

**CHUGOKU MARINE PAINTS, LTD.**

**Consolidated Financial Statements  
for the years ended March 31, 2018 and 2017**



## Independent Auditor's Report

The Board of Directors  
CHUGOKU MARINE PAINTS, LTD.

We have audited the accompanying consolidated financial statements of CHUGOKU MARINE PAINTS, LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CHUGOKU MARINE PAINTS, LTD. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

*Ernst & Young ShinNihon LLC*  
June 21, 2018

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets

March 31, 2018 and 2017

| ASSETS   | Millions of Yen  |                  | Thousands of<br>U.S. Dollars<br>(Note 3) |
|--|------------------|------------------|--|
|  | <u>2018</u>      | <u>2017</u>      | <u>2018</u>                              |
| Current assets:                                    |                  |                  |  |
| Cash on hand and in banks (Notes 16 and 18)        | ¥ 33,751         | ¥ 36,918         | \$ 317,686                               |
| Trade notes and accounts receivable (Note 18)      | 35,998           | 32,605           | 338,837                                  |
| Short-term investment securities (Notes 15 and 18) | 143              | 186              | 1,346                                    |
| Inventories (Note 4)                               | 17,106           | 14,057           | 161,013                                  |
| Deferred tax assets (Note 10)                      | 798              | 1,064            | 7,511                                    |
| Other current assets                               | 1,736            | 1,289            | 16,340                                   |
| Allowance for doubtful accounts (Note 18)          | (1,482)          | (2,118)          | (13,950)                                 |
| Total current assets                               | <u>88,050</u>    | <u>84,001</u>    | <u>828,783</u>                           |
| Property, plant and equipment:                     |                  |                  |  |
| Buildings and structures                           | 20,473           | 18,957           | 192,705                                  |
| Machinery, equipment and vehicles                  | 18,576           | 15,992           | 174,850                                  |
| Tools, furniture and fixtures                      | 4,849            | 4,604            | 45,642                                   |
|  | <u>43,898</u>    | <u>39,553</u>    | <u>413,197</u>                           |
| Less, accumulated depreciation                     | (30,216)         | (28,305)         | (284,413)                                |
|  | <u>13,682</u>    | <u>11,248</u>    | <u>128,784</u>                           |
| Land   | 13,225           | 13,181           | 124,482                                  |
| Construction in progress                           | 142              | 2,398            | 1,337                                    |
| Total property, plant and equipment                | <u>27,049</u>    | <u>26,827</u>    | <u>254,603</u>                           |
| Investments and other assets:                      |                  |                  |  |
| Investment securities (Notes 5, 15 and 18)         | 8,005            | 8,382            | 75,348                                   |
| Net defined benefit asset (Note 6)                 | 84               | 81               | 791                                      |
| Deferred tax assets (Note 10)                      | 684              | 549              | 6,438                                    |
| Other assets                                       | 2,175            | 2,218            | 20,473                                   |
| Total investments and other assets                 | <u>10,948</u>    | <u>11,230</u>    | <u>103,050</u>                           |
| Total assets                                       | <u>¥ 126,047</u> | <u>¥ 122,058</u> | <u>\$1,186,436</u>                       |

The accompanying notes are an integral part of these consolidated financial statements.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets

March 31, 2018 and 2017

| LIABILITIES AND NET ASSETS                       | Millions of Yen  |                  | Thousands of<br>U.S. Dollars<br>(Note 3) |
|--|------------------|------------------|--|
|  | 2018             | 2017             | 2018                                     |
| Current liabilities:                             |                  |                  |  |
| Short-term borrowings (Notes 5 and 18)           | ¥ 17,814         | ¥ 17,356         | \$ 167,677                               |
| Current portion of long-term debt (Note 5)       | 1,714            | 32               | 16,133                                   |
| Notes and accounts payable:                      |                  |                  |  |
| Trade (Note 18)                                  | 13,196           | 11,646           | 124,209                                  |
| Other  | 2,802            | 2,744            | 26,374                                   |
|  | <u>15,998</u>    | <u>14,390</u>    | <u>150,583</u>                           |
| Income taxes payable (Note 10)                   | 315              | 837              | 2,965                                    |
| Other current liabilities (Note 5)               | 3,452            | 3,886            | 32,493                                   |
| Total current liabilities                        | <u>39,293</u>    | <u>36,501</u>    | <u>369,851</u>                           |
| Non-current liabilities:                         |                  |                  |  |
| Long-term debt (Note 5)                          | 1,035            | 2,706            | 9,742                                    |
| Net defined benefit liability (Note 6)           | 1,359            | 1,356            | 12,792                                   |
| Deferred tax liabilities on land revaluation     | 2,252            | 2,252            | 21,197                                   |
| Deferred tax liabilities (Note 10)               | 498              | 605              | 4,687                                    |
| Other liabilities (Note 5)                       | 515              | 469              | 4,848                                    |
| Total non-current liabilities                    | <u>5,659</u>     | <u>7,388</u>     | <u>53,266</u>                            |
| Total liabilities                                | <u>44,952</u>    | <u>43,889</u>    | <u>423,117</u>                           |
| Net assets (Note 7):                             |                  |                  |  |
| Shareholders' equity:                            |                  |                  |  |
| Common stock                                     | 11,626           | 11,626           | 109,432                                  |
| Capital surplus                                  | 7,784            | 7,784            | 73,268                                   |
| Retained earnings                                | 50,249           | 49,046           | 472,976                                  |
| Treasury stock, at cost                          | (1,703)          | (1,703)          | (16,030)                                 |
| Total shareholders' equity                       | <u>67,956</u>    | <u>66,753</u>    | <u>639,646</u>                           |
| Accumulated other comprehensive income:          |                  |                  |  |
| Net unrealized holding gain on other securities  | 1,825            | 2,109            | 17,178                                   |
| Revaluation gain on land                         | 3,863            | 3,863            | 36,361                                   |
| Foreign currency translation adjustments         | 1,542            | (32)             | 14,514                                   |
| Remeasurements of defined benefit plans (Note 6) | (64)             | (143)            | (602)                                    |
| Total accumulated other comprehensive income     | <u>7,166</u>     | <u>5,797</u>     | <u>67,451</u>                            |
| Non-controlling interests                        | <u>5,973</u>     | <u>5,619</u>     | <u>56,222</u>                            |
| Total net assets (Note 14)                       | <u>81,095</u>    | <u>78,169</u>    | <u>763,319</u>                           |
| Commitments and contingent liabilities (Note 13) |                  |                  |  |
| Total liabilities and net assets                 | <u>¥ 126,047</u> | <u>¥ 122,058</u> | <u>\$1,186,436</u>                       |

The accompanying notes are an integral part of these consolidated financial statements.

## CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

### Consolidated Statements of Income

For the years ended March 31, 2018 and 2017

|   | Millions of Yen |                | Thousands of<br>U.S. Dollars<br>(Note 3) |
|---|-----------------|----------------|--|
|   | <u>2018</u>     | <u>2017</u>    | <u>2018</u>                              |
| Net sales   | ¥ 82,981        | ¥ 82,368       | \$ 781,071                               |
| Cost of sales (Note 4)                                | <u>59,501</u>   | <u>55,759</u>  | <u>560,062</u>                           |
| Gross profit  | 23,480          | 26,609         | 221,009                                  |
| Selling, general and administrative expenses (Note 8) | <u>19,718</u>   | <u>21,138</u>  | <u>185,599</u>                           |
| Operating profit                                      | <u>3,762</u>    | <u>5,471</u>   | <u>35,410</u>                            |
| Non-operating income (expenses):                      |                 |                |  |
| Interest and dividend income                          | 495             | 507            | 4,659                                    |
| Interest expense                                      | (330)           | (316)          | (3,106)                                  |
| Foreign currency exchange (loss) gain, net            | (397)           | 41             | (3,737)                                  |
| Royalty income  | 77              | 77             | 725                                      |
| Revenue from technical training                       | 101             | 84             | 951                                      |
| Rental income   | 118             | 109            | 1,111                                    |
| Other, net  | <u>87</u>       | <u>103</u>     | <u>819</u>                               |
| Non-operating income, net                             | <u>151</u>      | <u>605</u>     | <u>1,422</u>                             |
| Ordinary profit                                       | 3,913           | 6,076          | 36,832                                   |
| Special gains, net (Note 9)                           | <u>4</u>        | <u>78</u>      | <u>37</u>                                |
| Profit before income taxes                            | <u>3,917</u>    | <u>6,154</u>   | <u>36,869</u>                            |
| Income taxes (Note 10):                               |                 |                |  |
| Current   | 852             | 1,838          | 8,019                                    |
| Deferred  | <u>146</u>      | <u>(5)</u>     | <u>1,374</u>                             |
|   | 998             | 1,833          | 9,393                                    |
| Profit  | <u>2,919</u>    | <u>4,321</u>   | <u>27,476</u>                            |
| Profit attributable to non-controlling interests      | <u>472</u>      | <u>678</u>     | <u>4,443</u>                             |
| Profit attributable to owners of parent (Note 14)     | <u>¥ 2,447</u>  | <u>¥ 3,643</u> | <u>\$ 23,033</u>                         |

The accompanying notes are an integral part of these consolidated financial statements.

## CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

### Consolidated Statements of Comprehensive Income

For the years ended March 31, 2018 and 2017

|  | Millions of Yen |                | Thousands of<br>U.S. Dollars<br>(Note 3) |
|--|-----------------|----------------|--|
|  | <u>2018</u>     | <u>2017</u>    | <u>2018</u>                              |
| Profit   | ¥ 2,919         | ¥ 4,321        | \$ 27,476                                |
| Other comprehensive income (Note 19):                  |                 |                |  |
| Net unrealized holding (loss) gain on other securities | (284)           | 95             | (2,673)                                  |
| Foreign currency translation adjustments               | 1,918           | (3,010)        | 18,053                                   |
| Remeasurements of defined benefit plans                | 75              | 8              | 706                                      |
| Total other comprehensive income                       | <u>1,709</u>    | <u>(2,907)</u> | <u>16,086</u>                            |
| Comprehensive income                                   | <u>¥ 4,628</u>  | <u>¥ 1,414</u> | <u>\$ 43,562</u>                         |
| <br>   |                 |                |  |
| Total comprehensive income attributable to             |                 |                |  |
| Owners of parent                                       | ¥ 3,817         | ¥ 1,039        | \$ 35,928                                |
| Non-controlling interests                              | 811             | 375            | 7,634                                    |

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# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2018 and 2017

