

NOTICE: For the convenience of capital market participants, NIPPON PAINT HOLDINGS CO., LTD. makes efforts to provide English translations of the information disclosed in Japanese, provided that the original Japanese version prevails over its English translation version in the case of any discrepancy found between the original and translation.

Consolidated Financial Results for the Six Months Ended September 30, 2014 [Japanese GAAP]



November 6, 2014

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 filing quarterly securities report: November 11, 2014
 Scheduled date of commencing dividend payments: December 2, 2014
 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 Six Months Ended September 30, 2014 (April 1, 2014 to September 30, 2014)

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

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|-------------------------------------|-------------|-----|------------------|-------|-----------------|------|-------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended September 30, 2014 | 127,246 | 0.3 | 15,690 | (5.2) | 22,832 | 0.6 | 15,603 | 2.0 |
| September 30, 2013 | 126,897 | 6.3 | 16,547 | 22.1 | 22,687 | 54.9 | 15,303 | 95.5 |

(Note) Comprehensive income: Six months ended September 30, 2014: ¥15,464 million [(43.9%)]

Six months ended September 30, 2013: ¥27,547 million [329.8%]

| | Net income per share | Diluted net income per share |
|--------------------|----------------------|------------------------------|
| Six months ended | Yen | Yen |
| September 30, 2014 | 59.85 | - |
| September 30, 2013 | 57.94 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|--------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of September 30, 2014 | 323,811 | 218,451 | 63.3 |
| As of March 31, 2014 | 324,028 | 207,715 | 60.0 |

(Reference) Equity: As of September 30, 2014: ¥204,920 million

As of March 31, 2014: ¥194,565 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 March 31, 2014 | - | 8.00 | - | 12.00 | 20.00 |
| Fiscal year ending March 31, 2015 | - | 10.00 | | | |
| Fiscal year ending March 31, 2015 (Forecast) | | | - | 10.00 | 20.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|-----------|-------------|-----|------------------|-----|-----------------|-----|-------------|-----|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 270,000 | 3.6 | 34,500 | 3.3 | 47,000 | 0.4 | 32,500 | 1.1 | 124.66 |

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): 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 retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective 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, 2014: 265,402,443 shares
 - March 31, 2014: 265,402,443 shares
 - 2) Total number of treasury shares at the end of the period:
 - September 30, 2014: 4,687,352 shares
 - March 31, 2014: 4,678,873 shares
 - 3) Average number of shares during the period:
 - Six months ended September 30, 2014: 260,720,450 shares
 - Six months ended September 30, 2013: 264,129,462 shares

* Presentation regarding the implementation status of the quarterly review procedures

These quarterly financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act, and quarterly review procedures for the quarterly consolidated financial statements are separately performed.

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

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. 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 "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

During the six months ended September 30, 2014, consolidated net sales of NIPPON PAINT HOLDINGS CO., LTD. (the “Company”) and its group companies (collectively, the “Group”) increased by 0.3% from the corresponding period of the previous year (the “previous year”), to ¥127,246 million, remaining at the same level as the previous year, while consolidated operating income decreased by 5.2% from the previous year, to ¥15,690 million due to rising raw material costs and other factors. On the other hand, consolidated ordinary income increased by 0.6% from the previous year, to ¥22,832 million thanks in part to an increase in share of profit of entities accounted for using equity method. Consolidated net income was up 2.0% from the previous year, to ¥15,603 million.

Results by business segment are as follows. Overseas group companies, with the exception of some companies, adopt a December fiscal year-end, and a corresponding period for the period under review is from January to June 2014.

Japan

In this region, while automobile production remained at the same level as the previous year, net sales of automotive coatings remained at the same level as the previous corresponding period. As for industrial coatings, sales of coatings for housing materials declined after the beginning of the second quarter. However, net sales remained at the same level as the previous corresponding period, owing to the strong performance of coatings for construction machinery and other applications. With respect to trade-use paints, net sales fell compared to the previous corresponding period, reflecting stagnation in construction work due to factors such as an irregular weather in summer and a shortage of workers.

As a result of these factors, consolidated net sales for the Japan segment increased by 0.8% from the previous year, to ¥91,634 million. Consolidated operating income decreased by 8.9% from the previous year, to ¥12,215 million due to factors such as a rise in raw material prices, despite the efforts of cost reduction initiatives.

Asia

In this region, with regard to the consolidated subsidiary, net sales declined substantially in Thailand reflecting the impact of the economic slowdown stemming from political instability. Meanwhile in China, net sales of automotive paints for plastics grew on the back of an increase in sales volume of Japanese automobile manufacturers.

