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Consolidated Financial Results for the Three Months Ended March 31, 2018 [Japanese GAAP]



May 15, 2018

Company name: NIPPON PAINT HOLDINGS CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4612
 URL: <http://www.nipponpaint-holdings.com/>
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 Scheduled date filing quarterly securities report: May 15, 2018
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Three Months Ended March 31, 2018 (January 1, 2018 to March 31, 2018)

(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								
March 31, 2018	148,171	9.1	15,417	4.1	17,157	9.5	9,133	56.0
March 31, 2017	135,780	-	16,074	-	15,665	-	5,856	-

Note: Comprehensive income: Three months ended March 31, 2018: ¥(9,133) million [- %]
 Three months ended March 31, 2017: ¥(2,397) million [- %]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Three months ended				
March 31, 2018	28.48	28.47	28.48	28.47
March 31, 2017	18.26	18.26	18.26	18.26

The Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2016. Accordingly, percentage changes from the previous corresponding period are not presented, since the consolidation periods for the three months ended March 31, 2017 (January 1, 2017 to March 31, 2017) and for the corresponding period for three months ended June 30, 2016 (April 1, 2016 to June 30, 2016) differ from each other.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2018	885,010	610,638	55.1
As of December 31, 2017	920,591	629,408	54.8

Reference: Equity: As of March 31, 2018: ¥487,475 million
As of December 31, 2017: ¥504,336 million

2. Dividends

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

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

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	310,000	6.3	33,000	(7.0)	35,000	(4.3)	15,000	(2.9)	46.77
Full year	650,000	7.4	78,000	4.1	82,000	6.7	35,500	(4.4)	110.69

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

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: No
- (2) Accounting treatments adopted specially for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement: No
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
March 31, 2018: 325,402,443 shares
December 31, 2017: 325,402,443 shares
 - 2) Total number of treasury shares at the end of the period:
March 31, 2018: 4,700,671 shares
December 31, 2017: 4,700,301 shares
 - 3) Average number of shares during the period:
Three months ended March 31, 2018: 320,701,961 shares
Three months ended March 31, 2017: 320,703,804 shares

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

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

(Caution concerning forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that are judged to be reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results, etc. may differ greatly from the forecast figures depending on various factors. For the assumptions underlying the forecasts and precautions when using the forecasts, please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information” on page 4 of the Attachment.

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

(1) Explanation of Operating Results

The period of consolidation for the three months ended March 31, 2018 is the three months from January to March 2018.

During the three months ended March 31, 2018, consolidated net sales of the Company and its group companies (collectively, the “Group”) increased by 9.1% from the corresponding period of the previous year (the “previous year”), to ¥148,171million. Consolidated operating income decreased by 4.1% from the previous year, to ¥15,417million due to the effects of an increase in raw material prices, and consolidated ordinary income increased by 9.5% from the previous year, to ¥17,157million mainly due to the subsidy income related to the removal of a factory resulting from an environmental regulation in China. Profit attributable to owners of parent increased by 56.0% from the previous year, to ¥9,133million due to the extraordinary profit posted for the sale of land following the closure of Neyagawa office.

Results by business segment are as follows.

Japan

In this region, although the number of automobiles manufactured was slightly lower than the previous year, net sales of automotive coatings were higher than the previous year due to factors such as favorable shipments of premium design and high value-added coatings and efforts to expand our market share. As for industrial coatings, due to weak shipments of coatings for construction materials affected by unfavorable market, net sales were lower than the previous year. As for trade-use paints, despite of the sluggish market conditions in the retail sector since last year, net sales were higher than the previous year due to factors such as efforts to expand our market share in the sector by introducing new products.

As a result of these factors, consolidated net sales for the Japan segment increased by 1.6% from the previous year, to ¥41,956 million. Consolidated operating income increased by 12.8% from the previous year, to ¥10,253 million. ¥3,390 million of dividend income from overseas group companies (¥1,825 million in the previous year) is included in Consolidated operating income. All of this dividend income is eliminated as an internal transaction under “Inter-segment transaction eliminations and other adjustments.”

Asia

In this region, net sales for automotive coatings in China, a core region, were higher than the previous year due to the expansion of sales to Chinese manufacturers. As for trade-use paints, net sales were higher than the previous year, owing to implementation of sales promotion campaigns. In industrial coatings, net sales were lower than the previous year, owing primarily to weak shipments of coatings for construction materials affected by unfavorable market.