### For the year ended March 31, 2018

|  | Millions of Yen                                     |              |                 |                   |                         |                            |
|--|---|--------------|-----------------|-------------------|-------------------------|----------------------------|
|  | Shareholders' equity                                |              |                 |                   |                         |                            |
|  | Number of shares of common stock issued (Thousands) | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| Balance as of April 1, 2017                          | 69,069  | ¥ 11,626     | ¥ 7,784         | ¥ 49,046          | ¥ (1,703)               | ¥ 66,753                   |
| Cash dividends                                       |   |              |                 | (1,244)           |                         | (1,244)                    |
| Profit attributable to owners of parent              |   |              |                 | 2,447             |                         | 2,447                      |
| Acquisition of treasury stock                        |   |              |                 |                   | (0)                     | (0)                        |
| Net changes in items other than shareholders' equity |   |              |                 |                   |                         |                            |
| Total changes in items during the year               |   | —            | —               | 1,203             | (0)                     | 1,203                      |
| Balance as of March 31, 2018                         | 69,069  | ¥ 11,626     | ¥ 7,784         | ¥ 50,249          | ¥ (1,703)               | ¥ 67,956                   |

|  | Millions of Yen                                 |                          |  |   |  |                           |                  |
|--|---|--------------------------|--|---|--|---------------------------|------------------|
|  | Accumulated other comprehensive income          |                          |  |   |  |                           |                  |
|  | Net unrealized holding gain on other securities | Revaluation gain on land | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance as of April 1, 2017                          | ¥ 2,109   | ¥ 3,863                  | ¥ (32)                                   | ¥ (143)                                 | ¥ 5,797                                      | ¥ 5,619                   | ¥ 78,169         |
| Cash dividends                                       |   |                          |  |   |  |                           | (1,244)          |
| Profit attributable to owners of parent              |   |                          |  |   |  |                           | 2,447            |
| Acquisition of treasury stock                        |   |                          |  |   |  |                           | (0)              |
| Net changes in items other than shareholders' equity | (284)   |                          | 1,574                                    | 79                                      | 1,369  | 354                       | 1,723            |
| Total changes in items during the year               | (284)   | —                        | 1,574                                    | 79                                      | 1,369  | 354                       | 2,926            |
| Balance as of March 31, 2018                         | ¥ 1,825   | ¥ 3,863                  | ¥ 1,542                                  | ¥ (64)                                  | ¥ 7,166                                      | ¥ 5,973                   | ¥ 81,095         |

|  | Thousands of U.S. Dollars (Note 3)                  |              |                 |                   |                         |                            |
|--|---|--------------|-----------------|-------------------|-------------------------|----------------------------|
|  | Shareholders' equity                                |              |                 |                   |                         |                            |
|  | Number of shares of common stock issued (Thousands) | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| Balance as of April 1, 2017                          | 69,069  | \$ 109,432   | \$ 73,268       | \$ 461,653        | \$ (16,030)             | \$ 628,323                 |
| Cash dividends                                       |   |              |                 | (11,710)          |                         | (11,710)                   |
| Profit attributable to owners of parent              |   |              |                 | 23,033            |                         | 23,033                     |
| Acquisition of treasury stock                        |   |              |                 |                   | (0)                     | (0)                        |
| Net changes in items other than shareholders' equity |   |              |                 |                   |                         |                            |
| Total changes in items during the year               |   | —            | —               | 11,323            | (0)                     | 11,323                     |
| Balance as of March 31, 2018                         | 69,069  | \$ 109,432   | \$ 73,268       | \$ 472,976        | \$ (16,030)             | \$ 639,646                 |

|  | Thousands of U.S. Dollars (Note 3)              |                          |  |   |  |                           |                  |
|--|---|--------------------------|--|---|--|---------------------------|------------------|
|  | Accumulated other comprehensive income          |                          |  |   |  |                           |                  |
|  | Net unrealized holding gain on other securities | Revaluation gain on land | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance as of April 1, 2017                          | \$ 19,851                                       | \$ 36,361                | \$ (301)                                 | \$ (1,346)                              | \$ 54,565                                    | \$ 52,890                 | \$ 735,778       |
| Cash dividends                                       |   |                          |  |   |  |                           | (11,710)         |
| Profit attributable to owners of parent              |   |                          |  |   |  |                           | 23,033           |
| Acquisition of treasury stock                        |   |                          |  |   |  |                           | (0)              |
| Net changes in items other than shareholders' equity | (2,673)   |                          | 14,815                                   | 744                                     | 12,886                                       | 3,332                     | 16,218           |
| Total changes in items during the year               | (2,673)   | —                        | 14,815                                   | 744                                     | 12,886                                       | 3,332                     | 27,541           |
| Balance as of March 31, 2018                         | \$ 17,178                                       | \$ 36,361                | \$ 14,514                                | \$ (602)                                | \$ 67,451                                    | \$ 56,222                 | \$ 763,319       |

The accompanying notes are an integral part of these consolidated financial statements.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Consolidated Statements of Changes in Net Assets For the years ended March 31, 2018 and 2017

### For the year ended March 31, 2017

|   | Millions of Yen   |                 |                    |                      |                               |                                  |
|---|---|-----------------|--------------------|----------------------|-------------------------------|----------------------------------|
|   | Shareholders' equity  |                 |                    |                      |                               |                                  |
|   | Number of<br>shares of<br>common<br>stock issued<br>(Thousands) | Common<br>stock | Capital<br>surplus | Retained<br>earnings | Treasury<br>stock,<br>at cost | Total<br>shareholders'<br>equity |
| Balance as of April 1, 2016                             | 69,069  | ¥ 11,626        | ¥ 7,784            | ¥ 46,522             | ¥ (1,201)                     | ¥ 64,731                         |
| Cash dividends  |   |                 |                    | (1,119)              |                               | (1,119)                          |
| Profit attributable to owners of parent                 |   |                 |                    | 3,643                |                               | 3,643                            |
| Acquisition of treasury stock                           |   |                 |                    |                      | (502)                         | (502)                            |
| Disposal of treasury stock                              |   |                 | 0                  |                      | 0                             | 0                                |
| Net changes in items other than<br>shareholders' equity |   |                 |                    |                      |                               |                                  |
| Total changes in items during the year                  |   | —               | 0                  | 2,524                | (502)                         | 2,022                            |
| Balance as of March 31, 2017                            | 69,069  | ¥ 11,626        | ¥ 7,784            | ¥ 49,046             | ¥ (1,703)                     | ¥ 66,753                         |

|   | Millions of Yen   |                                |   |  |  |                              |                     |
|---|---|--------------------------------|---|--|--|------------------------------|---------------------|
|   | Accumulated other comprehensive income                      |                                |   |  |  |                              |                     |
|   | Net<br>unrealized<br>holding gain<br>on other<br>securities | Revaluation<br>gain on<br>land | Foreign<br>currency<br>translation<br>adjustments | Remeasure-<br>ments of<br>defined<br>benefit plans | Total<br>accumulated<br>other<br>comprehensive<br>income | Non-controlling<br>interests | Total<br>net assets |
| Balance as of April 1, 2016                             | ¥ 2,015   | ¥ 3,863                        | ¥ 2,677   | ¥ (153)  | ¥ 8,402  | ¥ 5,684                      | ¥ 78,817            |
| Cash dividends  |   |                                |   |  |  |                              | (1,119)             |
| Profit attributable to owners of parent                 |   |                                |   |  |  |                              | 3,643               |
| Acquisition of treasury stock                           |   |                                |   |  |  |                              | (502)               |
| Disposal of treasury stock                              |   |                                |   |  |  |                              | 0                   |
| Net changes in items other than<br>shareholders' equity | 94  |                                | (2,709)   | 10   | (2,605)  | (65)                         | (2,670)             |
| Total changes in items during the year                  | 94  | —                              | (2,709)   | 10   | (2,605)  | (65)                         | (648)               |
| Balance as of March 31, 2017                            | ¥ 2,109   | ¥ 3,863                        | ¥ (32)  | ¥ (143)  | ¥ 5,797  | ¥ 5,619                      | ¥ 78,169            |

The accompanying notes are an integral part of these consolidated financial statements.



## CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

### Consolidated Statements of Cash Flows

For the years ended March 31, 2018 and 2017

|  | Millions of Yen |             | Thousands of<br>U.S. Dollars<br>(Note 3) |
|--|-----------------|-------------|--|
|  | <u>2018</u>     | <u>2017</u> | <u>2018</u>                              |
| Cash flows from operating activities:                      |                 |             |  |
| Profit before income taxes                                 | ¥ 3,917         | ¥ 6,154     | \$ 36,869                                |
| Depreciation and amortization                              | 1,801           | 1,728       | 16,952                                   |
| (Decrease) increase in allowance for doubtful accounts     | (762)           | 47          | (7,172)                                  |
| Increase in net defined benefit asset                      | (2)             | (36)        | (19)                                     |
| Increase in net defined benefit liability                  | 103             | 32          | 969                                      |
| Interest and dividend income                               | (495)           | (507)       | (4,659)                                  |
| Interest expense   | 330             | 316         | 3,106                                    |
| Foreign currency exchange loss, net                        | 51              | 102         | 480                                      |
| Loss on sales of property, plant and equipment, net        | 2               | 9           | 19                                       |
| Gain on sales of investment securities                     | —               | (113)       | —  |
| Loss on valuation of investment securities                 | —               | 29          | —  |
| (Increase) decrease in trade notes and accounts receivable | (2,374)         | 7,115       | (22,346)                                 |
| (Increase) decrease in inventories                         | (2,472)         | 1,138       | (23,268)                                 |
| Increase (decrease) in trade notes and accounts payable    | 1,201           | (2,094)     | 11,305                                   |
| Other, net   | (527)           | (552)       | (4,960)                                  |
| Subtotal   | 773             | 13,368      | 7,276                                    |
| Interest and dividend income received                      | 483             | 502         | 4,546                                    |
| Interest expense paid                                      | (330)           | (320)       | (3,106)                                  |
| Income taxes paid  | (1,555)         | (2,800)     | (14,637)                                 |
| Net cash (used in) provided by operating activities        | (629)           | 10,750      | (5,921)                                  |
| Cash flows from investing activities:                      |                 |             |  |
| Increase in time deposits                                  | (21,007)        | (17,543)    | (197,731)                                |
| Decrease in time deposits                                  | 21,454          | 16,009      | 201,939                                  |
| Decrease in short-term loans receivable, net               | 18              | 10          | 169                                      |
| Payments for purchases of investment securities            | (15)            | (116)       | (141)                                    |
| Payments for purchases of property, plant and equipment    | (1,579)         | (3,941)     | (14,863)                                 |
| Proceeds from sales of property, plant and equipment       | 88              | 7           | 828                                      |
| Proceeds from sales of investment securities               | —               | 192         | —  |
| Other, net   | (9)             | (66)        | (84)                                     |
| Net cash used in investing activities                      | ¥ (1,050)       | ¥ (5,448)   | \$ (9,883)                               |

The accompanying notes are an integral part of these consolidated financial statements.

## CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

### Consolidated Statements of Cash Flows

For the years ended March 31, 2018 and 2017

|  | Millions of Yen |                 | Thousands of<br>U.S. Dollars<br>(Note 3) |
|--|-----------------|-----------------|--|
|  | <u>2018</u>     | <u>2017</u>     | <u>2018</u>                              |
| Cash flows from financing activities:                        |                 |                 |  |
| Increase (decrease) in short-term borrowings, net            | ¥ 308           | ¥ (556)         | \$ 2,899                                 |
| Increase in long-term debt                                   | 50              | 1,010           | 470                                      |
| Repayment of long-term debt                                  | (39)            | (1,058)         | (367)                                    |
| Proceeds from sales of treasury stock                        | —               | 0               | —  |
| Payments for purchases of treasury stock                     | (0)             | (502)           | (0)                                      |
| Cash dividends   | (1,244)         | (1,120)         | (11,709)                                 |
| Other, net   | <u>(463)</u>    | <u>(511)</u>    | <u>(4,358)</u>                           |
| Net cash used in financing activities                        | <u>(1,388)</u>  | <u>(2,737)</u>  | <u>(13,065)</u>                          |
| Effect of exchange rate changes on cash and cash equivalents | <u>(56)</u>     | <u>(990)</u>    | <u>(527)</u>                             |
| Net (decrease) increase in cash and cash equivalents         | <u>(3,123)</u>  | <u>1,575</u>    | <u>(29,396)</u>                          |
| Cash and cash equivalents at beginning of year               | <u>28,403</u>   | <u>26,828</u>   | <u>267,348</u>                           |
| Cash and cash equivalents at end of year (Note 16)           | <u>¥ 25,280</u> | <u>¥ 28,403</u> | <u>\$ 237,952</u>                        |

The accompanying notes are an integral part of these consolidated financial statements.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### 1. Summary of Significant Accounting Policies

#### a. Basis of presentation

The accompanying consolidated financial statements of CHUGOKU MARINE PAINTS, LTD. (the “Company”) and its consolidated subsidiaries (collectively, the “Companies”) have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain amounts from prior years have been reclassified to conform to the current year’s presentation.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the Company’s consolidated financial statements issued domestically in order to present them in a format, which is more familiar to readers outside Japan.

#### b. Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Companies. As of March 31, 2018 and 2017, the Company consolidated 24 subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets (goodwill) is treated as an asset, and amortized on a straight-line basis over a period of five years.

The fiscal year-ends of consolidated subsidiaries are December 31, except for Kobe Paints, Ltd., whose year-end is March 31. For consolidation purposes, 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.

As of March 31, 2018 and 2017, there were no unconsolidated subsidiaries or affiliates accounted for by the equity method.

#### c. Foreign currency translation

The Company translates the revenue and expense accounts of the overseas consolidated subsidiaries at the average rates of exchange in effect during the year. The balance sheet accounts, except for the components of shareholders’ equity, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders’ equity are translated at their historical exchange rates. Differences arising from translation where two exchange rates have been used are presented under “Foreign currency translation adjustments” and “Non-controlling interests” which are components of net assets.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

Current and non-current monetary assets and liabilities denominated in foreign currencies of the Company and its domestic consolidated subsidiaries are translated into yen at the exchange rates in effect at the balance sheet date, except for those hedged by forward foreign exchange contracts which are translated at the contracted rates. All revenues and expenses denominated in foreign currencies of the Company and its domestic consolidated subsidiaries are translated at the average rates of exchange during the year. Gains and losses arising from foreign exchange translation differences are credited or charged to income in the years in which they are made or incurred, except for those arising from forward foreign exchange contracts.

### **d. Cash and cash equivalents**

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits withdrawable on demand, and short-term investment securities with an original maturity of three months or less which are readily convertible to cash and represent a minor risk of fluctuation in value.

### **e. Inventories**

Inventories are mainly stated at cost determined by the moving-average method. Balance sheet amounts are calculated based on the method of reducing the book value in accordance with any decline in profitability.

### **f. Short-term investment securities and investment securities**

Held-to-maturity bonds are either amortized or accumulated to face value. Other securities with quoted market prices are carried at market value. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, net of the applicable income taxes, is recognized as a component of net assets and is reflected as "Net unrealized holding gain on other securities." The cost of other securities sold is computed by the moving-average method. Other securities without quoted market prices are stated at cost based on the moving-average method.

If a decline in fair value below cost of an individual security is deemed to be material and other than temporary, the carrying value of the individual security is written down.

### **g. Property, plant and equipment and depreciation (except leased assets)**

Property, plant and equipment are stated on the basis of cost. The Company and the domestic consolidated subsidiaries calculate depreciation principally by the declining-balance method based on the estimated useful lives of the respective assets, except for buildings (exclusive of any facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated by the straight-line method. The overseas consolidated subsidiaries calculate depreciation principally by the straight-line method.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### **h. Intangible assets (except leased assets)**

Intangible assets, included in other assets, are amortized on a straight-line basis over the period stipulated in the Corporation Tax Act of Japan, except for computer software for internal use which is amortized on a straight-line basis over its estimated useful lives (three to ten years).

### **i. Leases**

Noncancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and relating payments are charged to expense as incurred.

Leased assets capitalized as finance leases are initially accounted for at their acquisition costs and depreciated over the respective lease term by the straight-line method with a zero residual value.

### **j. Allowance for doubtful accounts**

Allowance for doubtful accounts is provided to cover possible losses on uncollectible accounts. It consists of an estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated based on the historical bad debt ratio with respect to the remaining receivables.

### **k. Accrued product warranty costs**

Accrued product warranty costs are included in "Other current liabilities." Provision for estimated warranty costs is recorded based on the ratio of actual warranty costs incurred for the year against the related annual sales amount.

### **l. Accrued bonuses**

Accrued bonuses are included in "Other current liabilities." Certain consolidated subsidiaries provide for accrued bonuses for employees based on the amount attributed to services rendered during the year and estimated to be paid.

### **m. Retirement benefits**

(i) Method for attributing expected retirement benefits to periods

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

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

(ii) Accounting method for actuarial gains and losses

The actuarial gains and losses are amortized from the year following the year in which the gains or losses are recognized by the straight-line method over a certain period (10 years) that is within the average remaining years of service of the eligible employees when the gains or losses occur.

(iii) Application of the simplified method for small-sized enterprises

Certain consolidated subsidiaries apply the simplified method in the calculation of their net defined benefit liability and retirement benefit expenses. Under the simplified method, the benefits payable assuming the voluntary retirement of all eligible employees at the fiscal year-end are deemed as the retirement benefit obligations.

### **n. Income taxes**

Income taxes of the Company and its domestic subsidiaries consist of corporate income tax, local inhabitant taxes and enterprise tax.

Deferred income taxes are determined using the asset and liability method, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax bases of the assets and liabilities and the amounts reported in the financial statements.

### **o. Consumption taxes**

The consumption taxes paid and withheld on purchases and sales of goods and services are not included in the respective amounts of cost, expense or revenue in the accompanying consolidated statements of income. The net balance of consumption taxes withheld and paid is included in “Other current assets” or “Other current liabilities” in the accompanying consolidated balance sheets.

### **p. Derivative financial instruments**

All derivatives are stated at fair value, with changes in fair value included in profit or loss for the period in which they arise unless derivative instruments are used for hedging purposes. Certain consolidated subsidiaries utilize forward foreign exchange contracts to reduce the risk arising from exchange rate fluctuations in foreign-currency-denominated receivables and payables. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates when the criteria are met.

At inception, the forward foreign exchange contracts are fixed at the same amount and at the same maturing as the hedged items in accordance with the Company’s risk management objective and policy for undertaking the hedge. As certain subsidiaries deem the hedging relationship regarding exchange rate fluctuations to be highly effective, the evaluation of hedge effectiveness at the fiscal year-end is not performed.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### q. Impairment on fixed assets

In accordance with the accounting standard for impairment of fixed assets, the Companies periodically review their fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Companies recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of its future cash flows. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs, or (2) the present value of future cash flows arising from ongoing utilization of the asset and from its disposal after use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets are to be grouped at the lowest levels for which there are identifiable cash flows which are independent of the cash flows from other groups of assets.

### r. Earnings and cash dividends per share

Basic earnings per share of common stock is based on the weighted average number of shares of common stock outstanding during each period.

Diluted earnings per share has not been presented for both the years ended March 31, 2018 and 2017 as the Company had no potentially dilutive shares of common stock.

Cash dividends per share is applicable to the respective years and includes dividends to be paid on or after the effective date. Dividends are charged to retained earnings in the year in which they are paid.

Net assets per share is computed based on the net assets reduced by non-controlling interests and the number of shares of common stock outstanding at the year-end.

### s. Shareholders' equity

The Companies Act of Japan (the "Act") provides that an amount equal to 10% of the amount of the deduction from surplus as a result of the payment of such dividends of surplus shall be transferred to additional paid-in capital (a component of "Capital surplus") or legal reserve (a component of "Retained earnings") on the dividend date until the sum of additional paid-in capital and legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders' meeting or the board of directors if certain conditions are met.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### 2. Accounting Standards Issued but Not Yet Effective

*Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, revised on February 16, 2018)*

*Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, revised on February 16, 2018)*

#### (1) Outline

In the course of transferring practical guidance related to accounting for income tax effects prescribed by the Japanese Institute of Certified Public Accountants to the ASBJ, the ASBJ has basically followed the original framework and made required modifications to “Implementation Guidance on Tax Effect Accounting,” etc.

(Major modified accounting treatments)

- Treatment of taxable temporary differences relating to subsidiary shares in non-consolidated financial statements
- Treatment of recoverability of deferred tax assets for companies classified as Category 1

#### (2) Date of adoption

These guidances will be adopted from the beginning of the fiscal year ending March 31, 2019.

#### (3) Effect of adoption

The Company is currently assessing the effect of adopting these guidances on the consolidated financial statements.

*Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 30, 2018)*

*Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)*

#### (1) Outline

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS 15 issued by the IASB and Topic 606 issued by the FASB) in May 2014. Considering that IFRS 15 has become applicable from fiscal years beginning on or after January 1, 2018 and Topic 606 from fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

The ASBJ’s basic policy in developing the accounting standard for revenue recognition was to establish accounting standards in accordance with the basic principles of IFRS 15 as a starting point from the viewpoint of comparability of financial statements, which is one of the benefits of maintaining consistency with IFRS 15, and to add alternative treatments to the extent that comparability is not impaired in cases where previous practices and others in Japan should be considered.



# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### (2) Date of adoption

The standard and guidance will be adopted from the beginning of the fiscal year ending March 31, 2022.

### (3) Effect of adoption

The Company is currently assessing the effect of adopting the standard and guidance on the consolidated financial statements.

