factors, that the deferred tax assets related to the tax loss carried forward are partly recoverable.

2. Reconciliation of significant difference between statutory tax rate and effective tax rate after application of tax effect accounting

	As of March 31, 2025	As of March 31, 2026
Statutory tax rate	30.5	30.5
Reconciliation:		
Difference in tax rates between consolidated subsidiaries and the Company	(6.8)	(7.3)
Non-deductible expenses for income tax purposes (e.g. entertainment expenses)	1.5	1.2
Non-taxable income for income tax purposes (e.g. dividend income)	(10.7)	(14.1)
Inhabitant tax on per capita basis and others	0.2	0.2
Retained profit of overseas subsidiaries	1.3	4.5
Elimination of dividends received	10.8	14.8
Foreign tax credit	(0.4)	(0.2)
Special tax credit for research and development cost and others	(1.0)	(1.2)
Increase (decrease) in valuation allowance for deferred tax assets	(8.2)	0.4
Other	(2.4)	0.4
Effective tax rate after application of tax effect accounting	14.8	29.2

(Asset Retirement Obligations)

The Group recognized obligations to restore the property to its original condition at the time of leaving it as asset retirement obligations mainly under the real estate leasing agreement for the Tokyo head office. The Group used the method where the amount of leasehold deposits related to the real estate leasing agreement that are eventually unlikely to be collected is reasonably estimated and the portion of this estimated amount that is borne in the current fiscal year is recorded as expenses, instead of recording such obligations as liabilities.

(Real Estate for Lease, etc.)

Information is omitted because of immateriality of total amount of real estate for lease.

(Revenue Recognition)

1. Information on disaggregation of revenue from contracts with customers

Fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segments					
	Japan	China	South Korea	Southeast Asia	Europe and the US	Total
Marine paints	36,661	19,634	19,261	11,665	28,224	115,447
Industrial paints	5,739	1,148	185	6,102	343	13,518
Container paints	—	615	—	1,176	75	1,866
Other	320	—	—	—	—	320
Revenue from contracts with customers	42,721	21,398	19,446	18,944	28,642	131,152
Other income	—	—	—	—	—	—
External sales	42,721	21,398	19,446	18,944	28,642	131,152

Fiscal year ended March 31, 2026

(Millions of yen)

	Reportable segments					
	Japan	China	South Korea	Southeast Asia	Europe and the US	Total
Marine paints	38,490	21,266	19,142	12,660	30,826	122,386
Industrial paints	6,188	1,201	218	6,408	1,041	15,057
Container paints	—	441	—	1,140	78	1,659
Other	260	—	—	—	—	260
Revenue from contracts with customers	44,939	22,908	19,360	20,208	31,946	139,364
Other income	—	—	—	—	—	—
External sales	44,939	22,908	19,360	20,208	31,946	139,364

2. Information that forms the basis for understanding revenue from contracts with customers

Information that forms the basis for understanding revenue is as described in “(Significant Accounting Policies for Preparation of Consolidated Financial Statements), 4. Accounting policies, (5) Accounting policy for significant revenues and expenses.”

3. Information on the relation between the satisfaction of performance obligations based on contracts with customers and cash flows arising from these contracts, and amount and timing of revenue expected to be recognized in and after the next fiscal year from contracts with customers that existed at the end of the current fiscal year

(1) Balances of contract assets and contract liabilities, etc.

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Receivables arising from contracts with customers (opening balance)	39,865	40,180
Receivables arising from contracts with customers (closing balance)	40,180	43,108
Contract liabilities (opening balance)	101	82
Contract liabilities (closing balance)	82	401

Receivables arising from contracts with customers are notes receivable - trade, accounts receivable - trade and electronically recorded monetary claims - operating.

Contract liabilities are related to advances received from customers in sales of paints to new customers, etc. Contract liabilities are reversed in line with recognition of revenue based on satisfaction of performance obligations upon shipment or delivery of products.

Of the amount of revenue recognized in the fiscal year ended March 31, 2025, the amount included in the opening balance of contract liabilities is ¥92 million.

Of the amount of revenue recognized in the fiscal year ended March 31, 2026, the amount included in the opening balance of contract liabilities is ¥68 million.

(2) Transaction prices allocated to remaining performance obligations

Since there are no significant transactions for which the initial expected contract period will exceed one year, the Group has applied practical expedients and has omitted information on remaining performance obligations. Additionally, of the compensation arising from contracts with customers, there are no significant amounts not included in the transaction price.

(Segment Information, etc.)

