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Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 [Japanese GAAP]



February 13, 2019

Company name: NIPPON PAINT HOLDINGS CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4612
 URL: <http://www.nipponpaint-holdings.com/>
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 Scheduled date of annual general meeting of shareholders: March 27, 2019
 Scheduled date of commencing dividend payments: March 28, 2019
 Scheduled date of filing the securities report: March 28, 2019
 Availability of supplementary briefing material on consolidated financial results: Yes
 Schedule of consolidated financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 (January 1, 2018 to December 31, 2018)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2018	622,987	2.9	66,231	(11.6)	72,304	(5.9)	34,195	(7.9)
December 31, 2017	605,252	—	74,957	—	76,820	—	37,123	—

Note: Comprehensive income: Fiscal year ended December 31, 2018: ¥24,765 million [(63.0)%]

Fiscal year ended December 31, 2017: ¥66,970 million [- %]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Total assets Ordinary profit ratio	Net sales Operating profit ratio
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2018	106.63	106.61	6.8	7.8	10.6
December 31, 2017	115.76	115.74	7.6	8.8	12.4

Reference: Equity in earnings (losses) of affiliates: Fiscal year ended December 31, 2018: ¥1,250 million

Fiscal year ended December 31, 2017: ¥1,217 million

The Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2016. Accordingly, percentage changes from the previous consolidated fiscal year are not presented, since the consolidation periods for the fiscal year ended December 31, 2017 (January 1, 2017 to December 31, 2017) and for the fiscal year ended December 31, 2016 (April 1, 2016 to December 31, 2016) differ from each other.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2018	936,030	628,767	53.7	1,566.27
December 31, 2017	920,591	629,408	54.8	1,572.60

Reference: Equity: As of December 31, 2018: ¥502,323 million

As of December 31, 2017: ¥504,336 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
As of December 31, 2018	Million yen 59,177	Million yen (37,355)	Million yen 8,632	Million yen 128,444
As of December 31, 2017	79,265	(100,680)	(11,434)	100,560

2. Dividends

	Annual dividends					Total dividends paid (Total)	Dividend payout ratio (Consolidated)	Dividend /Net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2017	—	20.00	—	22.00	42.00	13,469	36.3	2.8
Fiscal year ended December 31, 2018	—	22.00	—	23.00	45.00	14,431	42.2	2.9
Fiscal year ending December 31, 2019 (Forecast)	—	22.00	—	23.00	45.00		37.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2019 (January 1, 2019 to December 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	310,000	—	39,500	—	40,000	—	20,000	—	62.36
Full year	640,000	—	77,000	—	78,000	—	39,000	—	121.60

The Company voluntarily apply International Financial Reporting Standards (IFRS) starting from consolidated financial statements in the securities report for the fiscal year ended December 31, 2018. Accordingly, consolidated financial results for the fiscal year ending December 31, 2019 are prepared based on IFRS.

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: No
- (2) Changes in accounting policies, changes in accounting estimates and restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement: No
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - December 31, 2018: 325,402,443 shares
 - December 31, 2017: 325,402,443 shares
 - 2) Total number of treasury shares at the end of the period:
 - December 31, 2018: 4,689,703 shares
 - December 31, 2017: 4,700,301 shares
 - 3) Average number of shares during the period:
 - Fiscal year ended December 31, 2018: 320,704,276 shares
 - Fiscal year ended December 31, 2017: 320,702,897 shares

*These consolidated financial results are outside the scope of audit by Certified Public Accountants or auditing corporations.

*Explanation of the proper use of financial results forecast and other notes

(Caution concerning forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that are judged to be reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results, etc. may differ greatly from the forecast figures depending on various factors.

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1. Overview of Financial Results

(1) Overview of Financial Results for the Period under Review

The period of consolidation for the fiscal year ended December 31, 2018 is the twelve months from January to December 2018.

During the fiscal year ended December 31, 2018, consolidated net sales of the Company and its group companies (collectively, the “Group”) increased by 2.9% from the corresponding period of the previous year (the “previous year”), to ¥622,987 million. Consolidated operating profit decreased by 11.6% from the previous year, to ¥66,231 million due to the effects of an increase in raw material prices, and consolidated ordinary profit decreased by 5.9% from the previous year, to ¥72,304 million partly due to the recording of the subsidy income related to the removal of factories resulting from an environmental regulation in China. Profit attributable to owners of parent decreased by 7.9% from the previous year, to ¥34,195 million due to the gain on sales of non-current assets following the closure of Neyagawa office, offset by the effect of changes in the U.S. tax system in the previous fiscal year.