## 3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106.24 = U.S. \$1.00, the rate of exchange prevailing as of March 31, 2018, has been used in the translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

## 4. Inventories

Inventories as of March 31, 2018 and 2017 comprised of the following:

| <u>As of March 31</u>          | Millions of Yen |                 | Thousands of<br>U.S. Dollars |
|--------------------------------|-----------------|-----------------|------------------------------|
|                                | 2018            | 2017            | 2018                         |
| Merchandise and finished goods | ¥ 9,893         | ¥ 7,831         | \$ 93,119                    |
| Raw materials and supplies     | 6,760           | 5,770           | 63,630                       |
| Work in process                | 453             | 456             | 4,264                        |
| Total                          | <u>¥ 17,106</u> | <u>¥ 14,057</u> | <u>\$ 161,013</u>            |

Cost of sales for the years ended March 31, 2018 and 2017 includes a loss on valuation of inventories of ¥39 million (\$367 thousand) and a reversal of loss on valuation of inventories of ¥35 million, respectively.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

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

Short-term borrowings from banks outstanding consisted primarily of six-month notes issued by the Company to banks bearing interest at the weighted-average interest rate of 2.0% and 1.6% as of March 31, 2018 and 2017, respectively. Customarily, these notes are renewed at maturity subject to re-negotiation of the interest rates and other conditions.

Long-term debt and lease obligations as of March 31, 2018 and 2017 consisted of the following:

| <u>As of March 31</u>                           | Millions of Yen |                | Thousands of<br>U.S. Dollars |
|---|-----------------|----------------|------------------------------|
|   | 2018            | 2017           | 2018                         |
| Loans from banks and an insurance company       | ¥ 2,749         | ¥ 2,738        | \$ 25,875                    |
| Lease obligations                               | 9               | 15             | 85                           |
| Less, current portion of long-term debt         | (1,714)         | (32)           | (16,133)                     |
| Less, current portion of lease obligations      | (4)             | (7)            | (38)                         |
| Total long-term debt (*1) and lease obligations | <u>¥ 1,040</u>  | <u>¥ 2,714</u> | <u>\$ 9,789</u>              |

(\*1) The weighted-average interest rates on loans from banks and an insurance company were as follows:

|                       |      |
|-----------------------|------|
| As of March 31, 2018: | 0.9% |
| As of March 31, 2017: | 0.9  |

The maturities of long-term debt (excluding lease obligations) were as follows:

|                        | Millions of<br>Yen | Thousands of<br>U.S. Dollars |
|------------------------|--------------------|------------------------------|
| Years ending March 31: |                    |                              |
| 2019                   | ¥ 1,714            | \$ 16,133                    |
| 2020                   | 1,013              | 9,535                        |
| 2021                   | 10                 | 94                           |
| 2022                   | 12                 | 113                          |
| Total                  | <u>¥ 2,749</u>     | <u>\$ 25,875</u>             |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

The maturities of lease obligations were as follows:

|                        | Millions of<br>Yen | Thousands of<br>U.S. Dollars |
|------------------------|--------------------|------------------------------|
| Years ending March 31: |                    |                              |
| 2019                   | ¥ 4                | \$ 38                        |
| 2020                   | 3                  | 29                           |
| 2021                   | 1                  | 9                            |
| 2022                   | 0                  | 0                            |
| 2023 and thereafter    | 1                  | 9                            |
| Total                  | ¥ 9                | \$ 85                        |

The Companies' assets pledged as collateral for long-term debt of ¥500 million (\$4,706 thousand) and ¥500 million as of March 31, 2018 and 2017, respectively, were summarized as follows:

| <u>As of March 31</u> | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|-----------------------|-----------------|---------|------------------------------|
|                       | 2018            | 2017    | 2018                         |
| Investment securities | ¥ 1,202         | ¥ 1,419 | \$ 11,314                    |

## 6. Retirement Benefit Plans

### a. Overview of retirement benefit plan adopted by the Company

The Companies, excluding certain overseas consolidated subsidiaries, have defined benefit plans such as corporate defined benefit pension plans and/or lump-sum payment plans covering all of its employees. Certain consolidated subsidiaries, on the other hand, have defined contribution pension plans. In addition, the Companies may occasionally pay supplementary benefits to retiring employees.

Certain consolidated subsidiaries adopt the simplified method in the calculation of net defined benefit liability and retirement benefit expenses for their corporate defined benefit pension plans and/or lump-sum payment plans.

**CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**March 31, 2018 and 2017**

**b. Defined benefit plan**

- (1) The changes in the retirement benefit obligations during the years ended March 31, 2018 and 2017 (except for plans to which the simplified method is applied)

| <b><u>For the years ended March 31</u></b> | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|--|-----------------|---------|------------------------------|
|  | 2018            | 2017    | 2018                         |
|  | ¥               | ¥       | \$                           |
| Projected benefit obligations at April 1   | 4,696           | 4,497   | 44,202                       |
| Service cost                               | 299             | 288     | 2,814                        |
| Interest cost                              | 27              | 24      | 254                          |
| Actuarial gains and losses                 | 18              | 81      | 169                          |
| Prior service cost                         | –               | (4)     | –                            |
| Retirement benefits paid                   | (180)           | (188)   | (1,694)                      |
| Other                                      | (2)             | (2)     | (19)                         |
| Projected benefit obligations at March 31  | ¥ 4,858         | ¥ 4,696 | \$ 45,726                    |

- (2) The changes in plan assets during the years ended March 31, 2018 and 2017 (except for plans to which the simplified method is applied)

| <b><u>For the years ended March 31</u></b> | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|--|-----------------|---------|------------------------------|
|  | 2018            | 2017    | 2018                         |
|  | ¥               | ¥       | \$                           |
| Plan assets at April 1                     | 3,953           | 3,727   | 37,208                       |
| Expected return on plan assets             | 59              | 56      | 555                          |
| Actuarial gains and losses                 | 54              | 37      | 508                          |
| Contribution by the Company                | 304             | 304     | 2,862                        |
| Retirement benefits paid                   | (177)           | (171)   | (1,666)                      |
| Other                                      | 2               | (0)     | 19                           |
| Plan assets at March 31                    | ¥ 4,195         | ¥ 3,953 | \$ 39,486                    |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

- (3) The changes in net defined benefit liabilities for plans to which the simplified method is applied during the years ended March 31, 2018 and 2017

| <b><u>For the years ended March 31</u></b> | Millions of Yen |              | Thousands of<br>U.S. Dollars |
|--|-----------------|--------------|------------------------------|
|  | 2018            | 2017         | 2018                         |
| Net defined benefit liability at April 1   | ¥ 532           | ¥ 530        | \$ 5,008                     |
| Retirement benefit expenses                | 159             | 188          | 1,497                        |
| Retirement benefits paid                   | (29)            | (68)         | (273)                        |
| Contribution to plans                      | (63)            | (116)        | (593)                        |
| Other                                      | 13              | (2)          | 122                          |
| Net defined benefit liability at March 31  | <u>¥ 612</u>    | <u>¥ 532</u> | <u>\$ 5,761</u>              |

- (4) Reconciliation between retirement benefit obligations and plan assets at end of year and “Net defined benefit liability” and “Net defined benefit asset” for retirement recognized on the consolidated balance sheets

| <b><u>As of March 31</u></b>   | Millions of Yen |                | Thousands of<br>U.S. Dollars |
|--|-----------------|----------------|------------------------------|
|  | 2018            | 2017           | 2018                         |
| Projected benefit obligation for funded plans                                    | ¥ 5,751         | ¥ 5,515        | \$ 54,132                    |
| Plan assets  | (5,093)         | (4,775)        | (47,938)                     |
|  | 658             | 740            | 6,194                        |
| Projected benefit obligation for unfunded plans                                  | 617             | 535            | 5,807                        |
| Net balance of liability and asset recognized on the consolidated balance sheets | <u>1,275</u>    | <u>1,275</u>   | <u>12,001</u>                |
| Net defined benefit liability  | 1,359           | 1,356          | 12,792                       |
| Net defined benefit asset  | (84)            | (81)           | (791)                        |
| Net balance of liability and asset recognized on the consolidated balance sheets | <u>¥ 1,275</u>  | <u>¥ 1,275</u> | <u>\$ 12,001</u>             |

**CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**March 31, 2018 and 2017**

(5) The components of retirement benefit expenses

| <u><b>For the years ended March 31</b></u>                 | Millions of Yen |       | Thousands of |
|--|-----------------|-------|--------------|
|  | 2018            | 2017  | U.S. Dollars |
|  | 2018            | 2017  | 2018         |
| Service cost   | ¥ 299           | ¥ 288 | \$ 2,814     |
| Interest cost  | 27              | 24    | 254          |
| Expected return on plan assets                             | (59)            | (56)  | (555)        |
| Amortization of actuarial gains and losses                 | 72              | 58    | 678          |
| Amortization of prior service cost                         | -               | (4)   | -            |
| Retirement benefit expenses applying the simplified method | 159             | 188   | 1,497        |
| Retirement benefit expenses under defined benefit plans    | ¥ 498           | ¥ 498 | \$ 4,688     |

(6) Remeasurements of defined benefit plans

| <u><b>For the years ended March 31</b></u> | Millions of Yen |        | Thousands of |
|--|-----------------|--------|--------------|
|  | 2018            | 2017   | U.S. Dollars |
|  | 2018            | 2017   | 2018         |
| Actuarial gains and losses                 | ¥ (109)         | ¥ (14) | \$ (1,026)   |
| Total                                      | ¥ (109)         | ¥ (14) | \$ (1,026)   |

(7) Accumulated remeasurements of defined benefit plans

The components of accumulated remeasurements of defined benefit plans (before tax) are as follows:

| <u><b>As of March 31</b></u>            | Millions of Yen |       | Thousands of |
|---|-----------------|-------|--------------|
|   | 2018            | 2017  | U.S. Dollars |
|   | 2018            | 2017  | 2018         |
| Unrecognized actuarial gains and losses | ¥ 105           | ¥ 214 | \$ 988       |
| Total                                   | ¥ 105           | ¥ 214 | \$ 988       |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

(8) Plan assets

(a) Percentage of major categories to total plan assets is as follows:

| <u>As of March 31</u> | <u>2018</u> | <u>2017</u> |
|-----------------------|-------------|-------------|
| Bonds                 | 13%         | 15%         |
| Stocks                | 14          | 16          |
| General accounts      | 62          | 55          |
| Other                 | 11          | 14          |
| Total                 | <u>100%</u> | <u>100%</u> |

(b) Determination of expected rate of return on plan assets

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

(9) Assumptions used in accounting for the above plan

|  | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Discount rate  | 0.4%        | 0.4%        |
| Expected rate of return on plan assets                 | 1.5         | 1.5         |
| Assumed rate of increase in future compensation levels | 3.1         | 3.1         |

**c. Defined contribution plan**

The required contribution of certain consolidated subsidiaries to their defined contribution plans amounts to ¥79 million (\$744 thousand) and ¥77 million as of March 31, 2018 and 2017, respectively.

**CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**March 31, 2018 and 2017**

**7. Net Assets**

**a. Shares issued and outstanding/ Treasury stock**

**For the year ended March 31, 2018**

|                     | Shares                                     |          |          |            |
|---------------------|--|----------|----------|------------|
|                     | Number of<br>shares at<br>April 1,<br>2017 | Increase | Decrease |            |
| Shares issued:      |  |          |          |            |
| Common stock        | 69,068,822                                 | –        | –        | 69,068,822 |
| Treasury stock:     |  |          |          |            |
| Common stock (Note) | 3,565,050                                  | 353      | –        | 3,565,403  |

Note: Increase of common stock in treasury by 353 shares is due to purchase of shares less than standard unit.

**For the year ended March 31, 2017**

|                     | Shares                                     |          |          |            |
|---------------------|--|----------|----------|------------|
|                     | Number of<br>shares at<br>April 1,<br>2016 | Increase | Decrease |            |
| Shares issued:      |  |          |          |            |
| Common stock        | 69,068,822                                 | –        | –        | 69,068,822 |
| Treasury stock:     |  |          |          |            |
| Common stock (Note) | 2,865,271                                  | 699,814  | 35       | 3,565,050  |

Notes:

1. Details of the increase are as follows: (Shares)
  - Increase due to purchase of treasury stock by resolution of the board of directors: 697,000
  - Increase due to purchase of shares less than standard unit: 2,814
2. Details of the decrease are as follows:
  - Decrease due to sale of shares less than standard unit: 35

**b. Share subscription rights**

The Companies have no subscription rights as of March 31, 2018 and 2017.



# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### c. Dividends

#### (1) Dividends from retained earnings

The following appropriation of retained earnings applicable to the year ended March 31, 2018 was resolved by the board of directors on October 31, 2017:

- (a) Total amount of dividends: ¥589 million (\$5,544 thousand)
- (b) Dividends per share: ¥9.00 (\$0.08)
- (c) Cut-off date: September 30, 2017
- (d) Effective date: December 1, 2017

The following appropriation of retained earnings applicable to the year ended March 31, 2018 was approved at an annual general shareholders' meeting held on June 22, 2017:

- (a) Total amount of dividends: ¥655 million (\$6,166 thousand)
- (b) Dividends per share: ¥10.00 (\$0.09)
- (c) Cut-off date: March 31, 2017
- (d) Effective date: June 23, 2017

Note: Dividends per share include a commemorative dividend of ¥2 (\$0.02) per share for the 100th Founding Anniversary.

The following appropriation of retained earnings applicable to the year ended March 31, 2017 was resolved by the board of directors on October 28, 2016:

- (a) Total amount of dividends: ¥524 million
- (b) Dividends per share: ¥8.00
- (c) Cut-off date: September 30, 2016
- (d) Effective date: December 1, 2016

The following appropriation of retained earnings applicable to the year ended March 31, 2017 was approved at an annual general shareholders' meeting held on June 23, 2016:

- (a) Total amount of dividends: ¥595 million
- (b) Dividends per share: ¥9.00
- (c) Cut-off date: March 31, 2016
- (d) Effective date: June 24, 2016

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

- (2) Dividends whose effective date is after the end of the current fiscal year and whose cut-off date is in the current fiscal year

The following appropriation of retained earnings which has not been reflected in the accompanying consolidated financial statements as of and for the year ended March 31, 2018 was approved at an annual general shareholders' meeting held on June 21, 2018:

- (a) Total amount of dividends: ¥1,245 million (\$11,719 thousand)
- (b) Source of dividends: Retained earnings
- (c) Dividends per share: ¥19.00 (\$0.18)
- (d) Cut-off date: March 31, 2018
- (e) Effective date: June 22, 2018

The following appropriation of retained earnings which has not been reflected in the accompanying consolidated financial statements as of and for the year ended March 31, 2017 was approved at an annual general shareholders' meeting held on June 22, 2017:

- (a) Total amount of dividends: ¥655 million
- (b) Source of dividends: Retained earnings
- (c) Dividends per share: ¥10.00
- (d) Cut-off date: March 31, 2017
- (e) Effective date: June 23, 2017

Note: Dividends per share include a commemorative dividend of ¥2 per share for the 100th Founding Anniversary.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### 8. Selling, General and Administrative Expenses

Significant components of “Selling, general and administrative expenses” for the years ended March 31, 2018 and 2017 were as follows:

| <u>For the years ended March 31</u>                             | Millions of Yen |                 | Thousands of<br>U.S. Dollars |
|---|-----------------|-----------------|------------------------------|
|   | 2018            | 2017            | 2018                         |
| Depreciation  | ¥ 402           | ¥ 379           | \$ 3,784                     |
| Provision of allowance for doubtful accounts                    | (704)           | 212             | (6,627)                      |
| Provision for bonuses   | 110             | 52              | 1,035                        |
| Provision for product warranties                                | (13)            | 9               | (122)                        |
| Retirement benefit expenses                                     | 382             | 384             | 3,596                        |
| Directors’ compensations and employees’ salaries<br>and bonuses | 6,816           | 7,155           | 64,157                       |
| Transportation expenses   | 3,756           | 3,514           | 35,354                       |
| Sales commission  | 1,483           | 2,034           | 13,959                       |
| Other   | 7,486           | 7,399           | 70,463                       |
| Total   | <u>¥ 19,718</u> | <u>¥ 21,138</u> | <u>\$ 185,599</u>            |

Research and development cost included in general and administrative expenses and manufacturing costs for the years ended March 31, 2018 and 2017 amounted to ¥1,840 million (\$17,319 thousand) and ¥1,859 million, respectively.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### 9. Special Gains, net

Components of “Special gains, net” for the years ended March 31, 2018 and 2017 were as follows:

| <u>For the years ended March 31</u>            | Millions of Yen |      | Thousands of<br>U.S. Dollars |
|--|-----------------|------|------------------------------|
|  | 2018            | 2017 | 2018                         |
| Special gains:                                 |                 |      |                              |
| Gain on sales of property, plant and equipment | ¥ 13            | ¥ 5  | \$ 122                       |
| Gain on sales of investment securities         | —               | 113  | —                            |
|  | 13              | 118  | 122                          |
| Special losses:                                |                 |      |                              |
| Loss on sales of property, plant and equipment | 9               | 1    | 85                           |
| Loss on valuation of investment securities     | —               | 29   | —                            |
| Loss on valuation of golf club membership      | —               | 5    | —                            |
| Provision of allowance for doubtful accounts   | —               | 5    | —                            |
|  | 9               | 40   | 85                           |
| Total  | ¥ 4             | ¥ 78 | \$ 37                        |

Gain on sales of property, plant and equipment for the years ended March 31, 2018 and 2017 primarily resulted from the sales of “Machinery, equipment and vehicles” and “Tools, furniture and fixtures” amounted ¥13 million (\$122 thousand) and ¥5 million, respectively.

Loss on sales of property, plant and equipment for the years ended March 31, 2018 and 2017 primarily resulted from the sales of “Buildings and structures,” “Machinery, equipment and vehicles” and “Tools, furniture and fixtures” amounted ¥9 million (\$85 thousand) and ¥1 million, respectively.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### 10. Income Taxes

The Companies are subject to several taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 30.7% for the years ended March 31, 2018 and 2017, respectively.

Significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

| <u>As of March 31</u>                           | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|---|-----------------|---------|------------------------------|
|   | 2018            | 2017    | 2018                         |
| Deferred tax assets:                            |                 |         |                              |
| Net defined benefit liability                   | ¥ 418           | ¥ 403   | \$ 3,934                     |
| Allowance for doubtful accounts                 | 546             | 688     | 5,139                        |
| Loss on valuation of investment securities      | 380             | 389     | 3,577                        |
| Loss on valuation of inventories                | 134             | 124     | 1,261                        |
| Accrued bonuses                                 | 177             | 184     | 1,666                        |
| Accrued enterprise tax                          | 19              | 47      | 179                          |
| Long-term accrued amount payable                | 19              | 19      | 179                          |
| Elimination of unrealized gains                 | 90              | 93      | 847                          |
| Tax loss carryforwards                          | 251             | 176     | 2,363                        |
| Other   | 356             | 359     | 3,351                        |
| Gross deferred tax assets                       | 2,390           | 2,482   | 22,496                       |
| Less, valuation allowance                       | (637)           | (621)   | (5,996)                      |
| Total deferred tax assets                       | 1,753           | 1,861   | 16,500                       |
| Deferred tax liabilities:                       |                 |         |                              |
| Net unrealized holding gain on other securities | (669)           | (779)   | (6,297)                      |
| Net defined benefit asset                       | (23)            | (22)    | (216)                        |
| Other   | (77)            | (52)    | (725)                        |
| Total deferred tax liabilities                  | (769)           | (853)   | (7,238)                      |
| Net deferred tax assets                         | ¥ 984           | ¥ 1,008 | \$ 9,262                     |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

Reconciliations of the statutory tax rates to the effective tax rates for the years ended March 31, 2018 and 2017 were as follows:

| <b><u>For the years ended March 31</u></b>                                     | 2018  | 2017  |
|--|-------|-------|
| Statutory tax rates  | 30.7% | 30.7% |
| Increase (decrease) in taxes resulting from:                                   |       |       |
| Difference in statutory tax rates between parent and consolidated subsidiaries | (7.5) | (4.6) |
| Entertainment and other non-deductible expenses                                | 4.4   | 4.7   |
| Dividend income and other non-taxable income                                   | (8.6) | (4.4) |
| Dividends from retained earnings   | 12.1  | 7.7   |
| Tax credit for investments in production facilities                            | (2.3) | (0.3) |
| Foreign tax credit   | (0.7) | (0.3) |
| Special tax credit for research and development cost and others                | (1.1) | (2.4) |
| Increase in valuation allowance of deferred tax assets                         | 0.3   | (0.1) |
| Other  | (1.8) | (1.2) |
| Effective tax rates  | 25.5% | 29.8% |

### 11. Lease Transactions

The amounts of the outstanding future lease payments for noncancellable operating lease transactions subsequent to March 31, 2018 and 2017 were as follows:

| <b><u>As of March 31</u></b> | Millions of Yen |       | Thousands of U.S. Dollars |
|------------------------------|-----------------|-------|---------------------------|
|                              | 2018            | 2017  | 2018                      |
| Due within one year          | ¥ 103           | ¥ 92  | \$ 970                    |
| Due after one year           | 44              | 56    | 414                       |
| Total                        | ¥ 147           | ¥ 148 | \$ 1,384                  |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### 12. Asset Retirement Obligations

The liability related to the restoration of Tokyo office arising from contractual requirements set forth in the lease agreement is recorded as “Asset retirement obligation.”

Instead of recording the asset retirement obligation as a liability, a portion of the deposit deemed to be finally uncollectible is recognized as expense. The uncollectible amount is reasonably estimated based on the lease agreement.

### 13. Commitments and Contingencies

The Companies were contingently liable for outstanding endorsed notes of ¥612 million (\$5,761 thousand) and ¥830 million as of March 31, 2018 and 2017, respectively.

The Company provided guarantees to an intermediary trading company of ¥955 million (\$8,989 thousand) and ¥828 million for the collection of its accounts receivable from contracted sales agents/distributors as of March 31, 2018 and 2017, respectively.