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

As a result of these factors, consolidated net sales for the Asia segment increased by 7.0% from the previous year, to ¥84,409 million. Consolidated operating income decreased by 7.3% from the previous year, to ¥7,898 million due to the effects of an increase in raw material prices.

Americas

In this region, net sales for automotive coatings decreased from the previous year, partly due to the effects of exchange rate in addition to a decline in the number of automobiles manufactured in the United States, a core region. In trade-use paints, consolidated net sales increased year on year with the results of DUNN-

EDWARDS CORPORATION, which was consolidated in March 2017, contributing to the sales for the full three months compared to one month in the previous year.

As a result of these factors, consolidated net sales for the Americas segment increased by 48.8% from the previous year, to ¥17,932 million. Consolidated operating income was ¥567 million, an increase of 705.7% from the previous year. Consolidated operating income of the three months ended March 31, 2017 included expenses related to the acquisition of stock of DUNN-EDWARDS CORPORATION.

Other

In this geographic segment, regarding automotive coatings, with number of automobiles manufactured decreasing, consolidated net sales were ¥3,873 million, an increase of 8.6% from the previous year mainly due to favorable shipments to French manufacturers and Consolidated operating income was ¥38 million, a decrease of 82.6% from the previous year mainly due to the aggravating effects of product mix.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year under review decreased by ¥35,580 million from the end of the previous fiscal year to ¥885,010 million. Current assets decreased by ¥9,782 million, mainly due to an increase in accounts receivable – trade, offset by a decrease in cash and deposits and securities. Additionally, non-current assets decreased by ¥25,797 million from the end of the previous fiscal year, primarily caused by factors such as decreases in trademark rights and goodwill due to the amortization and lower value of investment securities by the fall in share prices.

Liabilities decreased by ¥16,811 million from the end of the previous year to ¥274,371 million. The decrease was mainly attributable to a decrease in loans payable and deferred tax liabilities.

Net assets decreased by ¥18,769 million from the end of the previous fiscal year to ¥610,638 million. This was mainly attributable to an increase in retained earnings due to the recording of profit attributable to owners of parent offset by a decrease in valuation difference on available-for-sale securities and foreign currency translation adjustment.

As a result, equity ratio increased from 54.8% at the end of the previous fiscal year to 55.1%.

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

There are no revisions from consolidated financial results forecast for the six months ending June 30, 2018 and for the full year ending December 31, 2018 announced on February 14, 2018.

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

(Million yen)

	As of December 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	103,007	93,239
Notes and accounts receivable - trade	153,922	165,052
Electronically recorded monetary claims - operating	15,402	14,816
Securities	37,477	30,428
Inventories	68,406	68,044
Deferred tax assets	7,278	7,400
Other	20,800	18,226
Allowance for doubtful accounts	(4,394)	(5,090)
Total current assets	401,900	392,117
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	64,029	63,203
Other, net	78,850	76,015
Total property, plant and equipment	142,880	139,218
Intangible assets		
Goodwill	197,051	184,812
Trademark right	61,870	58,222
Other	54,295	51,622
Total intangible assets	313,216	294,657
Investments and other assets		
Investment securities	57,619	54,088
Deferred tax assets	1,143	1,137
Other	3,912	3,836
Allowance for doubtful accounts	(82)	(45)
Total investments and other assets	62,593	59,017
Total non-current assets	518,690	492,892
Total assets	920,591	885,010

(Million yen)

	As of December 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	79,940	80,314
Electronically recorded obligations - operating	22,380	20,694
Short-term loans payable	25,354	26,310
Income taxes payable	6,046	6,294
Provision for product compensation	2,340	365
Other	63,150	64,059
Total current liabilities	199,212	198,037
Non-current liabilities		
Long-term loans payable	31,741	21,047
Deferred tax liabilities	33,337	30,393
Provision for directors' retirement benefits	191	177
Provision for environmental measures	264	298
Net defined benefit liability	17,398	17,140
Other	9,037	7,277
Total non-current liabilities	91,970	76,334
Total liabilities	291,182	274,371
Net assets		
Shareholders' equity		
Capital stock	78,862	78,862
Capital surplus	63,262	63,262
Retained earnings	385,369	387,447
Treasury shares	(6,454)	(6,455)
Total shareholders' equity	521,040	523,116
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,068	10,358
Foreign currency translation adjustment	(25,387)	(42,889)
Remeasurements of defined benefit plans	(3,384)	(3,110)
Total accumulated other comprehensive income	(16,703)	(35,641)
Subscription rights to shares	136	154
Non-controlling interests	124,934	123,009
Total net assets	629,408	610,638
Total liabilities and net assets	920,591	885,010

