

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 Three Months Ended June 30, 2016 [Japanese GAAP]

August 10, 2016

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: August 10, 2016
 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 Three Months Ended June 30, 2016 (April 1, 2016 to June 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2016	121,410	1.0	17,007	31.0	14,547	(0.6)	6,142	31.4
June 30, 2015	120,168	92.1	12,980	60.6	14,636	40.7	4,675	(23.3)

Note: Comprehensive income: Three months ended June 30, 2016: ¥(13,745) million [-%]

Three months ended June 30, 2015: ¥5,582 million [13.2%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2016	19.15	19.15
June 30, 2015	14.58	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2016	762,458	548,539	59.0
As of March 31, 2016	791,459	567,748	59.3

Reference: Equity: As of June 30, 2016: ¥450,179 million

As of March 31, 2016: ¥469,533 million

2. Dividends

	Annual dividends				
	1st quarter -end	2nd quarter -end	3rd quarter -end	Year-end	Total
Fiscal year ended March 31, 2016	Yen -	Yen 15.00	Yen -	Yen 20.00	Yen 35.00
Fiscal year ending December 31, 2016	-				
Fiscal year ending December 31, 2016 (Forecast)		20.00	-	20.00	40.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2016 (April 1, 2016 to December 31, 2016)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	260,000	(1.2)	34,000	6.1	36,000	6.9	17,000	28.0	53.01
Full year	500,000	-	71,000	-	74,000	-	34,000	-	106.02

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

The Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ending December 31, 2016, receiving approval of Partial Amendments of the Articles of Incorporation at the 191st Annual General Meeting of Shareholders held on June 28, 2016. Accordingly, for the Company and its subsidiaries with the fiscal year end of March 31, the consolidation period for the fiscal year ending December 31, 2016, which will be the transition period, will be the nine months starting on April 1, 2016 and ending on December 31, 2016. For subsidiaries with fiscal year ending December 31, the consolidation period is the 12 months starting on January 1, 2016 and ending on December 31, 2016, as before.

As a result, full-year changes from the previous corresponding period have not been provided.

*** 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 retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: Yes
 - 3) Changes in accounting estimates: Yes
 - 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):
 - June 30, 2016: 325,402,443 shares
 - March 31, 2016: 325,402,443 shares
 - 2) Total number of treasury shares at the end of the period:
 - June 30, 2016: 4,696,905 shares
 - March 31, 2016: 4,696,460 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2016: 320,705,807 shares
 - Three months ended June 30, 2015: 320,707,726 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 performed separately.

***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 3 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 three months ended June 30, 2016, consolidated net sales of NIPPON PAINT HOLDINGS CO., LTD. (the “Company”) and its group companies (collectively, the “Group”) increased by 1.0% from the corresponding period of the previous year (the “previous year”), to ¥121,410 million. Consolidated operating income increased by 31.0% from the previous year, to ¥17,007 million partly due to continued activities to reduce costs, and consolidated ordinary income decreased by 0.6% from the previous year, to ¥14,547 million as a result of foreign exchange losses due to yen appreciation being recognized for assets denominated in foreign currencies. Profit attributable to owners of parent increased by 31.4% from the previous year, to ¥6,142 million.

The Company has changed its fiscal year-end from March 31 to December 31, given a resolution on Partial Amendments of the Articles of Incorporation at the 191st Annual General Meeting of Shareholders held on June 28, 2016.

As a result of this change, the fiscal year under review will be the nine months starting on April 1, 2016 and ending on December 31, 2016.

The period of consolidation for the three months ended June 30, 2016 is the three months from April to June 2016 for the Company and consolidated subsidiaries that had a fiscal year-end in March, and the three months from January to March 2016 for overseas consolidated subsidiaries with a fiscal year-end in December.

Results by business segment are as follows.