Results by business segment are as follows.

Japan

In this region, although the number of automobiles manufactured was at the same level as the previous year, net sales of automotive coatings were higher than the previous year due to factors such as favorable shipments of premium design and high value-added coatings and the contribution from expanded sales of coatings for automotive parts. As for industrial coatings, despite a lower number of new housing starts than the previous year, net sales were higher than the previous year due to factors such as increased shipments of powder paints and coatings for colored steel sheets in line with restoration works following the natural disasters that occurred from June to September. As for trade-use paints, despite the sluggish market conditions, net sales were higher than the previous year due to factors such as efforts to expand our market share in the retail sector by introducing new products. As for other coatings, net sales were lower than the previous year mainly due to factors such as the sluggish market conditions of marine coatings.

As a result of these factors, consolidated net sales for the Japan segment increased by 1.3% from the previous year, to ¥178,133 million. Consolidated operating profit decreased by 3.6% from the previous year, to ¥41,621 million due to the effects of an increase in raw material prices and an increase in selling, general and administrative expenses. ¥14,012 million of dividend income from overseas group companies (¥12,543 million in the previous year) is included in consolidated operating profit. All of this dividend income is eliminated as an internal transaction under “Inter-segment transaction eliminations and other adjustments.”

Asia

In this region, net sales for automotive coatings were higher than the previous year, despite a decrease in the number of automobiles manufactured in China from the previous year, due to factors such as favorable production by Japanese and South Korean manufacturers, coupled with expanded business in the commercial vehicles sector and to Chinese manufacturers, as well as an increase in the number of automobiles manufactured in Thailand. As for trade-use paints, which account for the highest ratio of business, net sales were higher than the previous year due to an increase of sales to major customers in sectors focusing on decorative paints for exterior, despite the sluggish market conditions in housing sales due to the strengthening of housing investment regulations in China, and favorable sales in Singapore and Malaysia. In industrial coatings, net sales were lower than the previous year, owing primarily to a decrease in shipments of coatings for construction materials.

As a result of these factors, consolidated net sales for the Asia segment increased by 2.5% from the previous year, to ¥355,746 million. Consolidated operating profit decreased by 11.7% from the previous year, to ¥36,066 million mainly due to the effects of an increase in raw material prices.

Americas

In this region, net sales for automotive coatings decreased from the previous year due to the effects of exchange rate, despite efforts to expand sales of coatings for automotive parts amid sluggish production of automobiles in the United States, a core region. In trade-use paints, consolidated net sales increased significantly from the previous year due to increased openings of paint stores coupled with the full twelve-month contribution, compared with ten months in the previous year, from the results of DUNN-EDWARDS CORPORATION, a decorative paints manufacturer, which was consolidated in March 2017.

As a result of these factors, consolidated net sales for the Americas segment increased by 10.2% from the previous year, to ¥75,207 million. Consolidated operating profit decreased by 2.8% from the previous year to ¥3,080 million mainly due to the effects of an increase in raw material prices.

Other

In this segment, regarding automotive coatings, consolidated net sales decreased by 1.3% from the previous year to ¥13,900 million due to the effects of exchange rate, despite steady shipments to Japanese and French manufacturers, and consolidated operating loss was ¥677 million, compared to an operating profit of ¥248 million in the previous year mainly due to the effects of an increase in raw material prices.

(2) Overview of Financial Position for the Period under Review

Total assets at the end of the fiscal year under review increased by ¥15,439 million from the end of the previous fiscal year to ¥936,030 million. Current assets increased by ¥46,354 million, mainly due to a decrease in securities and inventories, offset by increases in cash and deposits and accounts receivable - trade. Additionally, non-current assets decreased by ¥30,915 million from the end of the previous fiscal year, primarily caused by factors such as decreases in trademark rights and goodwill in line with their amortization and a decrease in investment securities resulting from the fall in share prices.

Liabilities increased by ¥16,080 million from the end of the previous fiscal year to ¥307,262 million. The increase was mainly attributable to a decrease in notes and accounts payable - trade and deferred tax liabilities, offset by an increase in loans payable.

