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Consolidated Financial Results for the Nine Months Ended September 30, 2017 [Japanese GAAP]



November 14, 2017

Company name: NIPPON PAINT HOLDINGS CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4612
 URL: <http://www.nipponpaint-holdings.com/>
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 Scheduled date filing quarterly securities report: November 14, 2017
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2017 (January 1, 2017 to September 30, 2017)

(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	%
Nine months ended September 30, 2017	452,772	-	56,467	-	58,731	-	25,236	-
December 31, 2016	-	-	-	-	-	-	-	-

Note: Comprehensive income: Nine months ended September 30, 2017: ¥41,376 million [- %]
 Nine months ended December 31, 2016: ¥- million [- %]

	Basic earnings per share	Diluted earnings per share
Nine months ended September 30, 2017	Yen 78.69	Yen 78.68
December 31, 2016	-	-

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2017	912,464	603,439	53.3
As of December 31, 2016	827,996	585,757	57.2

Reference: Equity: As of September 30, 2017: ¥486,058 million
 As of December 31, 2016: ¥473,337 million

2. Dividends

	Annual dividends				
	1st quarter -end	2nd quarter -end	3rd quarter -end	Year-end	Total
Fiscal year ended December 31, 2016	Yen -	Yen 20.00	Yen -	Yen 20.00	Yen 40.00
Fiscal year ending December 31, 2017	-	20.00	-		
Fiscal year ending December 31, 2017 (Forecast)				22.00	42.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017 (January 1, 2017 to December 31, 2017)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share	
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
	605,000	-	75,000	-	78,000	-	34,000	-	106.02	

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

Due to a change in the fiscal year, the previous consolidated fiscal year was the nine months starting on April 1, 2016 and ending on December 31, 2016.

As a result, 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 restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement: No
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
September 30, 2017: 325,402,443 shares
December 31, 2016: 325,402,443 shares
 - 2) Total number of treasury shares at the end of the period:
September 30, 2017: 4,700,178 shares
December 31, 2016: 4,698,228 shares
 - 3) Average number of shares during the period:
Nine months ended September 30, 2017: 320,703,181 shares
Nine months ended December 31, 2016: - shares

Note: The Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2016. Accordingly, the consolidated financial statements for the nine months ended December 31, 2016 was not prepared, and therefore the average number of shares during the nine months ended December 31, 2016 has not been provided.

*These consolidated financial results are outside the scope of audit.

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

(Caution concerning forward-looking statements)

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

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

(1) Explanation of Operating Results

The period of consolidation for the nine months ended September 30, 2017 is the nine months from January to September 2017.

Additionally, NIPPON PAINT HOLDINGS CO., LTD. (the “Company”) has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended 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.

As a result, comparisons in each segment are compared with reference figures calculated with the nine months from January to September 2016 as the “corresponding period of the previous year.”

During the nine months ended September 30, 2017, consolidated net sales of the Company and its group companies (collectively, the “Group”) increased by 17.6% from the corresponding period of the previous year (the “previous year”), to ¥452,772 million. Consolidated operating income decreased by 4.8% from the previous year, to ¥56,467 million partly due to recording expenses related to the acquisition of stock in DUNN-EDWARDS CORPORATION during the three months ended March 31, 2017, in addition to the effects of an increase in raw material prices, and consolidated ordinary income increased by 4.1% from the previous year, to ¥58,731 million. Profit attributable to owners of parent increased by 6.7% from the previous year, to ¥25,236 million.

(Million yen)

	For the nine months ended September 30, 2016 (Reference)	For the nine months ended September 30, 2017	Change (%)
Net sales	384,979	452,772	17.6
Operating income	59,318	56,467	(4.8)
Ordinary income	56,442	58,731	4.1
Profit attributable to owners of parent	23,656	25,236	6.7

Note: For comparison with the nine months ended September 30, 2017, figures for the previous year are unaudited reference figures for the period between January and September 2016.

Results by business segment are as follows.

Japan

In this region, 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 sales of coatings for automotive parts. As for industrial coatings, due to favorable shipments of coatings for construction machinery and farming machinery and coatings for construction materials, net sales were higher than the previous year. As for trade-use paints, net sales decreased from the previous year due to factors such as sluggish market conditions in the retail sector. Regarding other coatings, net sales were significantly higher than the previous year due to efforts to expand the product lineup and expand market share of marine coatings.