Segment information

1. Description of reportable segments

The Group defines reportable segments as a component of the Group for which discrete financial information is available and which are regularly reviewed by the Board of Directors to make decisions about resource allocations and assess its performances.

The Group is mainly engaged in manufacturing and sales of paints. Business operations in Japan are mainly managed by the Company, while for overseas operations, CHUGOKU MARINE PAINTS (Shanghai), Ltd., CHUGOKU MARINE PAINTS (Guangdong), Ltd., CHUGOKU SAMHWA PAINTS, Ltd., CHUGOKU MARINE PAINTS (Singapore) Pte. Ltd., CHUGOKU PAINTS (Malaysia) Sdn. Bhd., CHUGOKU PAINTS B.V., and other local corporations are in charge of each region of China, South Korea, Southeast Asia, and Europe and the US. Each of the Group companies is an independent management unit, but each proposes comprehensive strategy for the products it handles in each region and engages in business activities.

For this reason, the Group consists of regional segments based on the manufacturing and sales systems and has five reportable segments, namely Japan, China, South Korea, Southeast Asia, and Europe and the US. Of reportable segments, “Japan” engages in the real estate management business in addition to manufacturing and sales of paints, and other reportable segments engage in manufacturing and sales of paints.

2. Method of calculating net sales, profit (loss), assets and other items for each reportable segment

Accounting policies for reportable business segments are generally consistent with those given in “Significant Accounting Policies for Preparation of Consolidated Financial Statements.”

Segment profit is based on operating profit.

Intersegment sales and transfers are based on the prevailing market price.

3. Information of net sales, profit (loss), assets and other items for each reportable segment

Fiscal year ended March 31, 2025

(Millions of yen)						
	Japan	China	South Korea	Southeast Asia	Europe and the US	Total
Net sales						
External sales	42,721	21,398	19,446	18,944	28,642	131,152
Intersegment sales or transfers	7,128	10,151	2,551	6,022	1,403	27,257
Total	49,849	31,549	21,998	24,966	30,046	158,410
Segment profit	2,220	2,716	2,543	3,851	2,191	13,523
Segment assets	63,753	38,665	11,501	24,905	23,180	162,006
Other items						
Depreciation	543	196	164	260	477	1,642
Impairment losses	928	—	—	—	—	928
Increase in property, plant and equipment and intangible assets	817	148	226	336	499	2,028

Fiscal year ended March 31, 2026

(Millions of yen)

	Japan	China	South Korea	Southeast Asia	Europe and the US	Total
Net sales						
External sales	44,939	22,908	19,360	20,208	31,946	139,364
Intersegment sales or transfers	8,107	10,993	2,193	4,825	1,370	27,491
Total	53,046	33,902	21,554	25,033	33,317	166,855
Segment profit	3,287	2,968	3,276	4,120	1,109	14,761
Segment assets	65,497	39,958	11,503	26,641	26,542	170,143
Other items						
Depreciation	624	184	158	277	540	1,786
Impairment losses	152	—	—	—	—	152
Increase in property, plant and equipment and intangible assets	1,345	289	67	300	476	2,479

4. Reconciliation between reportable segments total and amounts on the consolidated financial statements (difference adjustments)

(Millions of yen)

Profit (loss)	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Total reportable segments	13,523	14,761
Elimination of intersegment transactions	3,363	4,438
Corporate expenses (Note)	(1,505)	(1,763)
Operating profit on the consolidated financial statements	15,381	17,437

Note: Corporate expenses primarily comprise general and administrative expenses not allocable to reportable segments.

(Millions of yen)

Assets	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Total reportable segments	162,006	170,143
Elimination of intersegment transactions	(26,428)	(27,990)
Corporate assets (Note)	9,198	15,408
Total assets on the consolidated financial statements	144,777	157,560

Note: Corporate assets primarily comprise cash and deposits and investment securities not allocable to reportable segments.

(Millions of yen)

Other items	Total reportable segments		Adjustments		Amounts on the consolidated financial statements	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Depreciation	1,642	1,786	56	61	1,698	1,847
Impairment losses	928	152	–	–	928	152
Increase in property, plant and equipment and intangible assets	2,028	2,479	348	5	2,376	2,484

Related information

Fiscal year ended March 31, 2025

1. Information for respective products or services

(Millions of yen)

	Marine paints	Industrial paints	Container paints	Other	Total
External sales	115,447	13,518	1,866	320	131,152

2. Information for each region

(1) Net sales

Information about net sales for each region has been omitted as the similar information is disclosed in the segment information.