Net assets decreased by ¥640 million from the end of the previous fiscal year to ¥628,767 million. This was mainly attributable to an increase in retained earnings due to the recording of profit attributable to owners of parent, offset by decreases in valuation difference on available-for-sale securities and foreign currency translation adjustment.

As a result, equity ratio fell from 54.8% at the end of the previous fiscal year to 53.7%.

(3) Overview of Cash Flows for the Period under Review

Business operations for the fiscal year ended December 31, 2018 resulted in an inflow of ¥59,177 million, investing activities resulted in an outflow of ¥37,355 million, and financing activities resulted in an inflow of ¥8,632 million, resulting in cash and cash equivalents (hereinafter “cash”) of ¥128,444 million, an increase of ¥27.883 billion compared to the end of the previous consolidated fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥59,177 million. Primary factors include a decrease in cash of ¥8,941 million due to an increase in operating capital and income taxes paid of ¥24,595 million, despite a cash inflow (excluding increases and decreases in operating capital) of ¥92,714 million, reflecting mainly non-cash expenses such as depreciation and amortization on profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was ¥37,355 million. This was mainly attributable to an outflow of ¥55,398 million due partly to the purchase of property, plant and equipment and payments into time deposits, despite the inflow of ¥12,456 million due to a decrease in securities.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥8,632 million. Primary factors include an inflow of ¥34,631 million due to an increase in loans payable and cash dividends paid of ¥26,148 million.

(4) Future Outlook

For the next period (period ending December 31, 2019), the domestic economy is forecast to be robust, led by domestic demand as the Japanese economy continues in a recovery trend. Under such circumstances, the Company will strive to expand its market share in each business sector, including automotive coatings, trade-use paints and industrial coatings, and secure its presence in crucial markets. Additionally, we will work to ensure profits by continuing to revise product prices within an appropriate range, coupled with cost reductions and cost control, including selling, general and administrative expenses, in the midst of an uncertain outlook as evidenced by trade frictions in major countries and the increase in the consumption tax planned for October 2019.

The business climate in Asia is forecast to continue experiencing slower growth in the housing-related market due to continued real estate investment control measures in China, a core region. In addition to this, uncertainties such as a decline in personal consumption against the backdrop of trade friction and trends in raw material prices due to strengthened environmental regulations are also forecast. Under such circumstances, we will further increase added-value for products and services throughout Asia by engaging in business operation as a unified group with the NIPSEA Group (*), a joint venture in the region. Specifically, in the interior residential paint field in which we hold the top domestic market share in China, and which accounts for the majority of sales in our China business, we aim to further expand our market share including in regional cities where continued growth is expected going forward, by taking advantage of our high brand strength and a nationwide sales network. In the automotive coatings business, we will make efforts to expand our market share among Chinese and Japanese manufacturers amid predictions for the number of automobiles manufactured to remain at the same level as the previous fiscal year. Similarly, in other countries in Asia, we are promoting the creation and rousing of demand for trade-use paints, automotive coatings and other products to raise our market presence.

In the Americas, we will endeavor to expand market share for automotive coatings amid predictions for the number of automobiles manufactured in the region, including Mexico, to fall below the preceding fiscal year. In the construction paints business, which we are developing mainly in the southwest of the USA, we aim to increase our net sales, including at existing stores, through openings of new paint stores.

In other regions, we will strive to increase our net sales for automotive coatings as well as improve

profitability amid forecasts for the number of automobiles manufactured in Europe to remain at the same level as the previous fiscal year.

As a result of the above factors, our outlook for next fiscal year's consolidated business performance is ¥640.0 billion in net sales, ¥77.0 billion in operating profit, ¥78.0 billion in profit before income taxes, and ¥39.0 billion in profit attributable to owners of parent.

Since the Company has voluntarily decided to adopt International Financial Reporting Standards (IFRS) for its consolidated financial statements in the annual securities report from the fiscal year ended December 31, 2018, the Consolidated Financial Results Forecast is based on IFRS.

Additionally, based on these financial results forecasts, we plan a full-year dividend of ¥45.0 for the next fiscal year.