Japan

In this region, as a result of efforts to expand market share amid the decreasing number of automobiles manufactured due to factors such as the Kumamoto Earthquake, net sales of automotive coatings remained at the same level as the previous year. As for industrial coatings, in line with a recovery in market conditions, increased sales of coatings for construction materials and other factors led to higher net sales compared to the previous year. With respect to trade-use paints, while performance has been weak in the overall market, owing to efforts in sales promotion activities, net sales were on par with the previous year. Meanwhile, net sales for other coatings, centered on marine coatings that were affected by a downturn in market conditions, were lower compared to the previous year.

As a result of these factors, consolidated net sales for the Japan segment decreased by 1.8% from the previous year, to ¥41,169 million. Consolidated operating income decreased by 65.6% from the previous year, during which dividend income from overseas group companies of ¥16,243 (compared to ¥247 million for the period under review) was recorded, to ¥7,762 million.

All of this dividend income is eliminated as an internal transaction under “Inter-segment transaction eliminations and other adjustments.”

Asia

In this region, an increase in the number of automobiles manufactured in China, the core region of the Asia segment, led to higher net sales of automotive coatings compared to the previous year on a local currency basis. With respect to trade-use paints, net sales were higher compared to the previous year on a local currency basis, owing to factors such as strong performance in paints for housing interiors.

Although consolidated net sales for the Asia segment decreased by 2.0% from the previous year, to ¥68,175 million due to an adverse effect of foreign exchange rate fluctuations, consolidated operating income increased by 44.4% from the previous year, to ¥7,920 million partly due to continued activities to reduce costs.

Americas

In this region, net sales increased compared to the previous year due to factors such as an increase in the number of automobiles manufactured in North America and a ramping up of operations in Latin America. Additionally, continued activities to reduce costs led to a significant improvement in profitability.

As a result, consolidated net sales for the Americas segment increased by 12.2% from the previous year, to ¥8,721 million, and consolidated operating income increased by 36.4% from the previous year, to ¥1,523 million.

Other

Consolidated net sales for this geographic segment increased by 267.2% from the previous year, to ¥3,343 million due to the consolidation of a German paint manufacturer, and consolidated operating income or loss amounted to a loss of ¥21 million (income of ¥70 million in the previous year) partly due to amortization of goodwill.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year under review decreased by ¥29.00 billion from the end of the previous fiscal year to ¥762,458 million. Current assets decreased by ¥7.03 billion from the end of the previous fiscal year, mainly due to an increase in accounts receivable – trade, offset by a decrease in securities. Non-current assets decreased by ¥21.97 billion from the end of the previous fiscal year, primarily caused by factors such as amortization which led to a decrease in goodwill.

Liabilities decreased by ¥9.79 billion from the end of the previous year to ¥213,919 million. The decrease was mainly attributable to decreases in accounts payable-trade and income taxes payable.

Net assets decreased by ¥19.21 billion from the end of the previous fiscal year to ¥548,539 million. This was mainly attributable to decreases in valuation differences on available-for-sale securities and foreign currency translation adjustment.

As a result, equity ratio fell from 59.3% at the end of the previous fiscal year to 59.0%.

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

There are no changes to the full-year financial results forecast announced on May 12, 2016.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Three Months ended June 30, 2016

There is no relevant information.

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

(Special Accounting Treatment)

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 first quarter of the fiscal year under review.

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

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

(Change in depreciation method)

The Company and its Japanese subsidiaries had adopted the declining balance method for property, plant and equipment (excluding leased assets), except for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, which are depreciated using the straight-line method. The Company and its Japanese subsidiaries changed the depreciation method to the straight-line method used by overseas consolidated subsidiaries from the first quarter of the fiscal year under review.

The Group developed a new mid-term management plan “Survival Challenges Stage III” during the last fiscal year in line with our recent active efforts on business expansion in overseas market (e.g., acquisition of some joint venture companies in Asia at the end of 2014). In the process of its development, the Company reviewed its depreciation method for non-current assets.

In order to capture domestic demand for coatings that was previously on an increasing trend, the Company and domestic consolidated subsidiaries had been making capital investment in response to higher production volume, but after the financial crisis, domestic demand for coatings has tended to be relatively stable while maintaining a certain level of growth, and it is projected that existing domestic production facilities will continue to hold stable utilization. As a result, investment regarding new domestic production facilities has been limited to highly versatile facilities that can be utilized with stability over the long term, and it was determined that utilizing the method of depreciation with the straight-line method is the expense distribution method that more appropriately reflects economic realities.