### 14. Amounts per Share

Profit attributable to owners of parent per share for the years ended March 31, 2018 and 2017 and net assets per share as of March 31, 2018 and 2017 were as follows:

| <u>As of and for the years ended March 31</u> | Yen      |          | U.S. Dollars |
|---|----------|----------|--------------|
|   | 2018     | 2017     | 2018         |
| Profit attributable to owners of parent       | ¥ 37.36  | ¥ 55.50  | \$ 0.35      |
| Net assets                                    | 1,146.84 | 1,107.57 | 10.79        |

The bases for calculation of profit attributable to owners of parent per share were as follows:

| <u>For the years ended March 31</u>  | Shares     |            |
|--|------------|------------|
|  | 2018       | 2017       |
| The number of shares of common stock used for the calculation of profit attributable to owners of parent per share | 65,503,640 | 65,647,425 |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

| <u>For the years ended March 31</u>  | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|--|-----------------|---------|------------------------------|
|  | 2018            | 2017    | 2018                         |
| Profit attributable to owners of parent  | ¥ 2,447         | ¥ 3,643 | \$ 23,033                    |
| Amount not attributable to shareholders of common stock  | —               | —       | —                            |
| Profit attributable to owners of parent available for distribution to shareholders of common stock | ¥ 2,447         | ¥ 3,643 | \$ 23,033                    |

The bases for calculation of net assets per share were as follows:

| <u>As of March 31</u>   | Shares     |            |
|---|------------|------------|
|   | 2018       | 2017       |
| The number of shares of common stock used for the calculation of net assets per share | 65,503,419 | 65,503,772 |

| <u>As of March 31</u>                             | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|---|-----------------|----------|------------------------------|
|   | 2018            | 2017     | 2018                         |
| Total net assets                                  | ¥ 81,095        | ¥ 78,169 | \$ 763,319                   |
| Amounts deducted from total net assets:           |                 |          |                              |
| Non-controlling interests                         | 5,973           | 5,619    | 56,222                       |
| Net assets attributable to shares of common stock | ¥ 75,122        | ¥ 72,550 | \$ 707,097                   |



# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### 15. Securities

There were no held-to-maturity bonds as of March 31, 2018 and 2017.

Other securities as of March 31, 2018 were summarized as follows:

| <u>As of March 31, 2018</u> | Millions of Yen     |            |                          |                          |
|-----------------------------|---------------------|------------|--------------------------|--------------------------|
|                             | Acquisition<br>cost | Fair value | Gross<br>unrealized gain | Gross<br>unrealized loss |
| Other Securities:           |                     |            |                          |                          |
| With fair value             | ¥ 5,002             | ¥ 7,493    | ¥ 2,753                  | ¥ (262)                  |
| Without fair value          | 656                 |            |                          |                          |

| <u>As of March 31, 2018</u> | Thousands of U.S. Dollars |            |                          |                          |
|-----------------------------|---------------------------|------------|--------------------------|--------------------------|
|                             | Acquisition<br>cost       | Fair value | Gross<br>unrealized gain | Gross<br>unrealized loss |
| Other Securities:           |                           |            |                          |                          |
| With fair value             | \$ 47,082                 | \$ 70,529  | \$ 25,913                | \$ (2,466)               |
| Without fair value          | 6,175                     |            |                          |                          |

Other securities as of March 31, 2017 were summarized as follows:

| <u>As of March 31, 2017</u> | Millions of Yen     |            |                          |                          |
|-----------------------------|---------------------|------------|--------------------------|--------------------------|
|                             | Acquisition<br>cost | Fair value | Gross<br>unrealized gain | Gross<br>unrealized loss |
| Other Securities:           |                     |            |                          |                          |
| With fair value             | ¥ 5,028             | ¥ 7,913    | ¥ 2,926                  | ¥ (41)                   |
| Without fair value          | 655                 |            |                          |                          |

There were no sales of other securities for the year ended March 31, 2018. Total sales of other securities and the related gain for the year ended March 31, 2017 amounted to ¥187 million and ¥113 million, respectively.

There were no impairment losses on securities for the year ended March 31, 2018. Impairment losses on other securities of ¥29 million were recognized for the year ended March 31, 2017.

In the event the fair value of securities declines by 50% or more of the acquisition cost, the securities are written down to their fair value. In the event the fair value declines between 30 and 50%, an impairment loss is recognized in the amount deemed necessary considering the possibility of recovery in fair value.

For equity securities whose fair value is deemed extremely difficult to determine, in the event the value of those equity securities declines by 50% or more from the acquisition cost due to a deterioration in the issuer's financial condition, an impairment loss is recognized unless a recovery in value is supported by reasonable grounds.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### 16. Supplementary Cash Flow Information

Cash and cash equivalents as of March 31, 2018 and 2017 consisted of the following:

| <u>As of March 31</u>   | Millions of Yen |                 | Thousands of<br>U.S. Dollars |
|---|-----------------|-----------------|------------------------------|
|   | 2018            | 2017            | 2018                         |
| Cash on hand and in banks                                     | ¥ 33,751        | ¥ 36,918        | \$ 317,686                   |
| Less, time deposits with deposit term of over<br>three months | (8,615)         | (8,701)         | (81,090)                     |
| Short-term investment securities (MMF and others)             | 144             | 186             | 1,356                        |
| Cash and cash equivalents                                     | <u>¥ 25,280</u> | <u>¥ 28,403</u> | <u>\$ 237,952</u>            |

### 17. Derivative Transactions

Summary of transactions

Derivative transactions to which hedge accounting was not applied as of March 31, 2018 and 2017 were as follows:

Currency-related transactions

|  | Millions of Yen                   |               |                          |                                   |               |                          |
|--|-----------------------------------|---------------|--------------------------|-----------------------------------|---------------|--------------------------|
|  | 2018                              |               |                          | 2017                              |               |                          |
|  | Contract or<br>notional<br>amount | Fair<br>value | Valuation<br>gain (loss) | Contract or<br>notional<br>amount | Fair<br>value | Valuation<br>gain (loss) |
| Foreign<br>exchange<br>forward<br>contracts: |                                   |               |                          |                                   |               |                          |
| Short-term:                                  |                                   |               |                          |                                   |               |                          |
| Sell USD and<br>buy JPY                      | ¥ 105                             | ¥ (0)         | ¥ (0)                    | ¥ 54                              | ¥ (3)         | ¥ (3)                    |
| Sell USD and<br>buy EUR                      | 114                               | 2             | 2                        | 706                               | (18)          | (18)                     |
| Buy USD and<br>sell JPY                      | 62                                | (0)           | (0)                      | 13                                | 0             | 0                        |
| Buy JPY and<br>sell EUR                      | 66                                | (1)           | (1)                      | 62                                | (2)           | (2)                      |
| Buy GBP and<br>sell EUR                      | 164                               | 2             | 2                        | 112                               | 2             | 2                        |
| Total  |                                   |               | <u>¥ 3</u>               |                                   |               | <u>¥ (21)</u>            |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

| Thousands of U.S. Dollars                    |                                   |               |                          |
|--|-----------------------------------|---------------|--------------------------|
| 2018   |                                   |               |                          |
|  | Contract or<br>notional<br>amount | Fair<br>value | Valuation<br>gain (loss) |
| Foreign<br>exchange<br>forward<br>contracts: |                                   |               |                          |
| Short-term:                                  |                                   |               |                          |
| Sell USD and<br>buy JPY                      | \$ 988                            | \$ (0)        | \$ (0)                   |
| Sell USD and<br>buy EUR                      | 1,073                             | 19            | 19                       |
| Buy USD and<br>sell JPY                      | 584                               | (0)           | (0)                      |
| Buy JPY and<br>sell EUR                      | 621                               | (10)          | (10)                     |
| Buy GBP and<br>sell EUR                      | 1,544                             | 19            | 19                       |
| Total  |                                   |               | \$ 28                    |

The fair value has been quoted from financial institutions with which the Companies enter into foreign exchange forward contracts.

There were no interest-related transactions as of March 31, 2018 and 2017.

There were no derivative transactions to which hedge accounting was applied as of March 31, 2018 and 2017.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### 18. Financial Instruments

The Companies operate funds through highly liquid financial assets and finance short-term operating capital with bank loans. Derivative transactions are only utilized to hedge the following risks, and it is our policy not to enter into derivative transactions for speculative purposes.

Operating receivables such as “Trade notes and accounts receivable” are exposed to credit risk. Operating receivables denominated in foreign currencies from overseas operations are exposed to foreign currency risk. The Companies utilize foreign exchange forward contracts within the actual orders to hedge the risk. “Short-term investment securities” and “Investment securities” mainly consist of securities of companies with a business relationship and are exposed to market fluctuation risk.

Operating payables such as “Trade notes and accounts payable” are mainly due within one year. Some of the operating payables relating to imports of raw materials are denominated in foreign currencies and exposed to foreign currency risk. The Companies utilize foreign exchange forward contracts within the actual orders to hedge the risk. “Short-term borrowings” are mainly used for the purpose of financing operating capital.

The Companies utilize foreign exchange forward contracts to hedge foreign currency risk on operating receivables and payables denominated in foreign currencies. Please see Note 1. p. Derivative financial instruments, for hedge accounting.

Risk management on financial instruments is summarized as follows:

#### (1) Management of credit risk (risk of default by the counter parties)

In accordance with the Company’s internal rules, the Sales Planning Dept. of the Company monitors the major customers’ credit conditions periodically and manages the due date and balance per each customer. The Company keeps track of the adverse financial conditions of the customers in the early stage to mitigate the bad debt. The consolidated subsidiaries follow the Company’s internal rules and manage the risk in the same manner. Regarding the derivative transactions, the Companies only deal with highly rated financial institutions and thus, there is little credit risk.

#### (2) Management of market risk (risk of fluctuations in foreign exchange)

The Companies utilize foreign exchange forward contracts within the actual orders to hedge foreign currency risk on the operating receivables and payables denominated in foreign currencies.

Regarding the “Short-term investment securities” and “Investment securities,” the Companies regularly review the fair value and issuers’ financial conditions and readjust the Companies’ portfolio according to the market condition and the business relationship with the counterparties on an ongoing basis. Execution and management of derivative transactions for the Companies are managed in accordance with the Company’s internal rules.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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### (3) Management of liquidity risk on financing (risk of default at the due dates)

The treasury department of the Company timely prepares and updates the cash management plan based on the report from each department. The Company manages the liquidity risk by maintaining the on-hand liquidity. The consolidated subsidiaries manage the risk in accordance with the Company's internal rules.

As well as the values based on market prices, fair values of financial instruments include values which are reasonably calculated in case that market prices are not available. As the calculation of those values includes variable factors, those values may vary in case different assumptions are applied. The contract or notional amount described in Note 17., Derivative Transactions, does not indicate market risk related to the derivative transactions.