(*) Asian joint venture together with WUTHELAM HOLDINGS LTD., a collaborative partner based in Singapore

2. Basic Approach to Selection of Accounting Standards

In order to further promote global management, improve the comparability of financial information and enhance disclosure by standardizing accounting procedures amongst group companies, the Company voluntarily adopts International Financial Reporting Standards (IFRS) for consolidated financial statements in its annual securities reports from the fiscal year ended December 31, 2018.

3. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheets

(Million yen)

	As of December 31, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	103,007	164,063
Notes and accounts receivable - trade	153,922	157,432
Electronically recorded monetary claims - operating	15,402	16,630
Securities	37,477	23,447
Merchandise and finished goods	38,198	38,351
Work in process	4,032	4,061
Raw materials and supplies	26,174	23,295
Deferred tax assets	7,278	5,967
Other	20,800	19,417
Allowance for doubtful accounts	(4,394)	(4,413)
Total current assets	401,900	448,255
Non-current assets		
Property, plant and equipment		
Buildings and structures	123,589	125,257
Accumulated depreciation	(59,559)	(61,236)
Buildings and structures, net	64,029	64,020
Machinery, equipment and vehicles	106,609	108,585
Accumulated depreciation	(74,563)	(76,069)
Machinery, equipment and vehicles, net	32,045	32,516
Tools, furniture and fixtures	25,398	25,235
Accumulated depreciation	(20,139)	(20,005)
Tools, furniture and fixtures, net	5,259	5,230
Land	28,364	27,584
Leased assets	2,681	2,874
Accumulated depreciation	(1,153)	(1,358)
Leased assets, net	1,528	1,516
Construction in progress	11,652	13,336
Total property, plant and equipment	142,880	144,204
Intangible assets		
Goodwill	197,051	180,270
Trademark right	61,870	57,512
Other	54,295	50,404
Total intangible assets	313,216	288,188
Investments and other assets		
Investment securities	57,619	50,082
Deferred tax assets	1,143	959
Net defined benefit asset	77	42
Other	3,834	4,335
Allowance for doubtful accounts	(82)	(37)
Total investments and other assets	62,593	55,382
Total non-current assets	518,690	487,775
Total assets	920,591	936,030

(Million yen)

	As of December 31, 2017	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	79,940	76,036
Electronically recorded obligations - operating	22,380	22,488
Short-term loans payable	18,274	41,294
Current portion of long-term loans payable	7,080	10,171
Income taxes payable	6,046	4,709
Provision for product compensation	2,340	302
Other	63,150	58,712
Total current liabilities	199,212	213,715
Non-current liabilities		
Long-term loans payable	31,741	37,831
Lease obligations	846	874
Deferred tax liabilities	33,337	29,521
Provision for directors' retirement benefits	191	383
Provision for environmental measures	264	325
Net defined benefit liability	17,398	18,671
Other	8,190	5,937
Total non-current liabilities	91,970	93,547
Total liabilities	291,182	307,262
Net assets		
Shareholders' equity		
Capital stock	78,862	78,862
Capital surplus	63,262	63,247
Retained earnings	385,369	405,454
Treasury shares	(6,454)	(6,444)
Total shareholders' equity	521,040	541,119
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,068	7,388
Foreign currency translation adjustment	(25,387)	(41,663)
Remeasurements of defined benefit plans	(3,384)	(4,521)
Total accumulated other comprehensive income	(16,703)	(38,796)
Share acquisition rights	136	156
Non-controlling interests	124,934	126,288
Total net assets	629,408	628,767
Total liabilities and net assets	920,591	936,030

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Net sales	605,252	622,987
Cost of sales	360,055	382,124
Gross profit	245,196	240,862
Selling, general and administrative expenses	170,239	174,631
Operating profit	74,957	66,231
Non-operating income		
Interest income	1,147	1,466
Dividend income	965	1,040
Share of profit of entities accounted for using equity method	1,217	1,250
Gain on investments in securities	1,424	1,922
Subsidy income	983	3,878
Other	1,262	1,061
Total non-operating income	7,000	10,619
Non-operating expenses		
Interest expenses	1,081	1,260
Foreign exchange losses	1,381	1,630
Purchasing-related expense	750	-
Other	1,923	1,654
Total non-operating expenses	5,137	4,545
Ordinary profit	76,820	72,304
Extraordinary income		
Gain on sales of non-current assets	223	5,621
Gain on sales of shares of subsidiaries and associates	899	-
Other	4	118
Total extraordinary income	1,127	5,740
Extraordinary losses		
Loss on sales and retirement of non-current assets	728	663
Product compensation expenses	2,340	-
Other	106	217
Total extraordinary losses	3,175	881
Profit before income taxes	74,771	77,163
Income taxes - current	22,210	22,543
Income taxes - deferred	(4,757)	173
Total income taxes	17,452	22,716
Profit	57,318	54,446
Profit attributable to non-controlling interests	20,195	20,250
Profit attributable to owners of parent	37,123	34,195