As a result of these factors, consolidated net sales for this region decreased by 4.0% from the previous year, to ¥21,643 million, and consolidated operating income increased by 10.5% from the previous year, to ¥2,115 million.

With regard to entities accounted for using equity method, in China as a core of such entities, sales of paints for house interior continued to be favorable amid a slowdown in the real estate market, and ongoing efforts were being made to reduce costs mainly of raw materials. Owing to these factors, profitability of the business in China further improved. As a result, share of profit of entities accounted for using equity method increased by 22.8% from the previous year, to ¥6,279 million.

North America

Regarding automotive coatings business operations in this region, net sales on a yen basis increased due to the impact of foreign exchange rates, despite a decrease in net sales on a local currency basis caused by the cold weather in January and February and the sale of a portion of unprofitable businesses at the end of the previous fiscal year.

As a result, net sales for the North America segment increased by 0.6% from the previous year, to ¥12,023

million, and operating income rose by 2.6% from the previous year, to ¥1,182 million.

Other

Net sales for this geographic segment increased by 30.5% from the previous year, to ¥1,944 million, and operating income increased by 391.8% from the previous year, to ¥90 million.

Moreover, as a result of the acquisition of 39% of shares in a German paint manufacturer in the previous fiscal year, share of profit or loss of entities accounted for using equity method for this region to be recorded from the current fiscal year amounted to a loss of ¥12 million partly due to the expense of amortization of goodwill.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the fiscal year under review decreased by ¥220 million from the end of the previous fiscal year to ¥323,811 million. Among them, current assets decreased by ¥4,590 million from the end of the previous fiscal year. This was mainly attributable to decreases in notes and accounts receivable-trade and inventories as well as a decrease in accounts receivable-other due to dividends received from overseas subsidiaries.

Non-current assets increased by ¥4,380 million from the end of the previous fiscal year. This was mainly attributable to an increase in investment securities due to rising share prices and an increase in shares of subsidiaries and associates resulting from recording of share of profit of entities accounted for using equity method.

Liabilities decreased by ¥10,950 million from the end of the previous fiscal year to ¥105,360 million. This was mainly attributable to a decrease in notes and accounts payable-trade, a decrease in income taxes payable resulting from payments of income taxes, and repayments of loans payable, despite an increase in net defined benefit liability.

Net assets including minority interests increased by ¥10,740 million from the end of the previous fiscal year to ¥218,451 million. This was mainly attributable to an increase in retained earnings owing to the recording of net income and an increase in valuation difference on available-for-sale securities due to rising share prices, despite a decrease in foreign currency translation adjustment resulting from appreciation of the yen.

As a result, equity ratio rose from 60.0% at the end of the previous fiscal year to 63.3%.

(Status of Cash Flows)

During the six months ended September 30, 2014, net cash provided by operating activities was ¥14,579 million, net cash used in investing activities was ¥2,067 million, and net cash used in financing activities was ¥11,236 million. As a result, cash and cash equivalents (hereinafter the “funds”) amounted to ¥45,218 million, an increase of ¥1,430 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities for the six months ended September 30, 2014 was ¥14,579 million (an increase of ¥7,020 million from the previous year). This was mainly attributable to a cash inflow of ¥17,561 million owing to income before income taxes and minority interests after taking into account non-cash expenses such as depreciation and other items, income taxes paid of ¥7,605 million, and interest and dividend income received of ¥4,624 million.

(Cash flows from investing activities)

Net cash used in investing activities for the six months ended September 30, 2014 was ¥2,067 million (a decrease of ¥850 million from the previous year). This was mainly attributable to purchase of property, plant and equipment of ¥1,999 million.

(Cash flows from financing activities)

Net cash used in financing activities for the six months ended September 30, 2014 was ¥11,236 million (a decrease of ¥5,900 million from the previous year). This was mainly attributable to cash outflows of ¥7,379 million for repayments of loans payable and ¥3,698 million for cash dividends paid.

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

No revisions have been made to the full-year financial results forecast announced on May 9, 2014.

For this forecast, the impact of making joint venture companies in the Asian region the Company's subsidiaries through equity acquisition, which was announced on February 3, 2014, was not taken into account. The impact of this consolidation on consolidated financial results will be disclosed as soon as it is determined.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Six Months ended September 30, 2014

There is no relevant information.