Due to this change, operating income, ordinary income, profit before income taxes for the three months ended June 30, 2016 increased by ¥125 million, ¥126 million, and ¥126 million, respectively.

(4) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan Guidance No. 26, March 28, 2016) has been applied from the first quarter of the fiscal year under review.

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	112,941	110,402
Notes and accounts receivable - trade	140,748	148,363
Securities	31,783	17,812
Inventories	53,119	51,783
Deferred tax assets	6,247	6,042
Other	18,089	22,082
Allowance for doubtful accounts	(3,283)	(3,871)
Total current assets	359,646	352,615
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,711	42,861
Other, net	60,589	59,570
Total property, plant and equipment	104,300	102,431
Intangible assets		
Goodwill	183,750	171,277
Trademark right	49,578	46,358
Other	49,902	47,166
Total intangible assets	283,231	264,802
Investments and other assets		
Investment securities	39,260	35,675
Deferred tax assets	1,816	3,602
Other	3,380	3,487
Allowance for doubtful accounts	(176)	(156)
Total investments and other assets	44,280	42,609
Total non-current assets	431,812	409,843
Total assets	791,459	762,458

(Million yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	70,769	67,671
Electronically recorded obligations - operating	12,187	12,487
Short-term loans payable	20,548	17,085
Income taxes payable	10,020	6,641
Other	60,043	59,793
Total current liabilities	173,568	163,678
Non-current liabilities		
Long-term loans payable	1,684	4,031
Deferred tax liabilities	23,836	22,113
Provision for directors' retirement benefits	126	129
Provision for environmental measures	328	326
Net defined benefit liability	16,343	15,919
Other	7,822	7,719
Total non-current liabilities	50,141	50,240
Total liabilities	223,710	213,919
Net assets		
Shareholders' equity		
Capital stock	78,862	78,862
Capital surplus	63,451	63,451
Retained earnings	339,113	338,841
Treasury shares	(6,439)	(6,440)
Total shareholders' equity	474,989	474,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,078	4,566
Deferred gains or losses on hedges	(0)	1
Foreign currency translation adjustment	(9,533)	(26,400)
Remeasurements of defined benefit plans	(3,000)	(2,704)
Total accumulated other comprehensive income	(5,455)	(24,536)
Subscription rights to shares	39	55
Non-controlling interests	98,176	98,304
Total net assets	567,748	548,539
Total liabilities and net assets	791,459	762,458

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30, 2016

(Million yen)

	For the three months ended June 30, 2015	For the three months ended June 30, 2016
Net sales	120,168	121,410
Cost of sales	72,395	69,443
Gross profit	47,773	51,966
Selling, general and administrative expenses	34,792	34,959
Operating income	12,980	17,007
Non-operating income		
Interest income	193	195
Dividend income	421	399
Share of profit of entities accounted for using equity method	11	304
Foreign exchange gains	566	—
Other	878	863
Total non-operating income	2,071	1,762
Non-operating expenses		
Interest expenses	79	96
Foreign exchange losses	—	3,941
Other	335	185
Total non-operating expenses	415	4,223
Ordinary income	14,636	14,547
Extraordinary income		
Gain on sales of non-current assets	6	11
Total extraordinary income	6	11
Extraordinary losses		
Loss on sales and retirement of non-current assets	66	57
Other	—	15
Total extraordinary losses	66	73
Profit before income taxes	14,577	14,485
Income taxes	6,383	4,296
Profit	8,193	10,188
Profit attributable to non-controlling interests	3,517	4,046
Profit attributable to owners of parent	4,675	6,142

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30, 2016

(Million yen)

	For the three months ended June 30, 2015	For the three months ended June 30, 2016
Profit	8,193	10,188
Other comprehensive income		
Valuation difference on available-for-sale securities	447	(2,451)
Deferred gains or losses on hedges	9	3
Foreign currency translation adjustment	(3,250)	(21,323)
Remeasurements of defined benefit plans, net of tax	56	297
Share of other comprehensive income of entities accounted for using equity method	125	(460)
Total other comprehensive income	(2,610)	(23,934)
Comprehensive income	5,582	(13,745)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,778	(12,938)
Comprehensive income attributable to non-controlling interests	2,804	(807)

(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)

I. For the three months ended June 30, 2015

Effective from the first quarter of the fiscal year ended March 31, 2016, the Company has applied the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and other standards.

