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**Consolidated Financial Results  
for the Nine Months Ended September 30, 2018  
[Japanese GAAP]**



November 14, 2018

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 filing quarterly securities report: November 14, 2018  
 Scheduled date of commencing dividend payments: -  
 Availability of supplementary briefing material on quarterly financial results: Yes  
 Schedule of quarterly financial results briefing session: Yes

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

**1. Consolidated Financial Results for the Nine Months Ended September 30, 2018 (January 1, 2018 to September 30, 2018)**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2018	471,078	4.0	50,810	(10.0)	55,993	(4.7)	26,514	5.1
September 30, 2017	452,772	-	56,467	-	58,731	-	25,236	-

Note: Comprehensive income: Nine months ended September 30, 2018: ¥28,445 million [(31.3) %]  
 Nine months ended September 30, 2017: ¥41,376 million [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2018	82.68	82.66
September 30, 2017	78.69	78.68

The Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2016. Accordingly, the consolidated financial statements for the nine months ended December 31, 2016 was not prepared, and therefore changes from the previous corresponding period for the nine months ended September 30, 2017 have not been provided.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018	917,771	632,029	55.4
As of December 31, 2017	920,591	629,408	54.8

Reference: Equity: As of September 30, 2018: ¥508,376 million  
 As of December 31, 2017: ¥504,336 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2017	-	20.00	-	22.00	42.00
Fiscal year ending December 31, 2018	-	22.00	-		
Fiscal year ending December 31, 2018 (Forecast)				23.00	45.00

Note: Revision to the forecast for dividends announced most recently: No

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 to December 31, 2018)

(% 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
Full year	615,000	1.6	63,000	(16.0)	69,000	(10.2)	31,000	(16.5)	96.66

Note: Revision to the financial results forecast announced most recently: Yes

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review: No
- (2) Accounting treatments adopted specially for the preparation of quarterly consolidated financial statements: Yes
- (3) 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
- (4) Total number of issued shares (common shares)
  - 1) Total number of issued shares at the end of the period (including treasury shares):  
September 30, 2018: 325,402,443 shares  
December 31, 2017: 325,402,443 shares
  - 2) Total number of treasury shares at the end of the period:  
September 30, 2018: 4,700,978 shares  
December 31, 2017: 4,700,301 shares
  - 3) Average number of shares during the period:  
Nine months ended September 30, 2018: 320,701,656 shares  
Nine months ended September 30, 2017: 320,703,181 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. For the assumptions underlying the forecasts and precautions when using the forecasts, please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information” on page 4 of the Attachment.

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## 1. Qualitative Information on Quarterly Financial Results for the Period under Review

### (1) Explanation of Operating Results

The period of consolidation for the nine months ended September 30, 2018 is the nine months from January to September 2018.

During the nine months ended September 30, 2018, consolidated net sales of the Company and its group companies (collectively, the “Group”) increased by 4.0% from the corresponding period of the previous year (the “previous year”), to ¥471,078 million. Consolidated operating profit decreased by 10.0% from the previous year, to ¥50,810 million due to the effects of an increase in raw material prices, and consolidated ordinary profit decreased by 4.7% from the previous year, to ¥55,993 million due to a decrease in consolidated operating profit, despite 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 increased by 5.1% from the previous year, to ¥26,514 million partly due to the gain on sales of non-current assets posted for the sale of land, etc. following the closure of Neyagawa office, despite the effect of a decrease in consolidated ordinary profit.

Results by business segment are as follows.

#### **Japan**

In this region, although the number of automobiles manufactured was slightly lower than 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 efforts to expand our market share. As for industrial coatings, due to weak shipments of coatings for construction materials affected by unfavorable market, net sales were lower than the previous year. As for trade-use paints, despite of the sluggish market conditions, net sales were slightly 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 due to factors such as the sluggish market conditions of marine coatings and the recording of sales of a large-scale coating facility construction in the previous year.