(2) Accounting Treatments Adopted Specially for the Preparation of Quarterly Consolidated Financial Statements

(Special Accounting Treatments)

Calculation of tax expenses

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

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

(Changes in Accounting Policies)

Effective from the first quarter of the fiscal year under review, the Company adopted the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter the “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; hereinafter the “Retirement Benefits Guidance”), for the provisions prescribed in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Retirement Benefits Guidance. Accordingly, the Company reviewed the calculation methods of retirement benefit obligations and service costs, and changed the method for attributing projected retirement benefits to periods from a straight-line basis to a benefit formula basis. Additionally, the Company changed the method to determine the discount rate from a method using a discount rate based on a duration of bonds similar to the average remaining service period of an employee to a method using a single weighted average discount rate that reflects the projected payment period of retirement benefits and the amount projected for each payment period.

In adopting the Retirement Benefits Accounting Standard, etc., as of April 1, 2014, the effects of changes in calculation methods of retirement benefit obligations and service costs are added to or deducted from retained earnings, pursuant to transitional treatment stipulated under Paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, as of April 1, 2014, net defined benefit liability increased by ¥1,973 million, while retained earnings decreased by ¥1,268 million. In addition, operating income, ordinary income, and income before income taxes and minority interests for the six months ended September 30, 2014 increased by ¥60 million, respectively.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2014 | As of September 30, 2014 |
|---------------------------------------|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 43,591 | 45,018 |
| Notes and accounts receivable - trade | 86,714 | 85,208 |
| Inventories | 28,611 | 27,240 |
| Deferred tax assets | 4,712 | 4,287 |
| Other | 9,033 | 6,347 |
| Allowance for doubtful accounts | (492) | (523) |
| Total current assets | 172,171 | 167,578 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 27,433 | 27,013 |
| Other, net | 34,367 | 33,785 |
| Total property, plant and equipment | 61,801 | 60,798 |
| Intangible assets | | |
| Goodwill | 10,984 | 10,398 |
| Other | 3,699 | 3,338 |
| Total intangible assets | 14,684 | 13,736 |
| Investments and other assets | | |
| Investment securities | 72,025 | 79,102 |
| Deferred tax assets | 1,888 | 1,256 |
| Other | 1,972 | 1,827 |
| Allowance for doubtful accounts | (514) | (488) |
| Total investments and other assets | 75,371 | 81,697 |
| Total non-current assets | 151,857 | 156,233 |
| Total assets | 324,028 | 323,811 |

(Million yen)

| | As of March 31, 2014 | As of September 30, 2014 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 45,026 | 43,225 |
| Electronically recorded obligations - operating | 11,824 | 10,820 |
| Short-term loans payable | 12,015 | 4,541 |
| Lease obligations | 281 | 260 |
| Income taxes payable | 6,442 | 4,207 |
| Other | 15,462 | 15,068 |
| Total current liabilities | 91,052 | 78,124 |
| Non-current liabilities | | |
| Long-term loans payable | 754 | 787 |
| Lease obligations | 895 | 1,080 |
| Deferred tax liabilities | 1,427 | 1,505 |
| Provision for directors' retirement benefits | 245 | 226 |
| Provision for environmental measures | 328 | 310 |
| Net defined benefit liability | 17,496 | 18,703 |
| Other | 4,111 | 4,622 |
| Total non-current liabilities | 25,259 | 27,235 |
| Total liabilities | 116,312 | 105,360 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 27,712 | 27,712 |
| Capital surplus | 27,187 | 27,188 |
| Retained earnings | 140,270 | 151,477 |
| Treasury shares | (6,389) | (6,409) |
| Total shareholders' equity | 188,782 | 199,969 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,827 | 8,685 |
| Deferred gains or losses on hedges | (1) | 9 |
| Foreign currency translation adjustment | 2,618 | (505) |
| Remeasurements of defined benefit plans | (3,661) | (3,237) |
| Total accumulated other comprehensive income | 5,783 | 4,951 |
| Minority interests | 13,149 | 13,530 |
| Total net assets | 207,715 | 218,451 |
| Total liabilities and net assets | 324,028 | 323,811 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended September 30