As a result of these changes, the amount of goodwill and capital surplus decreased by ¥11,753 million and ¥14,886 million, respectively, and retained earnings increased by ¥3,008 million at the beginning of the first quarter of the fiscal year ended March 31, 2016.

II. For the three months ended June 30, 2016

There is no relevant information.

(Segment information, etc.)

[Segment information]

I. For the three months ended June 30, 2015

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	41,915	69,569	7,773	119,258	910	120,168
Inter-segment net sales or transfers	21,303	1,228	43	22,574	252	22,827
Total	63,219	70,797	7,816	141,833	1,163	142,996
Segment income	22,557	5,483	1,116	29,157	70	29,227

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 said difference (matters related to adjustments of differences)

(Million yen)

Income	Amount
Total reportable segment income	29,157
Segment income from "Other"	70
Inter-segment transaction eliminations and other adjustments	(16,246)
Operating income recorded in the quarterly consolidated statement of income	12,980

Note: "Inter-segment transaction eliminations and other adjustments" for the three months ended June 30, 2015 includes inter-segment dividend income.

3. Information regarding impairment loss on non-current assets or goodwill, etc. by reportable segment
(Significant changes in the amount of goodwill)

Applying the Business Combination Accounting Standard, Consolidated Financial Statement Accounting Standard, and Business Divestiture Accounting Standard, etc. from the first quarter of the fiscal year ended March 31, 2015 resulted in a decrease in goodwill. As a result of these changes, the amount of goodwill at the beginning of the first quarter of the fiscal year ended March 31, 2015 decreased by ¥10,475 million in the "Japan" segment and decreased by ¥1,277 million in the "Asia" segment.

4. Information on products and services

(Million yen)

Nets sales to outside customers	Amount	Change from the previous year (%)
Paints	116,863	98.9
Automotive	31,117	40.3
Trade-use	55,285	369.2
Industrial	16,729	40.0
Other paints	13,730	6.8
Fine chemicals	3,305	(12.9)
Total	120,168	92.1

Note: Consumption taxes are not included in these amounts.

II. For the three months ended June 30, 2016

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	41,169	68,175	8,721	118,067	3,343	121,410
Inter-segment net sales or transfers	5,201	1,017	87	6,306	248	6,555
Total	46,371	69,193	8,809	124,374	3,591	127,966
Segment income	7,762	7,920	1,523	17,206	(21)	17,184

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 said difference (matters related to adjustments of differences)

(Million yen)

Income	Amount
Total reportable segment income	17,206
Segment loss from “Other”	(21)
Inter-segment transaction eliminations and other adjustments	(177)
Operating income recorded in the quarterly consolidated statement of income	17,007

Note: “Inter-segment transaction eliminations and other adjustments” for the three months ended June 30, 2016 includes inter-segment dividend income.

3. Information regarding impairment loss on non-current assets or goodwill, etc. by reportable segment (Change in depreciation method)

As described in “(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)”, the Company and its Japanese subsidiaries have changed the depreciation method of property, plant and equipment from the first quarter of the fiscal year under review.

As a result of these changes, segment income for the three months ended June 30, 2016 has increased by ¥125 million in the “Japan” segment compared to the depreciation method previously used.

4. Information on products and services

(Million yen)

Nets sales to outside customers	Amount	Change from the previous year (%)
Paints	116,928	0.1
Automotive	34,393	10.5
Trade-use	53,880	(2.5)
Industrial	16,466	(1.6)
Other paints	12,188	(11.2)
Fine chemicals	4,481	35.6
Total	121,410	1.0

Note: Consumption taxes are not included in these amounts.