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Profit	57,318	54,446
Other comprehensive income		
Valuation difference on available-for-sale securities	2,024	(5,018)
Foreign currency translation adjustment	5,140	(22,521)
Remeasurements of defined benefit plans, net of tax	1,843	(1,226)
Share of other comprehensive income of entities accounted for using equity method	644	(914)
Total other comprehensive income	9,652	(29,681)
Comprehensive income	66,970	24,765
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	44,031	12,102
Comprehensive income attributable to non-controlling interests	22,939	12,662

(3) Consolidated Statements of Changes in Equity

For the Fiscal Year ended December 31, 2017 (From January 1, 2017 to December 31, 2017)

(Million Yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	78,862	63,451	361,074	(6,444)	496,944
Changes of items during period					
Dividends of surplus			(12,828)		(12,828)
Profit attributable to owners of parent			37,123		37,123
Purchase of treasury shares				(10)	(10)
Disposal of treasury shares		0		0	1
Change in ownership interest of parent due to transactions with non-controlling interests		(190)			(190)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(189)	24,295	(9)	24,095
Balance at end of current period	78,862	63,262	385,369	(6,454)	521,040

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	10,120	(28,512)	(5,214)	(23,606)	85	112,334	585,757
Changes of items during period							
Dividends of surplus							(12,828)
Profit attributable to owners of parent							37,123
Purchase of treasury shares							(10)
Disposal of treasury shares							1
Change in ownership interest of parent due to transactions with non-controlling interests							(190)
Net changes of items other than shareholders' equity	1,948	3,125	1,829	6,903	51	12,599	19,554
Total changes of items during period	1,948	3,125	1,829	6,903	51	12,599	43,650
Balance at end of current period	12,068	(25,387)	(3,384)	(16,703)	136	124,934	629,408

For the Fiscal Year ended December 31, 2018 (From January 1, 2018 to December 31, 2018)

(Million Yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	78,862	63,262	385,369	(6,454)	521,040
Changes of items during period					
Dividends of surplus			(14,110)		(14,110)
Profit attributable to owners of parent			34,195		34,195
Purchase of treasury shares				(7)	(7)
Disposal of treasury shares		18		16	35
Change in ownership interest of parent due to transactions with non-controlling interests		(33)			(33)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(15)	20,084	9	20,079
Balance at end of current period	78,862	63,247	405,454	(6,444)	541,119

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	12,068	(25,387)	(3,384)	(16,703)	136	124,934	629,408
Changes of items during period							
Dividends of surplus							(14,110)
Profit attributable to owners of parent							34,195
Purchase of treasury shares							(7)
Disposal of treasury shares							35
Change in ownership interest of parent due to transactions with non-controlling interests							(33)
Net changes of items other than shareholders' equity	(4,680)	(16,275)	(1,136)	(22,093)	19	1,353	(20,720)
Total changes of items during period	(4,680)	(16,275)	(1,136)	(22,093)	19	1,353	(640)
Balance at end of current period	7,388	(41,663)	(4,521)	(38,796)	156	126,288	628,767