As a result of these factors, consolidated net sales for the Japan segment increased by 2.3% from the previous year, to ¥130,828 million. Consolidated operating income decreased by 1.2% from the previous year, to ¥35,273 million. ¥12,543 million of dividend income from overseas group companies (¥12,117 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 China, a core region, net sales for automotive coatings were higher than the previous year due to factors such as an increase in the number of automobiles manufactured in addition to advancing the expansion of sales to Japanese and Chinese manufacturers. As for trade-use paints, net sales were significantly higher than in the previous year, owing to factors such as making a Chinese wood coatings manufacturer a subsidiary in January 2017, implementation of sales promotion campaigns, and focusing on expansion of recoating services. In industrial coatings, net sales were significantly higher than the previous year owing primarily to strong shipments of coatings for construction machinery and construction materials.

In the Asia region excluding China, in India, in line with an expansion in the partnership with BERGER PAINTS INDIA LIMITED, net sales increased for automotive coatings. In trade-use paints, net sales were strong, particularly in Singapore and Vietnam. Additionally, in marine coatings, net sales grew, primarily in South Korea and China.

As a result of these factors, consolidated net sales for the Asia segment increased by 17.1% from the previous year, to ¥261,327 million. Consolidated operating income decreased by 2.8% from the previous year, to ¥30,577 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 as the number of automobiles manufactured declined in the United States, a core region. Partly due to the effects of an increase in raw material prices, both net sales and income decreased on an existing business basis.

Furthermore, as DUNN-EDWARDS CORPORATION was consolidated in March 2017, consolidated net sales for this geographic segment were ¥50,221 million, an increase of 106.3% from the previous year. Consolidated operating income was ¥2,766 million, a decrease of 35.7% from the previous year, owing to factors such as the recording of expenses related to the acquisition of stock for the new consolidation during the three months ended March 31, 2017.

Other

In this geographic segment, regarding automotive coatings, shipments to Japanese manufacturers were strong. Furthermore, consolidated net sales for this geographic segment were ¥10,394 million, an increase of 8.2% from the previous year due to efforts for expansion of business toward European manufacturers, and consolidated operating income was ¥322 million, compared to an operating loss of ¥152 million during the previous year.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year under review increased by ¥84.47 billion from the end of the previous fiscal year to ¥912,464 million. Current assets decreased by ¥11.98 billion from the end of the previous fiscal year, mainly due to an increase in accounts receivable – trade and inventories, offset by a decrease in cash and deposits and securities. Non-current assets increased by ¥96.45 billion from the end of the previous fiscal year, primarily caused by factors such as increases in goodwill and non-current assets in line with the acquisition of DUNN-EDWARDS CORPORATION.

Liabilities increased by ¥66.79 billion from the end of the previous year to ¥309,024 million. The increase was mainly attributable to an increase in loans payable and the recording of deferred tax liabilities in line with the acquisition of DUNN-EDWARDS CORPORATION.

Net assets increased by ¥17.68 billion from the end of the previous fiscal year to ¥603,439 million. This was mainly attributable to an increase in retained earnings due to the recording of profit attributable to owners of parent and an increase in non-controlling interests.

As a result, equity ratio fell from 57.2% at the end of the previous fiscal year to 53.3%.

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

In our mainstay China market, the Company made efforts to expand market share by focusing on sales promotion activities to acquire a commanding market position although competition intensified under a harsh environment. As a result, net sales have grown steadily, and results are projected to exceed forecasts, owing in part to foreign exchange effects. Meanwhile, operating income is projected to fall below forecasts due to the rise in raw material prices since the beginning of the year and their trends exceeding projection in the second half onwards under tighter environmental regulations in China, as well as factors such as increases in various costs to comply with such reinforced regulations.