As a result of these factors, consolidated net sales for the Japan segment decreased by 0.5% from the previous year, to ¥130,149 million. Consolidated operating profit decreased by 3.8% from the previous year, to ¥33,923 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 in China, a core region, were higher than the previous year, with a slight increase in the number of automobiles manufactured from the previous year, due to factors such as favorable production by Japanese and South Korean manufacturers, coupled with the expansion of business to Chinese manufacturers. As for trade-use paints, net sales were higher than the previous year, due to factors such as an increase of sales to major customers in sectors focusing on decorative paints for exterior, despite of the sluggish real estate market conditions due to the strengthening of housing investment regulations. In industrial coatings, net sales were lower than the previous year, owing primarily to weak shipments of coatings for construction materials affected by unfavorable market.

In the Asia region excluding China, net sales for automotive coatings were higher than the previous year due to an increase in number of automobiles manufactured in Thailand. Additionally, net sales of trade-use paints were strong in Singapore, Vietnam and Malaysia.

As a result of these factors, consolidated net sales for the Asia segment increased by 4.8% from the previous year, to ¥273,958 million. Consolidated operating profit decreased by 7.9% from the previous year, to

¥28,173 million mainly due to the effects of an increase in raw material prices.

### **Americas**

In this region, although the number of automobiles manufactured was at the same level as the previous year, net sales for automotive coatings in the United States, a core region, decreased from the previous year, due to the effects of exchange rate in addition to a decline in the number of automobiles manufactured by Japanese manufacturers. In trade-use paints, consolidated net sales increased year on year with the results of DUNN-EDWARDS CORPORATION, a decorative paints manufacturer, which was consolidated in March 2017, contributing to the sales for the full nine months compared to seven months in the previous year.

As a result of these factors, consolidated net sales for the Americas segment increased by 12.9% from the previous year, to ¥56,683 million. Consolidated operating profit increased by 3.0% from the previous year to ¥2,848 million. Consolidated operating profit of the nine months ended September 30, 2017 included expenses related to the acquisition of stock of DUNN-EDWARDS CORPORATION.

### **Other**

In this segment, regarding automotive coatings, with number of automobiles manufactured in the region decreased from the previous year, consolidated net sales decreased by 1.0% from the previous year to ¥10,286 million despite favorable shipments to Japanese and French manufacturers and consolidated operating loss was ¥227 million, compared to an operating profit of ¥322 million in the previous year mainly due to the effects of an increase in raw material prices and the aggravating effects of product mix.

## **(2) Explanation of Financial Position**

Total assets at the end of the third quarter of the fiscal year under review decreased by ¥2,820 million from the end of the previous fiscal year to ¥917,771 million. Current assets increased by ¥11,782 million, mainly due to a decrease in securities, offset by increases in cash and deposits and accounts receivable - trade. Additionally, non-current assets decreased by ¥14,602 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 decreased by ¥5,440 million from the end of the previous fiscal year to ¥285,741 million. The decrease was mainly attributable to a decrease in loans payable and deferred tax liabilities.

Net assets increased by ¥2,620 million from the end of the previous fiscal year to ¥632,029 million. This was mainly attributable to decreases in valuation difference on available-for-sale securities, foreign currency translation adjustment and non-controlling interests, offset by an increase in retained earnings due to the recording of profit attributable to owners of parent.

As a result, equity ratio increased from 54.8% at the end of the previous fiscal year to 55.4%.

### (3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

Net sales in China are projected to fall below the forecasts as a result of the effects of slower growth than is expected in new housing market, due to the strengthening of regulations to limit housing purchases for investment purposes, although our mainstay residential interior paints business is projected to exceed the market growth rate. Net sales in other regions are also projected to be lower than the forecasts. Operating profit is projected to fall below the forecasts due to a shortfall in net sales and the effects of an increase in raw material prices on a global scale.

In view of these circumstances, the full-year consolidated financial results forecast is revised as follows.