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	74,771	77,163
Depreciation	17,831	18,476
Amortization of goodwill	11,616	12,061
Interest and dividend income	(2,112)	(2,506)
Interest expenses	1,081	1,260
Share of loss (profit) of entities accounted for using equity method	(1,217)	(1,250)
Loss (gain) on sales and retirement of property, plant and equipment	505	(4,957)
Decrease (increase) in notes and accounts receivable - trade	(13,655)	(8,996)
Decrease (increase) in inventories	(4,850)	1,079
Increase (decrease) in notes and accounts payable - trade	5,551	(1,024)
Increase (decrease) in net defined benefit liability	471	(296)
Other, net	7,395	(9,288)
Subtotal	97,388	81,720
Interest and dividend income received	3,017	3,400
Interest expenses paid	(1,094)	(1,347)
Income taxes paid	(24,168)	(25,043)
Income taxes refund	4,122	447
Net cash provided by (used in) operating activities	79,265	59,177
Cash flows from investing activities		
Net decrease (increase) in short-term investment securities	13,089	12,456
Purchase of property, plant and equipment	(20,727)	(18,377)
Proceeds from sales of property, plant and equipment	1,484	6,198
Purchase of investment securities	(8,394)	(62)
Payments into time deposits	(6,211)	(37,021)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(82,606)	(1,868)
Other, net	2,685	1,319
Net cash provided by (used in) investing activities	(100,680)	(37,355)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(12,917)	24,712
Proceeds from long-term loans payable	35,360	16,995
Repayments of long-term loans payable	(3,764)	(7,076)
Repayments of lease obligations	(567)	(607)
Cash dividends paid	(12,828)	(14,110)
Dividends paid to non-controlling interests	(14,180)	(12,038)
Redemption of bonds	(2,558)	-
Proceeds from share issuance to non-controlling shareholders	-	689
Other, net	22	67
Net cash provided by (used in) financing activities	(11,434)	8,632
Effect of exchange rate change on cash and cash equivalents	(1,106)	(2,569)
Net increase (decrease) in cash and cash equivalents	(33,955)	27,883
Cash and cash equivalents at beginning of period	134,515	100,560
Cash and cash equivalents at end of period	100,560	128,444

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in methods of presentation)

(Consolidated Statements of Cash Flows)

“Payments into time deposits,” which was included in “other” under “cash flows from investing activities” during the previous fiscal year, has become significant in value, and is separately presented from the fiscal year ended December 31, 2018. To reflect this change, the consolidated financial statements for the previous fiscal year have been rearranged.

As a result, “other” of ¥(3,526) million, which was presented in “cash flows from investing activities” on the consolidated statements of cash flows during the previous fiscal year, has been rearranged to “payments into time deposits” of ¥(6,211) million and “other” of ¥2,685 million.

(Segment information)

1. Summary of reportable segments

The reportable segments of the Company categorize the business composition of the Company for which separate financial information is available and are subject to periodical evaluation by the Board of Directors in order to make decisions regarding management resource allocation and performance assessment.

The Group's primary business is the manufacture and sale of paint for automotive, general, industrial, and other uses, and fine chemicals. The Company and separate local companies are responsible for domestic activities, and overseas, separate local companies are responsible for the Asia, Americas and other regions.

Each company is an individual management unit, and concerning which items to carry, comprehensive strategic proposals are made for each region to foster business growth.

As a result, the Group consists of segments divided by region with manufacture and sales structure as a base, and the three reportable segments are "Japan," "Asia," and "Americas."

2. Calculation methods for net sales, profit and loss, assets, liabilities, and other items by reportable segment

Accounting treatment methods for reportable segments comply with the accounting principles and procedures adopted for preparing consolidated financial statements.

Profits for reportable segments are figures based on operating profit. Inter-segment net sales or transfers are based on actual market prices.

3. Information on net sales, income (loss), assets, liabilities, and other figures by reportable segment

Previous fiscal year (January 1, 2017 – December 31, 2017)

(Million yen)

	Reportable segment				Other (Note 1)	Total
	Japan	Asia	Americas	Subtotal		
Net sales						
Net sales to outside customers	175,907	347,033	68,229	591,170	14,082	605,252
Inter-segment net sales or transfers	33,617	4,665	162	38,446	934	39,381
Total	209,525	351,699	68,392	629,616	15,016	644,633
Segment income	43,172	40,826	3,170	87,169	248	87,417
Segment assets	588,591	537,363	123,222	1,249,177	15,285	1,264,462
Other items						
Depreciation	3,379	11,634	2,618	17,632	198	17,831
Increase in property, plant, and equipment and intangible assets	6,469	22,194	53,468	82,131	872	83,004

Note 1: "Other" represents business segments that are not included in the reportable segments, and contains business activities by overseas subsidiaries in Europe, etc.

Note 2: The increases in "segment assets" and "increase in property, plant, and equipment and intangible assets" in the "Americas" segment are primarily due to the consolidation of DUNN-EDWARDS CORPORATION.