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

Revisions to the Full-Year Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017
(January 1, 2017 to December 31, 2017)

	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
Previously announced forecast (A)	577,000	81,000	84,000	37,000	115.37
Currently revised forecast (B)	605,000	75,000	78,000	34,000	106.02
Amount of change (B-A)	28,000	(6,000)	(6,000)	(3,000)	
Change (%)	4.9	(7.4)	(7.1)	(8.1)	

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2016	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	136,778	97,807
Notes and accounts receivable - trade	135,139	163,959
Electronically recorded monetary claims - operating	13,713	15,081
Securities	50,787	36,944
Inventories	55,594	65,696
Deferred tax assets	7,553	6,446
Other	17,052	20,000
Allowance for doubtful accounts	(3,698)	(4,994)
Total current assets	412,920	400,941
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,692	61,918
Other, net	63,977	79,131
Total property, plant and equipment	107,669	141,050
Intangible assets		
Goodwill	166,362	196,155
Trademark right	44,279	61,570
Other	47,055	53,000
Total intangible assets	257,696	310,726
Investments and other assets		
Investment securities	45,418	52,904
Deferred tax assets	1,210	1,169
Other	3,250	5,756
Allowance for doubtful accounts	(170)	(84)
Total investments and other assets	49,709	59,745
Total non-current assets	415,076	511,522
Total assets	827,996	912,464

(Million yen)

	As of December 31, 2016	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	70,732	86,834
Electronically recorded obligations - operating	21,512	21,609
Short-term loans payable	30,495	25,906
Income taxes payable	7,866	2,673
Other	57,325	77,398
Total current liabilities	187,932	214,422
Non-current liabilities		
Long-term loans payable	3,457	31,718
Deferred tax liabilities	23,270	37,561
Provision for directors' retirement benefits	142	190
Provision for environmental measures	294	244
Net defined benefit liability	19,124	17,771
Other	8,016	7,115
Total non-current liabilities	54,306	94,602
Total liabilities	242,238	309,024
Net assets		
Shareholders' equity		
Capital stock	78,862	78,862
Capital surplus	63,451	63,434
Retained earnings	361,074	373,483
Treasury shares	(6,444)	(6,452)
Total shareholders' equity	496,944	509,328
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,120	10,317
Foreign currency translation adjustment	(28,512)	(30,044)
Remeasurements of defined benefit plans	(5,214)	(3,542)
Total accumulated other comprehensive income	(23,606)	(23,269)
Subscription rights to shares	85	125
Non-controlling interests	112,334	117,255
Total net assets	585,757	603,439
Total liabilities and net assets	827,996	912,464

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended September 30, 2017

(Million yen)

	For the nine months ended September 30, 2017
Net sales	452,772
Cost of sales	268,090
Gross profit	184,682
Selling, general and administrative expenses	128,214
Operating income	56,467
Non-operating income	
Interest income	857
Dividend income	583
Share of profit of entities accounted for using equity method	847
Gain on investment of securities	1,120
Other	1,471
Total non-operating income	4,879
Non-operating expenses	
Interest expenses	838
Foreign exchange losses	1,052
Other	723
Total non-operating expenses	2,615
Ordinary income	58,731
Extraordinary income	
Gain on sales of non-current assets	35
Other	4
Total extraordinary income	40
Extraordinary losses	
Loss on sales and retirement of non-current assets	505
Other	28
Total extraordinary losses	533
Profit before income taxes	58,238
Income taxes	17,690
Profit	40,547
Profit attributable to non-controlling interests	15,310
Profit attributable to owners of parent	25,236

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended September 30, 2017

(Million yen)

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

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

There is no relevant information.

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

Calculation of tax expenses

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

(Segment information, etc.)

[Segment information]

For the nine months ended September 30, 2017

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

(Million yen)

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

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

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

(Million yen)

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

Note: “Inter-segment transaction eliminations and other adjustments” for the nine months ended September 30, 2017 includes inter-segment dividend income.

3. Information on assets by reportable segment

(Significant increase in assets due to acquisition of subsidiary)

During the three months ended March 31, 2017, segment assets in the “Americas” segment increased by ¥89,746 million compared to December 31, 2016 due to the inclusion of DUNN-EDWARDS CORPORATION in the scope of consolidation.

4. Information on products and services

(Million yen)

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

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

2. During the previous fiscal year, the fiscal year-end was changed from March 31 to December 31. As a result, the period for comparison for the nine months ended September 30, 2017 differs, and change from the previous year is not provided.