(Million yen)

| | For the six months ended September 30, 2013 | For the six months ended September 30, 2014 |
|---|--|--|
| Net sales | 126,897 | 127,246 |
| Cost of sales | 80,688 | 81,629 |
| Gross profit | 46,208 | 45,617 |
| Selling, general and administrative expenses | 29,661 | 29,927 |
| Operating income | 16,547 | 15,690 |
| Non-operating income | | |
| Interest income | 32 | 63 |
| Dividend income | 313 | 442 |
| Share of profit of entities accounted for using equity method | 5,114 | 6,267 |
| Foreign exchange gains | 983 | 632 |
| Other | 547 | 554 |
| Total non-operating income | 6,991 | 7,960 |
| Non-operating expenses | | |
| Interest expenses | 146 | 100 |
| Compensation expenses | 282 | 215 |
| Other | 422 | 502 |
| Total non-operating expenses | 850 | 818 |
| Ordinary income | 22,687 | 22,832 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 56 | 12 |
| Other | – | 3 |
| Total extraordinary income | 56 | 15 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 448 | 80 |
| Other | 47 | 23 |
| Total extraordinary losses | 496 | 104 |
| Income before income taxes and minority interests | 22,247 | 22,743 |
| Income taxes | 5,769 | 6,021 |
| Income before minority interests | 16,477 | 16,722 |
| Minority interests in income | 1,174 | 1,119 |
| Net income | 15,303 | 15,603 |

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

(Million yen)

| | For the six months ended September 30, 2013 | For the six months ended September 30, 2014 |
|--|--|--|
| Income before minority interests | 16,477 | 16,722 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,498 | 1,863 |
| Deferred gains or losses on hedges | 0 | 17 |
| Foreign currency translation adjustment | 4,250 | (1,735) |
| Remeasurements of defined benefit plans, net of tax | — | 423 |
| Share of other comprehensive income of entities accounted for using equity method | 3,320 | (1,827) |
| Total other comprehensive income | 11,069 | (1,258) |
| Comprehensive income | 27,547 | 15,464 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 25,440 | 14,771 |
| Comprehensive income attributable to minority interests | 2,107 | 693 |

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

| | For the six months ended September 30, 2013 | For the six months ended September 30, 2014 |
|--|--|--|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 22,247 | 22,743 |
| Depreciation | 3,002 | 2,939 |
| Interest and dividend income | (346) | (505) |
| Interest expenses | 146 | 100 |
| Share of (profit) loss of entities accounted for using equity method | (5,114) | (6,267) |
| Loss (gain) on sales and retirement of property, plant and equipment | 392 | 68 |
| Loss (gain) on sales and valuation of investment securities | 44 | 7 |
| Decrease (increase) in notes and accounts receivable - trade | 1,306 | 998 |
| Decrease (increase) in inventories | 198 | 931 |
| Increase (decrease) in notes and accounts payable - trade | (2,030) | (2,570) |
| Increase (decrease) in net defined benefit liability | - | 1,240 |
| Other, net | (5,076) | (2,012) |
| Subtotal | 14,771 | 17,673 |
| Interest and dividend income received | 392 | 4,624 |
| Interest expenses paid | (173) | (112) |
| Income taxes paid | (7,436) | (7,605) |
| Net cash provided by (used in) operating activities | 7,554 | 14,579 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (2,470) | (1,999) |
| Proceeds from sales of property, plant and equipment | 91 | 76 |
| Purchase of investment securities | (434) | (21) |
| Proceeds from sales of investment securities | 21 | 10 |
| Other, net | (131) | (132) |
| Net cash provided by (used in) investing activities | (2,923) | (2,067) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (8,477) | (214) |
| Proceeds from long-term loans payable | 19 | 40 |
| Repayments of long-term loans payable | (12) | (7,205) |
| Repayments of lease obligations | (167) | (139) |
| Purchase of treasury shares | (6,025) | (21) |
| Cash dividends paid | (2,117) | (3,128) |
| Cash dividends paid to minority shareholders | (357) | (570) |
| Other, net | - | 2 |
| Net cash provided by (used in) financing activities | (17,137) | (11,236) |
| Effect of exchange rate change on cash and cash equivalents | 1,227 | (190) |
| Net increase (decrease) in cash and cash equivalents | (11,278) | 1,085 |
| Cash and cash equivalents at beginning of period | 42,793 | 43,787 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | - | 346 |
| Cash and cash equivalents at end of period | 31,514 | 45,218 |

(4) 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.

(Segment information, etc.)