Fiscal year ended December 31, 2018 (January 1, 2018 – December 31, 2018)

(Million yen)

	Reportable segment				Other (Note)	Total
	Japan	Asia	Americas	Subtotal		
Net sales						
Net sales to outside customers	178,133	355,746	75,207	609,087	13,900	622,987
Inter-segment net sales or transfers	34,911	3,480	217	38,609	738	39,348
Total	213,045	359,226	75,424	647,696	14,638	662,335
Segment income (loss)	41,621	36,066	3,080	80,768	(677)	80,091
Segment assets	585,617	555,785	119,807	1,261,210	15,738	1,276,949
Other items						
Depreciation	3,547	11,861	2,850	18,260	216	18,476
Increase in property, plant, and equipment and intangible assets	3,963	14,026	2,608	20,597	2,725	23,323

Note: “Other” represents business segments that are not included in the reportable segments, and contains business activities by overseas subsidiaries in Europe, etc.

4. Difference between total amount for reportable segment and the amount recorded in the consolidated financial statements, and major details of such difference (matters related to adjustments of difference)

(Million yen)

Net sales	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Total reportable segment sales	629,616	647,696
Net sales from “Other”	15,016	14,638
Inter-segment transaction eliminations and other adjustments	(39,381)	(39,348)
Net sales recorded in the consolidated financial statements	605,252	622,987

Note: “Inter-segment transaction eliminations and other adjustments” includes inter-segment dividend income.

(Million yen)

Income	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Total reportable segment income	87,169	80,768
Segment income (loss) from “Other”	248	(677)
Inter-segment transaction eliminations and other adjustments	(12,459)	(13,860)
Operating profit recorded in the consolidated financial statements	74,957	66,231

Note: “Inter-segment transaction eliminations and other adjustments” includes inter-segment dividend income.

(Million yen)

Segment assets	As of December 31, 2017	As of December 31, 2018
Total reportable segment assets	1,249,177	1,261,210
Net assets from “Other”	15,285	15,738
Inter-segment transaction eliminations and other adjustments	(420,696)	(424,311)
Total company assets (Note)	76,825	83,392
Net assets recorded in the consolidated financial statements	920,591	936,030

Note: Total company assets consist of surplus operating funds (cash and deposits), long-term investment funds (investment securities), and deferred tax assets.

(Million yen)

Other items	Total of reportable segments		Other, net		Adjustment		Consolidated financial statements total	
	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year
Depreciation	17,632	18,260	198	216	—	—	17,831	18,476
Increase in property, plant and equipment and intangible assets	82,131	20,597	872	2,725	—	—	83,004	23,323

(Per-share information)

	Previous consolidated fiscal year (From January 1, 2017 To December 31, 2017)	Current consolidated fiscal year (From January 1, 2018 To December 31, 2018)
Net assets per share	¥1,572.60	¥1,566.27
Basic earnings per share	¥115.76	¥106.63
Diluted earnings per share	¥115.74	¥106.61

(Note) The basis of calculations of basic earnings per share and diluted earnings per share are as below.

	Previous consolidated fiscal year (From January 1, 2017 To December 31, 2017)	Current consolidated fiscal year (From January 1, 2018 To December 31, 2018)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	37,123	34,195
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent relating to common shares (million yen)	37,123	34,195
Average number of shares during the period (thousands of shares)	320,702	320,704
Diluted earnings per share		
Adjusted profit attributable to owners of parent (million yen)	—	—
Increase in the number of shares of common stock (thousands of shares)	49	50
(Subscription rights to shares included in the above) (thousands of shares)	(49)	(50)
Descriptions of potential shares that were not included in the computation of diluted earnings per share because of their anti-dilutive effect		—

(Significant subsequent events)

There is no relevant information.

4. Other

(1) State of Sales Performance

(Million yen)

	Previous consolidated fiscal year (From January 1, 2017 To December 31, 2017)	Current consolidated fiscal year (From January 1, 2018 To December 31, 2018)	Compared with previous fiscal year (%)
Paint business	586,373	603,597	2.9
Automotive paint	148,437	159,610	7.5
Trade-use paint	308,846	318,264	3.0
Industrial paint	73,045	68,870	(5.7)
Other paint	56,043	56,852	1.4
Fine chemical business	18,879	19,390	2.7
Total	605,252	622,987	2.9

Note: Consumption taxes are not included in these amounts.