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended March 31, 2018

(Million yen)

	For the three months ended March 31, 2017	For the three months ended March 31, 2018
Net sales	135,780	148,171
Cost of sales	79,818	89,844
Gross profit	55,961	58,327
Selling, general and administrative expenses	39,887	42,909
Operating income	16,074	15,417
Non-operating income		
Interest income	295	245
Dividend income	95	135
Share of profit of entities accounted for using equity method	131	250
Subsidy income	240	1,895
Other	740	517
Total non-operating income	1,503	3,043
Non-operating expenses		
Interest expenses	228	287
Foreign exchange losses	1,539	325
Other	144	691
Total non-operating expenses	1,912	1,303
Ordinary income	15,665	17,157
Extraordinary income		
Gain on sales of non-current assets	11	2,177
Total extraordinary income	11	2,177
Extraordinary losses		
Loss on sales and retirement of non-current assets	80	116
Total extraordinary losses	80	116
Profit before income taxes	15,596	19,218
Income taxes	5,298	5,816
Profit	10,298	13,401
Profit attributable to non-controlling interests	4,442	4,268
Profit attributable to owners of parent	5,856	9,133

Consolidated Statements of Comprehensive Income
 Three Months Ended March 31, 2018

(Million yen)

	For the three months ended March 31, 2017	For the three months ended March 31, 2018
Profit	10,298	13,401
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,674)	(1,656)
Foreign currency translation adjustment	(12,298)	(20,453)
Remeasurements of defined benefit plans	1,099	268
Share of other comprehensive income of entities accounted for using equity method	176	(694)
Total other comprehensive income	(12,696)	(22,535)
Comprehensive income	(2,397)	(9,133)
Comprehensive income attributable to		
Owners of parent	(3,816)	(9,804)
Non-controlling interests	1,418	671

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

There is no relevant information.

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

Calculation of tax expenses

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

(Segment information, etc.)

[Segment information]

I. For the three months ended March 31, 2017

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

(Million yen)

	Reportable segment				Other (Note)	Total
	Japan	Asia	Americas	Subtotal		
Net sales						
Net sales to outside customers	41,291	78,870	12,052	132,213	3,566	135,780
Inter-segment net sales or transfers	7,303	755	46	8,105	233	8,338
Total	48,594	79,625	12,098	140,318	3,800	144,119
Segment income	9,093	8,516	70	17,680	220	17,900

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

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

(Million yen)

Income	Amount
Total reportable segment income	17,680
Net income from "other"	220
Inter-segment transaction eliminations and other adjustments	(1,826)
Operating income recorded in the quarterly consolidated statements of income	16,074

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

3. Information on products and services

(Million yen)

Nets sales to outside customers	Amount	Change from the previous year (%)
Paint business	131,215	—
Automotive paint	36,935	—
Trade-use paint	64,550	—
Industrial paint	17,548	—
Other paint	12,180	—
Fine chemical business	4,564	—
Total	135,780	—

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

2. During the previous fiscal year, the fiscal year-end was changed from March 31 to December 31. As

a result, the period for comparison for the three months ended March 31 2017 differs, and change from the previous year is not provided.

II. For the three months ended on March 31, 2018

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

(Million yen)

	Reportable segment				Other (Note)	Total
	Japan	Asia	Americas	Subtotal		
Net sales						
Net sales to outside customers	41,956	84,409	17,932	144,298	3,873	148,171
Inter-segment net sales or transfers	8,892	640	49	9,582	181	9,764
Total	50,849	85,049	17,982	153,881	4,054	157,936
Segment income	10,253	7,898	567	18,719	38	18,758

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

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

(Million yen)

Income	Amount
Total reportable segment income	18,719
Net income from “other”	38
Inter-segment transaction eliminations and other adjustments	(3,340)
Operating income recorded in the quarterly consolidated statements of income	15,417

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

3. Information on products and services

(Million yen)

Nets sales to outside customers	Amount	Change from the previous fiscal year (%)
Paint business	143,422	9.3
Automotive paint	40,733	10.3
Trade-use paint	74,288	15.1
Industrial paint	16,075	(8.4)
Other paint	12,325	1.2
Fine chemical business	4,749	4.0
Total	148,171	9.1

Note: Consumption taxes are not included in these amounts.