[Segment information]

I. For the six months ended September 30, 2013

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

(Million yen)

| | Reportable segment | | | | Other (Note) | Total |
|---|--------------------|--------|------------------|----------|-----------------|---------|
| | Japan | Asia | North America | Subtotal | | |
| Net sales | | | | | | |
| Net sales to outside customers | 90,908 | 22,551 | 11,947 | 125,407 | 1,490 | 126,897 |
| Inter-segment net sales or transfers | 6,658 | 1,483 | 70 | 8,212 | 468 | 8,680 |
| Total | 97,567 | 24,035 | 12,017 | 133,619 | 1,958 | 135,578 |
| Segment income | 13,406 | 1,913 | 1,152 | 16,471 | 18 | 16,490 |
| Share of profit (loss) of entities accounted for using equity method | (0) | 5,114 | – | 5,114 | – | 5,114 |

(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 differences)

(Million yen)

| Income | Amount |
|--|--------|
| Total reportable segment income | 16,471 |
| Segment income from "Other" | 18 |
| Inter-segment transaction eliminations and other adjustments | 56 |
| Operating income recorded in the quarterly consolidated statements of income | 16,547 |

3. Information regarding impairment loss on non-current assets or goodwill, etc. by reportable segment

There is no relevant information.

4. Information on products and services

(Million yen)

| Net sales to outside customers | Amount | Change from the previous year (%) |
|--------------------------------|---------|-----------------------------------|
| Paints | 119,701 | 6.2 |
| Automotive | 45,743 | 10.3 |
| Trade-use | 24,343 | 10.6 |
| Industrial | 23,345 | 6.1 |
| Other paints | 26,270 | (3.7) |
| Fine chemicals | 7,196 | 9.3 |
| Total | 126,897 | 6.3 |

(Note) Consumption taxes are not included in these amounts.

II. For the six months ended September 30, 2014

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

(Million yen)

| | Reportable segment | | | | Other (Note) | Total |
|--|--------------------|--------|---------------|----------|--------------|---------|
| | Japan | Asia | North America | Subtotal | | |
| Net sales | | | | | | |
| Net sales to outside customers | 91,634 | 21,643 | 12,023 | 125,302 | 1,944 | 127,246 |
| Inter-segment net sales or transfers | 6,068 | 2,139 | 73 | 8,282 | 559 | 8,841 |
| Total | 97,703 | 23,783 | 12,097 | 133,584 | 2,504 | 136,088 |
| Segment income | 12,215 | 2,115 | 1,182 | 15,513 | 90 | 15,603 |
| Share of profit (loss) of entities accounted for using equity method | – | 6,279 | – | 6,279 | (12) | 6,267 |

(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 differences)

(Million yen)

| Income | Amount |
|--|--------|
| Total reportable segment income | 15,513 |
| Segment income from “Other” | 90 |
| Inter-segment transaction eliminations and other adjustments | 86 |
| Operating income recorded in the quarterly consolidated statements of income | 15,690 |

3. Changes to reportable segments

As described in changes in accounting policies, the Company changed the method of calculating retirement benefit obligations and service costs effective from the first quarter of the fiscal year under review, and

accordingly changed the method of calculating retirement benefit obligations and service costs for the business segments in the same manner.

As a result of these changes, segment income of “Japan” for the six months ended September 30, 2014 has increased by ¥60 million compared to that recorded using the previous method.

4. Information regarding impairment loss on non-current assets or goodwill, etc. by reportable segment

There is no relevant information.

5. Information on products and services

(Million yen)

| Net sales to outside customers | Amount | Change from the previous year (%) |
|--------------------------------|---------|-----------------------------------|
| Paints | 119,671 | (0.0) |
| Automotive | 45,093 | (1.4) |
| Trade-use | 23,597 | (3.1) |
| Industrial | 23,224 | (0.5) |
| Other paints | 27,755 | 5.7 |
| Fine chemicals | 7,575 | 5.3 |
| Total | 127,246 | 0.3 |

(Note) Consumption taxes are not included in these amounts.

(Significant subsequent events)

(Company split associated with transformation into a holding company structure)

In accordance with a split plan approved at the Ordinary General Meeting of Shareholders held on June 27, 2014, the Company established “NIPPON PAINT CO., LTD.” as a newly established succeeding company (wholly-owned subsidiary) on October 1, 2014 to transfer the Company’s overall paint business and non-paint business (including the surface treatment chemicals business), and changed corporate name of NIPPON PAINT CO., LTD. to “NIPPON PAINT HOLDINGS CO., LTD.,” transforming into a holding company structure.

1. Objectives of company split

In the medium-term management plan for FY2015 and beyond, “Survival Challenge Program: 3rd Stage,” the Company has set its objective “to catch up with the world’s leading coatings manufacturers.” Based on the actual results it achieved up to the 2nd Stage, the Company decided to change its management structure and aim at “portfolio management” which enables speedy and dynamic business operations and decision making according to the growth models of businesses or regions in order to grow substantially as a truly global player.