The carrying value on the consolidated balance sheets, fair value and their difference of financial instruments as of March 31, 2018 and 2017 was as follows:

| <u>As of March 31</u>                                      | Millions of Yen |                 |            |                 |                 |            |
|--|-----------------|-----------------|------------|-----------------|-----------------|------------|
|  | 2018            |                 |            | 2017            |                 |            |
|  | Carrying value  | Fair value      | Difference | Carrying value  | Fair value      | Difference |
| Cash on hand and in banks                                  | ¥ 33,751        | ¥ 33,751        | –          | ¥ 36,918        | ¥ 36,918        | –          |
| Trade notes and accounts receivable                        | 35,998          |                 |            | 32,605          |                 |            |
| Allowance for doubtful accounts (*1)                       | (1,479)         |                 |            | (2,115)         |                 |            |
|  | <u>34,519</u>   | <u>34,519</u>   | <u>–</u>   | <u>30,490</u>   | <u>30,490</u>   | <u>–</u>   |
| Short-term investment securities and investment securities | 7,493           | 7,493           | –          | 7,913           | 7,913           | –          |
| Total assets   | <u>¥ 75,763</u> | <u>¥ 75,763</u> | <u>–</u>   | <u>¥ 75,321</u> | <u>¥ 75,321</u> | <u>–</u>   |
| Short-term borrowings                                      | ¥ 17,814        | ¥ 17,814        | –          | ¥ 17,356        | ¥ 17,356        | –          |
| Trade notes and accounts payable                           | 13,196          | 13,196          | –          | 11,646          | 11,646          | –          |
| Total liabilities  | <u>¥ 31,010</u> | <u>¥ 31,010</u> | <u>–</u>   | <u>¥ 29,002</u> | <u>¥ 29,002</u> | <u>–</u>   |
| Derivatives (*2)   | ¥ 3             | ¥ 3             | –          | ¥ (21)          | ¥ (21)          | –          |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

| <u>As of March 31</u>                                      | Thousands of U.S. Dollars |                   |            |
|--|---------------------------|-------------------|------------|
|  | 2018                      |                   |            |
|  | Carrying<br>value         | Fair value        | Difference |
| Cash on hand and in banks                                  | \$ 317,686                | \$ 317,686        | -          |
| Trade notes and accounts receivable                        | 338,837                   |                   |            |
| Allowance for doubtful accounts (*1)                       | (13,921)                  |                   |            |
|  | <u>324,916</u>            | <u>324,916</u>    | -          |
| Short-term investment securities and investment securities | 70,529                    | 70,529            | -          |
| Total assets   | <u>\$ 713,131</u>         | <u>\$ 713,131</u> | -          |
| Short-term borrowings                                      | \$ 167,677                | \$ 167,677        | -          |
| Trade notes and accounts payable                           | 124,209                   | 124,209           | -          |
| Total liabilities  | <u>\$ 291,886</u>         | <u>\$ 291,886</u> | -          |
| Derivatives (*2)   | \$ 28                     | \$ 28             | -          |

(\*1) Allowance for doubtful accounts relating to trade notes and accounts receivable is deducted.

(\*2) Derivative assets and liabilities are presented on a net basis.

Carrying value of financial instruments whose fair value was deemed extremely difficult to determine, which was not included in the above tables, as of March 31, 2018 and 2017 was as follows:

|                            | Millions of Yen |       | Thousands of<br>U.S. Dollars |
|----------------------------|-----------------|-------|------------------------------|
|                            | 2018            | 2017  | 2018                         |
| Unlisted equity securities | ¥ 656           | ¥ 655 | \$ 6,175                     |

Valuation method of fair value of financial instruments and information about securities and derivative transactions are summarized as follows:

### Cash on hand and in banks

The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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### Trade notes and accounts receivable

The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.

### Short-term investment securities and Investment securities

The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or the price presented by the counterparty financial institutions. The carrying value of MMF and others are deemed as the fair value since it is scheduled to be settled in a short period of time. Please see Note 15., Securities, for the notes regarding the securities by classification.

### Short-term borrowings

The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.

### Trade notes and accounts payable

The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.

### Derivative transactions

Please see Note 17., Derivative Transactions.

Redemption schedule for monetary assets as of March 31, 2018 and 2017 was as follows:

|                                     | Millions of Yen         |                                       |  |                     |
|-------------------------------------|-------------------------|---------------------------------------|--|---------------------|
|                                     | 2018                    |                                       |  |                     |
|                                     | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash on hand and in banks           | ¥ 33,729                | –                                     | –                                      | –                   |
| Trade notes and accounts receivable | 35,998                  | –                                     | –                                      | –                   |
| Total                               | ¥ 69,727                | –                                     | –                                      | –                   |

|                                     | Thousands of U.S. Dollars |                                       |  |                     |
|-------------------------------------|---------------------------|---------------------------------------|--|---------------------|
|                                     | 2018                      |                                       |  |                     |
|                                     | Due in one year or less   | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash on hand and in banks           | \$ 317,479                | –                                     | –                                      | –                   |
| Trade notes and accounts receivable | 338,837                   | –                                     | –                                      | –                   |
| Total                               | \$ 656,316                | –                                     | –                                      | –                   |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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|  | Millions of Yen            |   |  |                        |
|--|----------------------------|---|--|------------------------|
|  | 2017                       |   |  |                        |
|  | Due in one<br>year or less | Due after one<br>year through<br>five years | Due after five<br>years through<br>ten years | Due after<br>ten years |
| Cash on hand and in banks              | ¥ 36,892                   | –   | –  | –                      |
| Trade notes and accounts<br>receivable | 32,605                     | –   | –  | –                      |
| Total                                  | ¥ 69,497                   | –   | –  | –                      |

### 19. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

|   | Millions of Yen |           | Thousands of<br>U.S. Dollars |
|---|-----------------|-----------|------------------------------|
|   | 2018            | 2017      | 2018                         |
| Net unrealized holding (loss) gain on other securities:   |                 |           |                              |
| Amount arising during the year                            | ¥ (394)         | ¥ 145     | \$ (3,709)                   |
| Reclassification adjustments                              | –               | (84)      | –                            |
| Amount before tax effect                                  | (394)           | 61        | (3,709)                      |
| Tax effect  | 110             | 34        | 1,036                        |
| Net unrealized holding (loss) gain on other<br>securities | (284)           | 95        | (2,673)                      |
| Revaluation reserve for land:                             |                 |           |                              |
| Tax effect  | –               | –         | –                            |
| Foreign currency translation adjustments:                 |                 |           |                              |
| Amount arising during the year                            | 1,918           | (3,010)   | 18,053                       |
| Remeasurements of defined benefit plans:                  |                 |           |                              |
| Amount arising during the year                            | 37              | (40)      | 348                          |
| Reclassification adjustments                              | 72              | 53        | 678                          |
| Amount before tax effect                                  | 109             | 13        | 1,026                        |
| Tax effect  | (34)            | (5)       | (320)                        |
| Net remeasurements of defined benefit plans               | 75              | 8         | 706                          |
| Total other comprehensive income                          | ¥ 1,709         | ¥ (2,907) | \$ 16,086                    |



# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### 20. Segment Information

#### (1) Outline of reportable segment

The Companies' reportable segments are those for which discrete financial information is available and regularly evaluated by the Company's board of directors in order to make decisions about resource allocations and assess their performances.

The Companies are mainly engaged in manufacturing and sales of paints, which are organized by geographical area based on comprehensive strategy for lines of business by each area, although each subsidiary is independently operated. As a result, the Companies have five reportable segments, (1) Japan (the Company), (2) China (CHUGOKU MARINE PAINTS (Shanghai), Ltd. and CHUGOKU MARINE PAINTS (Guang Dong), Ltd.), (3) Korea (CHUGOKU SAMHWA PAINTS, Ltd.), (4) South East Asia (CHUGOKU MARINE PAINTS (Singapore) Pte., Ltd. and CHUGOKU PAINTS (Malaysia) Sdn. Bhd.) and (5) Europe and U.S. (CHUGOKU PAINTS B.V.), respectively. "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 by reportable segment

Accounting policies of the reportable segments are consistent with those described in Note 1., Summary of Significant Accounting Policies. Reportable segment profit corresponds to operating profit. Intersegment sales and transfers are based on the prevailing market price.

#### (3) Net sales, profit (loss), assets and other items by reportable segment

#### For the year ended March 31, 2018

|   | Millions of Yen    |                 |                |                 |                 |                  |
|---|--------------------|-----------------|----------------|-----------------|-----------------|------------------|
|   | Reportable segment |                 |                |                 |                 | Total            |
|   | Japan              | China           | Korea          | South East Asia | Europe/<br>U.S. |                  |
| Net sales:  |                    |                 |                |                 |                 |                  |
| External sales  | ¥ 34,296           | ¥ 20,030        | ¥ 5,778        | ¥ 10,910        | ¥ 11,967        | ¥ 82,981         |
| Intersegment sales or transfers                                 | 3,438              | 5,075           | 476            | 3,213           | 838             | 13,040           |
| Total   | <u>¥ 37,734</u>    | <u>¥ 25,105</u> | <u>¥ 6,254</u> | <u>¥ 14,123</u> | <u>¥ 12,805</u> | <u>¥ 96,021</u>  |
| Segment profit (loss)   | <u>¥ 771</u>       | <u>¥ 538</u>    | <u>¥ 10</u>    | <u>¥ 1,488</u>  | <u>¥ (519)</u>  | <u>¥ 2,288</u>   |
| Segment assets  | <u>¥ 63,750</u>    | <u>¥ 37,384</u> | <u>¥ 7,635</u> | <u>¥ 16,728</u> | <u>¥ 12,026</u> | <u>¥ 137,523</u> |
| Other items:  |                    |                 |                |                 |                 |                  |
| Depreciation and amortization                                   | ¥ 711              | ¥ 564           | ¥ 66           | ¥ 206           | ¥ 181           | ¥ 1,728          |
| Amortization of goodwill  | —                  | —               | —              | —               | 28              | 28               |
| Increase in property, plant and equipment and intangible assets | 760                | 102             | 18             | 94              | 429             | 1,403            |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2018 and 2017