Of net sales for Europe and the US, those for Netherlands are ¥23,532 million.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	South Korea	Southeast Asia	Europe and the US	Total
15,257	1,604	1,247	2,127	4,363	24,599

Note: Of property, plant and equipment for Europe and the US, those for Netherlands are ¥3,948 million.

3. Information for each of main customers

Information for each of main customers has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Fiscal year ended March 31, 2026

1. Information for respective products or services

(Millions of yen)

	Marine paints	Industrial paints	Container paints	Other	Total
External sales	122,386	15,057	1,659	260	139,364

2. Information for each region

(1) Net sales

Information about net sales for each region has been omitted as the similar information is disclosed in the segment information.

Of net sales for Europe and the US, those for Netherlands are ¥25,317 million.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	South Korea	Southeast Asia	Europe and the US	Total
12,344	1,750	1,173	2,296	5,061	22,625

Note: Of property, plant and equipment for Europe and the US, those for Netherlands are ¥4,358 million.

3. Information for each of main customers

Information for each of main customers has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Information about impairment losses on non-current assets for each reportable segment

Fiscal year ended March 31, 2025

(Millions of yen)

	Japan	China	South Korea	Southeast Asia	Europe and the US	Unallocated amounts and elimination	Total
Impairment losses	928	—	—	—	—	—	928

Fiscal year ended March 31, 2026

(Millions of yen)

	Japan	China	South Korea	Southeast Asia	Europe and the US	Unallocated amounts and elimination	Total
Impairment losses	152	—	—	—	—	—	152

Information about amortization and unamortized balance of goodwill for each reportable segment

Not applicable.

Information about gain on bargain purchase for each reportable segment

Fiscal year ended March 31, 2025

Not applicable.

Fiscal year ended March 31, 2026

Information is omitted because of immateriality.

Related parties

Fiscal year ended March 31, 2025

Not applicable.

Fiscal year ended March 31, 2026

Not applicable.

(Per Share Information)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net assets per share	1,684.84	1,924.33
Basic earnings per share	276.78	221.66

Notes: 1. Diluted earnings per share is not provided because no potential share exists.

2. The basis used for calculating net assets per share is as follows:

(Millions of yen, unless otherwise noted)

	As of March 31, 2025	As of March 31, 2026
Total net assets	89,435	101,780
Amounts deducted from total net assets	5,903	6,306
(Of which, non-controlling interests)	(5,903)	(6,306)
Net assets attributable to ordinary shares	83,531	95,473
Number of ordinary shares at end of period used to calculate net assets per share (Thousands of shares)	49,578	49,613

3. The basis used for calculating basic earnings per share is as follows:

(Millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Profit attributable to owners of parent	13,721	10,995
Amount not attributable to ordinary shareholders	—	—
Profit attributable to owners of parent on ordinary shares	13,721	10,995
Average number of ordinary shares outstanding during the period (Thousands of shares)	49,575	49,603

(Significant Subsequent Events)

Absorption-type merger of wholly owned subsidiary

(Bunsei Trading Co., Ltd.)

The Company resolved, at the Board of Directors meeting held on October 31, 2025, to absorb and merge (the “Merger”) its wholly owned subsidiary, Bunsei Trading Co., Ltd. (“Bunsei”), with an effective date of July 1, 2026. The absorption-type merger was carried out on July 1, 2026.

1. The purpose of the Merger

Bunsei is a sales subsidiary of the Company whose main business areas are Yamaguchi and Fukuoka prefectures. The Company has decided to absorb and merge Bunsei in order to unify our sales channels, streamline group management, and improve business efficiency.

2. Transaction overview

(1) Schedule

Resolution date	October 31, 2025
Contract date	October 31, 2025
Merger date (effective date)	July 1, 2026

* The Merger is a simple absorption-type merger executed by the Company pursuant to Article 796, paragraph (2) of the Companies Act, and by Bunsei pursuant to Article 784, paragraph (1) of the said Act, and therefore, neither party is required to convene a general meeting of shareholders to obtain approval for entering into the Agreement.

(2) Transaction method

The Company is the surviving company in an absorption-type merger with Bunsei, which is dissolved as of the effective date of the merger.

(3) Share allotment

The Company owns all of the issued shares of Bunsei, and therefore, there is no allotment of shares or a payment in the form of cash or other kinds.

(4) Stock acquisition rights or bonds with stock acquisition rights issued in connection with Bunsei

Not applicable.

(5) Status after the Merger

There are no changes to the conditions and/or the status of the Company including, but not limited to its name, location, representative, main business activities, capital, or a fiscal year end as a result of the Merger.