To implement the “portfolio management,” we believe that adequate management infrastructure and specific growth measures both have to function as two wheels.

By transforming into a holding company structure, a holding company can focus on group management, while it can substantially delegate its operational authority to business companies. As a result, we can expect optimized group management and enhanced independent business operations. The flexibility of the holding company structure should also make great contributions in executing M&A deals smoothly, which are dominant options as a growth measure.

2. Overview of company split

(1) Schedule

| | |
|---|----------------------------|
| Incorporation-Type Company Split Plan approved by the Board of Directors: | Thursday, May 22, 2014 |
| Incorporation-Type Company Split Plan approved at the Ordinary General Meeting of Shareholders: | Friday, June 27, 2014 |
| Date of split (effective date): | Wednesday, October 1, 2014 |

(2) Method

The incorporation-type company split whereby the Company, as a split company, newly established “NIPPON PAINT CO., LTD.,” as a succeeding company.

(3) Details of allotment of shares related to the company split

The newly established company issued 2,000 common shares in the incorporation-type company split and allotted all of the shares to the Company.

(4) Handling of subscription rights to shares and bonds with subscription rights to shares following the company split

Not applicable as the Company does not issue either of them.

(5) Changes in capital stock resulting from the company split

There is no change in the Company’s capital stock resulting from the incorporation-type company split.

(6) Rights and obligations transferred to the succeeding company

As set forth in the “Incorporation-Type Company Split Plan” dated May 22, 2014, the succeeding company took over assets, liabilities and other rights and obligations that the Company held in relation to the transferred businesses as of the effective date of the incorporation-type company split.

The Company has assumed cumulative taking of obligations transferred to the succeeding company.

(7) Capability for fulfillment of obligations

The Company and the succeeding company have sufficient assets to secure the fulfillment of

obligations to be fulfilled on and after the effective date of the incorporation-type company split. Therefore, any obligation borne by the Company and the succeeding company should be duly fulfilled.

3. Outlines of companies involved in Split

| | Split company (As of September 30, 2014) | Newly established (succeeding) company (Established on October 1, 2014) |
|---|---|---|
| 1) Trade name | NIPPON PAINT CO., LTD. (Changed trade name to “NIPPON PAINT HOLDINGS CO., LTD.” as of October 1, 2014) | NIPPON PAINT CO., LTD. |
| 2) Location | 2-1-2 Oyodo Kita, Kita-ku, Osaka City, Osaka | Same as left |
| 3) Name and title of representative | Kenji Sakai, Representative Director and President | Same as left |
| 4) Business description | Manufacturing and sales of all types of paints (for automobiles, constructions, structures, vessels, metal materials, electrical equipment, industrial machinery, roadways, households, etc.); and manufacturing and sales of surface treatment chemicals, electronic component materials and chemical products | Manufacturing and sales of all types of paints (for automobiles, constructions, structures, vessels, metal materials, electrical equipment, industrial machinery, roadways, households, etc.); and manufacturing and sales of surface treatment chemicals, electronic component materials and chemical products |
| 5) Capital | ¥27,712 million | ¥100 million |
| 6) Foundation date | March 14, 1881 | October 1, 2014 |
| 7) Shares outstanding | 265,402,443 shares | 2,000 shares |
| 8) Account closing date | March 31 | March 31 |
| 9) Major shareholders and shareholding ratios | NIPSEA INTERNATIONAL LIMITED 24.42% | NIPPON PAINT HOLDINGS CO., LTD. 100% |
| | Natixis 4.73% | |
| | Nippon Life Insurance Company 4.15% | |

(Note) Shareholding ratios are calculated excluding treasury shares (4,687,352 shares).

4. Outlines of transferred business divisions

(1) Description of businesses of transferred divisions

Manufacturing and sales of all types of paints (for automobiles, constructions, structures, vessels, metal materials, electrical equipment, industrial machinery, roadways, households, etc.); and manufacturing and sales of surface treatment chemicals, electronic component materials and chemical products

(2) Operating results of transferred divisions (FY2013)

(Million yen)

| | Operating results of transferred business divisions (a) | Operating results of split company (b) | Ratio (a/b) |
|-----------|--|--|-------------|
| Net sales | 130,266 | 130,266 | 100% |

(3) Items and amounts of transferred assets and liabilities (As of September 30, 2014)