### For the year ended March 31, 2018

|   | Thousands of U.S. Dollars |                   |                  |                   |                   |                   |
|---|---------------------------|-------------------|------------------|-------------------|-------------------|-------------------|
|   | Reportable segment        |                   |                  |                   |                   |                   |
|   | Japan                     | China             | Korea            | South East Asia   | Europe/<br>U.S.   | Total             |
| Net sales:  |                           |                   |                  |                   |                   |                   |
| External sales  | \$ 322,816                | \$ 188,535        | \$ 54,387        | \$ 102,692        | \$ 112,641        | \$ 781,071        |
| Intersegment sales or transfers                                 | 32,361                    | 47,769            | 4,480            | 30,243            | 7,888             | 122,741           |
| Total   | <u>\$ 355,177</u>         | <u>\$ 236,304</u> | <u>\$ 58,867</u> | <u>\$ 132,935</u> | <u>\$ 120,529</u> | <u>\$ 903,812</u> |
| Segment profit (loss)   | \$ 7,257                  | \$ 5,064          | \$ 94            | \$ 14,006         | \$ (4,885)        | \$ 21,536         |
| Segment assets  | \$ 600,056                | \$ 351,883        | \$ 71,866        | \$ 157,455        | \$ 113,196        | \$ 1,294,456      |
| Other items:  |                           |                   |                  |                   |                   |                   |
| Depreciation and amortization                                   | \$ 6,692                  | \$ 5,309          | \$ 621           | \$ 1,939          | \$ 1,704          | \$ 16,265         |
| Amortization of goodwill  | -                         | -                 | -                | -                 | 264               | 264               |
| Increase in property, plant and equipment and intangible assets | 7,154                     | 960               | 169              | 885               | 4,038             | 13,206            |

### For the year ended March 31, 2017

|   | Millions of Yen    |                 |                 |                 |                 |                 |
|---|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | Reportable segment |                 |                 |                 |                 |                 |
|   | Japan              | China           | Korea           | South East Asia | Europe/<br>U.S. | Total           |
| Net sales:  |                    |                 |                 |                 |                 |                 |
| External sales  | ¥ 35,530           | ¥ 16,552        | ¥ 10,297        | ¥ 10,035        | ¥ 9,954         | ¥ 82,368        |
| Intersegment sales or transfers                                 | 3,207              | 4,035           | 303             | 2,824           | 714             | 11,083          |
| Total   | <u>¥ 38,737</u>    | <u>¥ 20,587</u> | <u>¥ 10,600</u> | <u>¥ 12,859</u> | <u>¥ 10,668</u> | <u>¥ 93,451</u> |
| Segment profit (loss)   | ¥ 3,167            | ¥ (465)         | ¥ 610           | ¥ 1,536         | ¥ (933)         | ¥ 3,915         |
| Segment assets  | ¥ 62,723           | ¥ 34,964        | ¥ 8,223         | ¥ 15,204        | ¥ 10,915        | ¥ 132,029       |
| Other items:  |                    |                 |                 |                 |                 |                 |
| Depreciation and amortization                                   | ¥ 716              | ¥ 611           | ¥ 69            | ¥ 198           | ¥ 77            | ¥ 1,671         |
| Amortization of goodwill  | -                  | -               | -               | -               | 27              | 27              |
| Increase in property, plant and equipment and intangible assets | 911                | 372             | 46              | 249             | 2,384           | 3,962           |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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### (4) Reconciliation between the total amounts of reportable segments and consolidated amounts

#### (a) Segment profit

|   | Millions of Yen |                | Thousands of<br>U.S. Dollars |
|---|-----------------|----------------|------------------------------|
|   | 2018            | 2017           | 2018                         |
| Total of the segment profit                           | ¥ 2,288         | ¥ 3,915        | \$ 21,536                    |
| Elimination of intersegment transaction               | 2,427           | 2,650          | 22,844                       |
| Other corporate expenses                              | (953)           | (1,094)        | (8,970)                      |
| Operating profit on consolidated statements of income | <u>¥ 3,762</u>  | <u>¥ 5,471</u> | <u>\$ 35,410</u>             |

Note: “Other corporate expenses” are mainly general and administrative expenses which are not allocated to each reportable segment.

#### (b) Segment assets

|   | Millions of Yen  |                  | Thousands of<br>U.S. Dollars |
|---|------------------|------------------|------------------------------|
|   | 2018             | 2017             | 2018                         |
| Total of the segment assets                 | ¥ 137,523        | ¥ 132,029        | \$ 1,294,456                 |
| Elimination of intersegment transaction     | (24,146)         | (23,382)         | (227,278)                    |
| Other corporate assets                      | 12,670           | 13,411           | 119,258                      |
| Total assets on consolidated balance sheets | <u>¥ 126,047</u> | <u>¥ 122,058</u> | <u>\$ 1,186,436</u>          |

Note: “Other corporate assets” are mainly cash on hand and in banks and investment securities which are not allocated to each reportable segment.

#### (c) Other items

|   | Millions of Yen              |             |              |
|---|------------------------------|-------------|--------------|
|   | 2018                         |             |              |
|   | Reportable<br>segments total | Adjustments | Consolidated |
| Depreciation and amortization                                   | ¥ 1,728                      | ¥ 73        | ¥ 1,801      |
| Amortization of goodwill  | 28                           | -           | 28           |
| Increase in property, plant and equipment and intangible assets | 1,403                        | 93          | 1,496        |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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|   | Thousands of U.S. Dollars |             |              |
|---|---------------------------|-------------|--------------|
|   | 2018                      |             |              |
|   | Reportable segments total | Adjustments | Consolidated |
| Depreciation and amortization                                   | \$ 16,265                 | \$ 687      | \$ 16,952    |
| Amortization of goodwill  | 264                       | –           | 264          |
| Increase in property, plant and equipment and intangible assets | 13,206                    | 875         | 14,081       |

  

|   | Millions of Yen           |             |              |
|---|---------------------------|-------------|--------------|
|   | 2017                      |             |              |
|   | Reportable segments total | Adjustments | Consolidated |
| Depreciation and amortization                                   | ¥ 1,671                   | ¥ 57        | ¥ 1,728      |
| Amortization of goodwill  | 27                        | –           | 27           |
| Increase in property, plant and equipment and intangible assets | 3,962                     | 10          | 3,972        |

Note: “Adjustments” for “Increase in property, plant and equipment and intangible assets” are mainly intangible assets which are not allocated to each reportable segment.

(Related information)

### (1) Information by product and service

|                | Millions of Yen |                          |                      |       |          | Millions of Yen |                          |                      |       |          |
|----------------|-----------------|--------------------------|----------------------|-------|----------|-----------------|--------------------------|----------------------|-------|----------|
|                | 2018            |                          |                      |       |          | 2017            |                          |                      |       |          |
|                | Paint for ships | Paint for industrial use | Paint for containers | Other | Total    | Paint for ships | Paint for industrial use | Paint for containers | Other | Total    |
| External sales | ¥ 60,055        | ¥ 12,340                 | ¥ 10,255             | ¥ 331 | ¥ 82,981 | ¥ 64,910        | ¥ 12,019                 | ¥ 5,109              | ¥ 330 | ¥ 82,368 |

|                | Thousands of U.S. Dollars |                          |                      |          |            |
|----------------|---------------------------|--------------------------|----------------------|----------|------------|
|                | 2018                      |                          |                      |          |            |
|                | Paint for ships           | Paint for industrial use | Paint for containers | Other    | Total      |
| External sales | \$ 565,277                | \$ 116,152               | \$ 96,527            | \$ 3,115 | \$ 781,071 |

### (2) Information by geographic area

#### (a) Net sales

Information about net sales by geographic area is omitted since the same information is disclosed in the information of reportable segment.

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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### (b) Property, plant and equipment

|                               | Millions of Yen |         |       |                 |              |          | Millions of Yen |         |       |                 |              |          |
|-------------------------------|-----------------|---------|-------|-----------------|--------------|----------|-----------------|---------|-------|-----------------|--------------|----------|
|                               | 2018            |         |       |                 |              |          | 2017            |         |       |                 |              |          |
|                               | Japan           | China   | Korea | South East Asia | Europe/ U.S. | Total    | Japan           | China   | Korea | South East Asia | Europe/ U.S. | Total    |
| Property, plant and equipment | ¥ 16,511        | ¥ 4,718 | ¥ 771 | ¥ 1,527         | ¥ 3,522      | ¥ 27,049 | ¥ 16,568        | ¥ 4,985 | ¥ 750 | ¥ 1,538         | ¥ 2,986      | ¥ 26,827 |

|                               | Thousands of U.S. Dollars |          |          |                 |              |           |
|-------------------------------|---------------------------|----------|----------|-----------------|--------------|-----------|
|                               | 2018                      |          |          |                 |              |           |
|                               | Japan                     | China    | Korea    | South East Asia | Europe/ U.S. | Total     |
| Property, plant and equipment | \$155,412                 | \$44,409 | \$ 7,257 | \$ 14,373       | \$33,152     | \$254,603 |

### (3) Information about major customers

Information about major customers is omitted since there are no external sales to customers constituting more than 10% of net sales of the consolidated statements of income.

(Information about amortization of goodwill and unamortized balances by reportable segment)

|                              | Millions of Yen    |       |                 |              |      |   |                          |
|------------------------------|--------------------|-------|-----------------|--------------|------|---|--------------------------|
|                              | 2018               |       |                 |              |      |   |                          |
|                              | Reportable segment |       |                 |              |      |   | Elimination or corporate |
| Japan                        | China              | Korea | South East Asia | Europe/ U.S. |      |   |                          |
| Amortization during the year | -                  | -     | -               | -            | ¥ 28 | - | ¥ 28                     |
| Unamortized balances         | -                  | -     | -               | -            | -    | - | -                        |

|                              | Thousands of U.S. Dollars |       |                 |              |        |   |                          |
|------------------------------|---------------------------|-------|-----------------|--------------|--------|---|--------------------------|
|                              | 2018                      |       |                 |              |        |   |                          |
|                              | Reportable segment        |       |                 |              |        |   | Elimination or corporate |
| Japan                        | China                     | Korea | South East Asia | Europe/ U.S. |        |   |                          |
| Amortization during the year | -                         | -     | -               | -            | \$ 264 | - | \$ 264                   |
| Unamortized balances         | -                         | -     | -               | -            | -      | - | -                        |

|                              | Millions of Yen    |       |                 |              |      |   |                          |
|------------------------------|--------------------|-------|-----------------|--------------|------|---|--------------------------|
|                              | 2017               |       |                 |              |      |   |                          |
|                              | Reportable segment |       |                 |              |      |   | Elimination or corporate |
| Japan                        | China              | Korea | South East Asia | Europe/ U.S. |      |   |                          |
| Amortization during the year | -                  | -     | -               | -            | ¥ 27 | - | ¥ 27                     |
| Unamortized balances         | -                  | -     | -               | -            | 27   | - | 27                       |

# CHUGOKU MARINE PAINTS, LTD. AND SUBSIDIARIES

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### 21. Subsequent Events

At the meeting of board of directors held on May 8, 2018, the Company resolved to repurchase treasury stock pursuant to the provisions of Article 156 of the Act applied by replacing relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the Act.

(1) Reason for repurchase of treasury stock

To improve shareholder returns and capital efficiency and to pursue capital flexibility to respond to the business environment

(2) Type of shares to be repurchased

Common stock

(3) Total number of shares to be repurchased

5,000,000 shares (maximum)

(4) Total amount of stock repurchase

¥5,000 million (\$47,063 thousand) (maximum)

(5) Period of repurchase

From May 9, 2018 through May 8, 2019

(6) Method of repurchase

Market repurchase on the Tokyo Stock Exchange