

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
<b>Assets</b>		
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)
<b>Total current assets</b>	<b>172,171</b>	<b>167,578</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	27,433	27,013
Other, net	34,367	33,785
<b>Total property, plant and equipment</b>	<b>61,801</b>	<b>60,798</b>
Intangible assets		
Goodwill	10,984	10,398
Other	3,699	3,338
<b>Total intangible assets</b>	<b>14,684</b>	<b>13,736</b>
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)
<b>Total investments and other assets</b>	<b>75,371</b>	<b>81,697</b>
<b>Total non-current assets</b>	<b>151,857</b>	<b>156,233</b>
<b>Total assets</b>	<b>324,028</b>	<b>323,811</b>

(Million yen)

	As of March 31, 2014	As of September 30, 2014
<b>Liabilities</b>		
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
<b>Cash flows from operating activities</b>		
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
<b>Cash flows from investing activities</b>		
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)
<b>Cash flows from financing activities</b>		
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	<table border="1"> <tr> <td>NIPSEA INTERNATIONAL LIMITED</td> <td>24.42%</td> </tr> <tr> <td>Natixis</td> <td>4.73%</td> </tr> <tr> <td>Nippon Life Insurance Company</td> <td>4.15%</td> </tr> </table>	NIPSEA INTERNATIONAL LIMITED	24.42%	Natixis	4.73%	Nippon Life Insurance Company	4.15%	NIPPON PAINT HOLDINGS CO., LTD. 100%
NIPSEA INTERNATIONAL LIMITED	24.42%								
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.)