(Million yen)

| Assets | | Liabilities | |
|--------------------|------------|-------------------------|------------|
| Item | Book value | Item | Book value |
| Current assets | 7,089 | Current liabilities | 39 |
| Non-current assets | 21,405 | Non-current liabilities | 1,659 |
| Total | 28,494 | Total | 1,699 |

5. Post-split status

| | | Split company (listed company) | Newly established (succeeding) company |
|----|----------------------------------|---|---|
| 1) | Trade name | NIPPON PAINT HOLDINGS CO., LTD. | NIPPON PAINT CO., LTD. |
| 2) | Location | 2-1-2 Oyodo Kita, Kita-ku, Osaka City, Osaka | Same as left |
| 3) | Name and title of representative | Kenji Sakai, Representative Director and President | Same as left |
| 4) | Business description | Group strategies planning and group companies governance and management | Manufacturing and sales of all types of paints (for automobiles, constructions, structures, vessels, metal materials, electrical equipment, industrial machinery, roadways, households, etc.); and manufacturing and sales of surface treatment chemicals, electronic component materials and chemical products |
| 5) | Capital | ¥27,712 million | ¥100 million |
| 6) | Account closing date | March 31 | March 31 |

6. Implemented accounting treatments

Treated as a transaction under common control in accordance with the “Accounting Standards for Business Combinations” (ASBJ Statement No. 21, December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).

(Business-by-business split-off and merger of subsidiaries)

The Group plans to split off its group company, NIPPON PAINT CO., LTD. (Head Office: Osaka City, Osaka; Kenji Sakai, President) into separate companies by business aiming to be conducted by April 2015, and to merge those split-off companies with some of its subsidiaries, subject to approvals and permissions by supervisory authorities. At the Board of Directors’ meeting held on October 1, 2014, the launch of preparations toward the realization of such plan was resolved.

1. Objectives of business-by-business split-off and merger of subsidiaries

With an aim to catch up with the world’s leading coatings manufacturers, the Company transformed into a holding company structure enabling the realization of optimized group management and independent business operations on October 1, 2014. In order to utilize this management infrastructure and accelerate the business operations according to region or business-specific growth paths (i.e., growth models), the Company decided

to reorganize NIPPON PAINT CO., LTD. and some of domestic subsidiaries aiming to be conducted by April 2015 and establish four business operating companies.

Firstly, in order to promote independent operations of individual businesses of different growth paths (growth models), the newborn “NIPPON PAINT CO., LTD.” (established on October 1, 2014) will be split off into four separate companies by business (automotive coatings, industrial coatings, trade-use paints, and surface treatment business). In addition, these four companies split off from the newborn “NIPPON PAINT CO., LTD.” will be merged with some domestic subsidiaries related to respective businesses, for the purposes of further strengthening the integrity of value chains in each business as well as attaining efficient operations by streamlining overlapping functions within the Group.

Through these steps, the Group will ensure more optimized group management and enhanced independent business operations as well as foster management personnel for the next generation.

| New company | Former companies |
|--|---|
| (1) New automotive coatings business company | NIPPON PAINT CO., LTD. (Automotive coatings business) |
| | NIPPON BEE CHEMICAL CO., LTD. |
| | DAIWA PAINT TRADING CO., LTD. |
| (2) New industrial coatings business company | NIPPON PAINT CO., LTD. (Industrial coatings business) |
| | NIPPON FINE COATINGS, INC. |
| | NIPPON PAINT INDUSTRIAL COATING CO., LTD.* |
| (3) New trade-use paints business company | NIPPON PAINT CO., LTD. (Trade-use paints business) |
| | NIPPON PAINT HANBAI CO., LTD. |
| (4) New surface treatment business company | NIPPON PAINT CO., LTD. (Surface treatment business) |
| | NIPPON PAINT INDUSTRIAL COATING CO., LTD.* |

* NIPPON PAINT INDUSTRIAL COATING CO., LTD. will be merged separately with the industrial coatings business and surface treatment business.