#### Revisions to the Full-Year Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 to December 31, 2018)

	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
Previously announced forecast (A)	650,000	78,000	82,000	35,500	110.69
Currently revised forecast (B)	615,000	63,000	69,000	31,000	96.66
Amount of change (B-A)	(35,000)	(15,000)	(13,000)	(4,500)	
Change (%)	(5.4)	(19.2)	(15.9)	(12.7)	

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2017	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	103,007	119,294
Notes and accounts receivable - trade	153,922	165,959
Electronically recorded monetary claims - operating	15,402	16,185
Securities	37,477	25,054
Inventories	68,406	68,565
Deferred tax assets	7,278	7,308
Other	20,800	17,203
Allowance for doubtful accounts	(4,394)	(5,889)
<b>Total current assets</b>	<b>401,900</b>	<b>413,682</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	64,029	64,270
Other, net	78,850	81,538
<b>Total property, plant and equipment</b>	<b>142,880</b>	<b>145,808</b>
Intangible assets		
Goodwill	197,051	187,625
Trademark right	61,870	59,368
Other	54,295	52,104
<b>Total intangible assets</b>	<b>313,216</b>	<b>299,099</b>
Investments and other assets		
Investment securities	57,619	54,170
Deferred tax assets	1,143	890
Other	3,912	4,160
Allowance for doubtful accounts	(82)	(41)
<b>Total investments and other assets</b>	<b>62,593</b>	<b>59,179</b>
<b>Total non-current assets</b>	<b>518,690</b>	<b>504,088</b>
<b>Total assets</b>	<b>920,591</b>	<b>917,771</b>

(Million yen)

	As of December 31, 2017	As of September 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	79,940	79,966
Electronically recorded obligations - operating	22,380	21,759
Short-term loans payable	25,354	27,427
Income taxes payable	6,046	4,906
Provision for product compensation	2,340	312
Other	63,150	73,868
Total current liabilities	199,212	208,241
Non-current liabilities		
Long-term loans payable	31,741	21,905
Deferred tax liabilities	33,337	31,706
Provision for directors' retirement benefits	191	187
Provision for environmental measures	264	301
Net defined benefit liability	17,398	16,539
Other	9,037	6,861
Total non-current liabilities	91,970	77,500
Total liabilities	291,182	285,741
<b>Net assets</b>		
Shareholders' equity		
Capital stock	78,862	78,862
Capital surplus	63,262	63,229
Retained earnings	385,369	397,773
Treasury shares	(6,454)	(6,458)
Total shareholders' equity	521,040	533,406
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,068	10,368
Foreign currency translation adjustment	(25,387)	(32,660)
Remeasurements of defined benefit plans	(3,384)	(2,738)
Total accumulated other comprehensive income	(16,703)	(25,030)
Subscription rights to shares	136	179
Non-controlling interests	124,934	123,474
Total net assets	629,408	632,029
Total liabilities and net assets	920,591	917,771

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income  
Nine Months Ended September 30, 2018

(Million yen)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2018
Net sales	452,772	471,078
Cost of sales	268,090	287,247
Gross profit	184,682	183,831
Selling, general and administrative expenses	128,214	133,020
Operating profit	56,467	50,810
Non-operating income		
Interest income	857	839
Dividend income	583	655
Share of profit of entities accounted for using equity method	847	837
Subsidy income	471	3,511
Other	2,119	2,411
Total non-operating income	4,879	8,256
Non-operating expenses		
Interest expenses	838	939
Foreign exchange losses	1,052	1,193
Other	723	941
Total non-operating expenses	2,615	3,074
Ordinary profit	58,731	55,993
Extraordinary income		
Gain on sales of non-current assets	35	4,136
Other	4	109
Total extraordinary income	40	4,245
Extraordinary losses		
Loss on sales and retirement of non-current assets	505	569
Other	28	15
Total extraordinary losses	533	585
Profit before income taxes	58,238	59,653
Income taxes	17,690	17,899
Profit	40,547	41,753
Profit attributable to non-controlling interests	15,310	15,238
Profit attributable to owners of parent	25,236	26,514