3. Overview of the subsidiary to be merged

(1) Name	Bunsei Trading Co., Ltd.
(2) Location	1-6-18 Enoura-cho, Hikoshima, Shimonoseki City, Yamaguchi
(3) Name and title of representative	Hiroyasu Okano, President and CEO
(4) Main business activities	Sales of paint
(5) Capital	¥10 million

4. Overview of accounting treatment to be adopted

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the Company accounts for the business combination as a transaction under common control.

(Kobe Paints, Ltd.)

The Company resolved, at the Board of Directors meeting held on July 31, 2026, to absorb and merge (the “Merger”) its wholly owned subsidiary, Kobe Paints, Ltd. (“Kobe Paints”), with an effective date of April 1, 2027.

1. The purpose of the Merger

Kobe Paints is a paint manufacturer that, like the Company, primarily focuses on marine paints. Kobe Paints joined the Group in December 1994 and became a wholly owned subsidiary of the Company in

December 1999, continuing to this day.

The Company has decided to absorb and merge Kobe Paints in order to integrate the business operations of both companies in areas such as production, product branding, and sales channels, streamline group management, and improve business efficiency.

2. Transaction overview

(1) Schedule

Resolution date	July 31, 2026
Contract date	July 31, 2026
Planned merger date (effective date of merger)	April 1, 2027 (planned)

* The Merger will be a simple absorption-type merger executed by the Company pursuant to Article 796, paragraph (2) of the Companies Act, and by Kobe Paints pursuant to Article 784, paragraph (1) of the said Act, and therefore, neither party is required to convene a general meeting of shareholders to obtain approval for entering into the Agreement.

(2) Transaction method

The Company will be the surviving company in an absorption-type merger with Kobe Paints, which will be dissolved as of the effective date of the merger.

(3) Share allotment

The Company owns all of the issued shares of Kobe Paints, and therefore, there will be no allotment of shares or a payment in the form of cash or other kinds.

(4) Stock acquisition rights or bonds with stock acquisition rights issued in connection with Kobe Paints

Not applicable.

(5) Status after the Merger

There will be no changes to the conditions and/or the status of the Company including, but not limited to its name, location, representative, main business activities, capital, or a fiscal year end as a result of the Merger.

3. Overview of the subsidiary to be merged

(1) Name	Kobe Paints, Ltd.
(2) Location	1321-1, Rokubuichi Aza Hyakuchobu, Inami-Cho, Kako-Gun, Hyogo
(3) Name and title of representative	Noboru Osaki, President and CEO
(4) Main business activities	Manufacturing and sales of paint
(5) Capital	¥400 million

4. Overview of accounting treatment to be adopted

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the Company will account for the business combination as a transaction under common control.

(Annexed Consolidated Detailed Schedules)

Annexed consolidated detailed schedules of corporate bonds

Not applicable.

Annexed consolidated detailed schedules of borrowings

Categories	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	17,086	13,666	2.4	—
Current portion of long-term borrowings	1,700	—	—	—
Current portion of lease liabilities	224	268	3.7	—
Long-term borrowings (excluding current portion)	1,000	2,738	1.8	From January 2027 to September 2030
Lease liabilities (excluding current portion)	780	717	1.7	From January 2027 to October 2047
Other interest-bearing debt	—	—	—	—
Total	20,792	17,391	—	—

- Notes: 1. The average interest rate represents the weighted-average interest rate over the year-end balance of borrowings.
2. The redemption schedule for long-term borrowings and lease liabilities (excluding current portions) within five years after the consolidated balance sheet date is as follows:

Categories	(Millions of yen)			
	Due after one year and up to two years	Due after two years and up to three years	Due after three years and up to four years	Due after four years and up to five years
Long-term borrowings	1,715	1,007	7	7
Lease liabilities	215	90	26	16

Annexed consolidated detailed schedules of asset retirement obligations

Because the amount of asset retirement obligations at the beginning and end of the fiscal year ended March 31, 2026 was 1% or less of the total amount of liabilities and net assets at the beginning and end of the fiscal year ended March 31, 2026, information is omitted pursuant to the provisions of Article 92-2 of the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.”

(2) Other

Semi-annual information for the fiscal year ended March 31, 2026

	(Millions of yen, unless otherwise noted)	
	Six months ended September 30, 2025	Fiscal year ended March 31, 2026
Net sales	68,507	139,364
Profit before income taxes	8,819	17,899
Profit attributable to owners of parent	5,914	10,995
Basic earnings per share (Yen)	119.26	221.66