2. Outlines of companies involved in reorganization

(1) NIPPON PAINT CO., LTD.

| | |
|-------------------------------------|---|
| 1) Trade name | NIPPON PAINT CO., LTD. |
| 2) Location | Osaka City, Osaka |
| 3) Name and title of representative | Kenji Sakai, Representative Director and President |
| 4) Business description | Manufacturing and sales of all types of paints (for automobiles, constructions, structures, vessels, metal materials, electrical equipment, industrial machinery, roadways, households, etc.); and manufacturing and sales of surface treatment chemicals, electronic component materials and chemical products |
| 5) Capital | ¥100 million |

(2) NIPPON BEE CHEMICAL CO., LTD.

| | |
|-------------------------------------|--|
| 1) Trade name | NIPPON BEE CHEMICAL CO., LTD. |
| 2) Location | Hirakata City, Osaka |
| 3) Name and title of representative | Tetsushi Tadoh, Representative Director and President |
| 4) Business description | Manufacturing and sales of paints for plastics; manufacturing and sales of chemical products; and all operations contingent to or related to these |
| 5) Capital | ¥360 million |

(3) DAIWA PAINT TRADING CO., LTD.

| | |
|-------------------------------------|---|
| 1) Trade name | DAIWA PAINT TRADING CO., LTD. |
| 2) Location | Nagoya City, Aichi |
| 3) Name and title of representative | Takao Shinogi, Representative Director and President |
| 4) Business description | Sales of automotive coatings, coating equipment and devices, metal surface treatment chemicals, metal surface treatment equipment, etc. |
| 5) Capital | ¥90 million |

(4) NIPPON FINE COATINGS, INC.

| | |
|-------------------------------------|--|
| 1) Trade name | NIPPON FINE COATINGS, INC. |
| 2) Location | Shinagawa-ku, Tokyo |
| 3) Name and title of representative | Ryoji Ishihara, Representative Director and President |
| 4) Business description | Manufacturing and sales of pre-coating paints for metal plates |
| 5) Capital | ¥200 million |

(5) NIPPON PAINT INDUSTRIAL COATING CO., LTD.

| | |
|-------------------------------------|--|
| 1) Trade name | NIPPON PAINT INDUSTRIAL COATING CO., LTD. |
| 2) Location | Shinagawa-ku, Tokyo |
| 3) Name and title of representative | Hisao Taguchi, Representative Director and President |
| 4) Business description | Sales of industrial-use coatings; contract, design and supervision of coating equipment construction works |
| 5) Capital | ¥170 million |

(6) NIPPON PAINT HANBAI CO., LTD.

| | |
|-------------------------------------|--|
| 1) Trade name | NIPPON PAINT HANBAI CO., LTD. |
| 2) Location | Shinagawa-ku, Tokyo |
| 3) Name and title of representative | Tetsuya Toshimitsu, Representative Director and President |
| 4) Business description | Manufacturing and sales of trade-use paints and related products |
| 5) Capital | ¥639 million |

3. Outlines of new companies

(1) New automotive coatings business company

| | |
|-------------------------------------|--|
| 1) Trade name | NIPPON PAINT AUTOMOTIVE CO., LTD. (tentative name) |
| 2) Location | Hirakata City, Osaka |
| 3) Name and title of representative | Mitsuo Yamada, Representative Director and President (to be appointed) |
| 4) Business description | Manufacturing and sales of automotive coatings |
| 5) Capital | ¥360 million (to be provided) |

(2) New industrial coatings business company

| | |
|-------------------------------------|---|
| 1) Trade name | NIPPON PAINT INDUSTRY CO., LTD. (tentative name) |
| 2) Location | Shinagawa-ku, Tokyo |
| 3) Name and title of representative | Hiroshi Miwa, Representative Director and President (to be appointed) |
| 4) Business description | Manufacturing and sales of industrial-use coatings |
| 5) Capital | ¥170 million (to be provided) |

(3) New trade-use paints business company

| | |
|-------------------------------------|--|
| 1) Trade name | NIPPON PAINT CO., LTD. |
| 2) Location | Shinagawa-ku, Tokyo |
| 3) Name and title of representative | Shingo Aida, Representative Director and President (to be appointed) |
| 4) Business description | Manufacturing and sales of trade-use paints |
| 5) Capital | ¥739 million (to be provided) |

(4) New surface treatment business company

| | |
|-------------------------------------|--|
| 1) Trade name | NIPPON PAINT SURF CHEMICALS CO., LTD. (tentative name) |
| 2) Location | Shinagawa-ku, Tokyo |
| 3) Name and title of representative | Seiichiro Shirahata, Representative Director and President (to be appointed) |
| 4) Business description | Manufacturing and sales of surface treatment chemicals |
| 5) Capital | ¥100 million (to be provided) |

4. Impact on business performance

The consolidated financial results of the Company will not be affected by this reorganization, which is to be executed among the Company's wholly-owned consolidated subsidiaries. (NIPPON FINE COATINGS, INC. is to become the Company's wholly-owned subsidiary in accordance with an agreement signed on September 30.)