Consolidated Statements of Comprehensive Income

Nine Months Ended September 30, 2018

(Million yen)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2018
Profit	40,547	41,753
Other comprehensive income		
Valuation difference on available-for-sale securities	249	(1,788)
Foreign currency translation adjustment	(1,246)	(11,389)
Remeasurements of defined benefit plans, net of tax	1,694	630
Share of other comprehensive income of entities accounted for using equity method	131	(760)
Total other comprehensive income	828	(13,308)
Comprehensive income	41,376	28,445
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25,579	18,186
Comprehensive income attributable to non-controlling interests	15,796	10,258

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

There is no relevant information.

(Accounting treatments adopted specially for the preparation of quarterly consolidated financial statements)

Calculation of tax expenses

Tax expenses have been calculated by multiplying profit before income taxes by an effective tax rate, which is reasonably estimated after the application of tax effect accounting to profit before income taxes for the consolidated fiscal year including the third quarter of the fiscal year under review.

(Segment information, etc.)

[Segment information]

I. For the nine months ended September 30, 2017

1. Information on net sales and income (loss) by reportable segment

(Million yen)

	Reportable segment				Other (Note)	Total
	Japan	Asia	Americas	Subtotal		
Net sales						
Net sales to outside customers	130,828	261,327	50,221	442,378	10,394	452,772
Inter-segment net sales or transfers	28,333	3,870	119	32,322	655	32,978
Total	159,162	265,197	50,340	474,701	11,049	485,750
Segment income	35,273	30,577	2,766	68,618	322	68,941

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

2. Difference between total reportable segment income (loss) and the amount recorded in the quarterly consolidated statements of income, and major details of such difference (matters related to adjustments of difference)

(Million yen)

Income	Amount
Total reportable segment income	68,618
Net income from "Other"	322
Inter-segment transaction eliminations and other adjustments	(12,473)
Operating profit recorded in the quarterly consolidated statements of income	56,467

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

3. Information on products and services

(Million yen)

Net sales to outside customers	Amount	Change from the previous year (%)
Paint business	438,687	—
Automotive paint	109,219	—
Trade-use paint	233,076	—
Industrial paint	55,228	—
Other paint	41,163	—
Fine chemical business	14,084	—
Total	452,772	—

Notes: 1. Consumption taxes are not included in these amounts.

2. During the previous fiscal year, the fiscal year-end was changed from March 31 to December 31. As a result, the period for comparison for the nine months ended September 30, 2018 differs, and change from the previous year is not provided.

II. For the nine months ended on September 30, 2018

1. Information on net sales and income (loss) by reportable segment

(Million yen)

	Reportable segment				Other (Note)	Total
	Japan	Asia	Americas	Subtotal		
Net sales						
Net sales to outside customers	130,149	273,958	56,683	460,792	10,286	471,078
Inter-segment net sales or transfers	29,891	2,816	175	32,882	555	33,438
Total	160,040	276,775	56,859	493,674	10,841	504,516
Segment income (loss)	33,923	28,173	2,848	64,945	(227)	64,717

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

2. Difference between total reportable segment income (loss) and the amount recorded in the quarterly consolidated statements of income, and major details of such difference (matters related to adjustments of difference)

(Million yen)

Income	Amount
Total reportable segment income	64,945
Net loss from "Other"	(227)
Inter-segment transaction eliminations and other adjustments	(13,907)
Operating profit recorded in the quarterly consolidated statements of income	50,810

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

3. Information on products and services

(Million yen)

Net sales to outside customers	Amount	Change from the previous fiscal year (%)
Paint business	456,597	4.1
Automotive paint	119,041	9.0
Trade-use paint	245,307	5.2
Industrial paint	51,304	(7.1)
Other paint	40,944	(0.5)
Fine chemical business	14,481	2.8
Total	471,078	4.0

Note: Consumption taxes are not included in these amounts.